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## Jujiang Construction Group Co., Ltd.

### 巨匠建設集團股份有限公司

(A joint stock limited liability company established in the People's Republic of China)  
(Stock Code: 1459)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

### FINANCIAL HIGHLIGHTS

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

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

### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Jujiang Construction Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018. The interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

*For the six months ended 30 June 2019*

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

		As at <b>30 June 2019</b> RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		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		11,633	26,224
		230,945	280,294
<b>CURRENT ASSETS</b>			
Prepaid land lease payments		-	291
Inventories		17,974	17,209
Trade and bills receivables	12	1,198,278	1,470,703
Contract assets	11	3,012,414	3,077,317
Prepayments, other receivables and other assets		529,659	466,489
Pledged deposits		64,550	35,369
Cash and cash equivalents		236,894	167,406
		5,059,769	5,234,784
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	2,755,850	3,159,517
Other payables and accruals		415,462	439,085
Interest-bearing bank and other borrowings		457,710	420,050
Tax payable		197,081	182,390
		3,826,103	4,201,042
<b>NET CURRENT ASSETS</b>		1,233,666	1,033,742
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,464,611	1,314,036

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has 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 information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousands, except when otherwise indicated.

This interim condensed consolidated financial information has 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	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC Inc 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>

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.

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.

#### *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	<u>-</u>

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

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

#### 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'.

## 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.



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 Land lease RMB’000
As at 1 January 2019	8,997
Depreciation charge	(146)
As at 30 June 2019	<u>8,851</u>

(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 defence 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.

<b>For the six months ended 30 June 2019</b>	<b>Construction contracting RMB'000 (Unaudited)</b>	<b>Others RMB'000 (Unaudited)</b>	<b>Eliminations RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Segment revenue</b>				
Sales to external customers	3,357,689	44,204	-	3,401,893
Intersegment sales	736	5,639	(6,375)	-
<b>Total revenue</b>	<b>3,358,425</b>	<b>49,843</b>	<b>(6,375)</b>	<b>3,401,893</b>
Segment results	85,486	8,396	(2,655)	91,227
Income tax expense	(21,151)	(1,756)	-	(22,907)
<b>Profit for the period</b>	<b>64,335</b>	<b>6,640</b>	<b>(2,655)</b>	<b>68,320</b>
<b>Other segment information:</b>				
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 <sup>1</sup>	6,702	285	-	6,987
<b>As at 30 June 2019</b>				
	<b>Construction contracting RMB'000 (Unaudited)</b>	<b>Others RMB'000 (Unaudited)</b>	<b>Eliminations RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Segment assets</b>	<b>5,160,805</b>	<b>391,048</b>	<b>(261,139)</b>	<b>5,290,714</b>
<b>Segment liabilities</b>	<b>3,764,770</b>	<b>281,456</b>	<b>(117,773)</b>	<b>3,928,453</b>

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)
<b>Segment revenue :</b>				
Sales to external customers	3,187,333	27,427	-	3,214,760
Intersegment sales	-	3,240	(3,240)	-
<b>Total revenue</b>	<b>3,187,333</b>	<b>30,667</b>	<b>(3,240)</b>	<b>3,214,760</b>
Segment results	104,661	1,395	(1,400)	104,656
Income tax expense	(26,343)	(890)	-	(27,233)
<b>Profit for the period</b>	<b>78,318</b>	<b>505</b>	<b>(1,400)</b>	<b>77,423</b>
<b>Other segment information:</b>				
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 <sup>1</sup>	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)
<b>Segment assets</b>	<b>5,057,915</b>	<b>113,987</b>	<b>(195,551)</b>	<b>4,976,351</b>
<b>Segment liabilities</b>	<b>3,801,037</b>	<b>68,133</b>	<b>(99,701)</b>	<b>3,769,469</b>

Note:

<sup>1</sup> Capital expenditure mainly consists of additions to property, plant and equipment and intangible assets.

#### 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
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
	<b>3,401,893</b>	<b>3,214,760</b>

Disaggregated revenue information for revenue from contracts with customers

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

<b>Segments</b>	<b>Construction contracting RMB'000 (Unaudited)</b>	<b>Others RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Type of goods or service</b>			
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
<b>Total revenue from contracts with customers</b>	<b>3,357,689</b>	<b>44,204</b>	<b>3,401,893</b>
<b>Geographical markets</b>			
Mainland China	3,357,689	44,204	3,401,893
<b>Total revenue from contracts with customers</b>	<b>3,357,689</b>	<b>44,204</b>	<b>3,401,893</b>
<b>Timing of revenue recognition</b>			
Services transferred over time	3,357,689	12,505	3,370,194
Goods transferred at a point in time	-	31,699	31,699
<b>Total revenue from contracts with customers</b>	<b>3,357,689</b>	<b>44,204</b>	<b>3,401,893</b>

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

<b>Segments</b>	<b>Construction contracting RMB'000 (Unaudited)</b>	<b>Others RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Type of goods or service</b>			
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
<b>Total revenue from contracts with customers</b>	<b>3,187,333</b>	<b>27,427</b>	<b>3,214,760</b>
<b>Geographical markets</b>			
Mainland China	3,187,333	27,427	3,214,760
<b>Total revenue from contracts with customers</b>	<b>3,187,333</b>	<b>27,427</b>	<b>3,214,760</b>

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)
<b>Revenue</b>			
External customers	3,357,689	44,204	3,401,893
Intersegment sales	-	6,375	6,375
	<u>3,357,689</u>	<u>50,579</u>	<u>3,408,268</u>
Intersegment adjustments and eliminations	-	(6,375)	(6,375)
<b>Total revenue from contracts with customers</b>	<b><u>3,357,689</u></b>	<b><u>44,204</u></b>	<b><u>3,401,893</u></b>

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

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

## 5. OTHER INCOME AND GAINS

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

	<b>For the six months ended 30 June</b>	
	<b>2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2018</b> <b>RMB'000</b> <b>(Unaudited)</b>
Interest income	250	90
Government grant	99	673
Others	197	332
	<u>546</u>	<u>1,095</u>

## 6. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2019</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2018</b> <b>RMB'000</b> <b>(Unaudited)</b>
Interest on bank loans	36,667	26,871
Interest on discounted bills receivable	1,404	3,384
Letter of guarantee	110	1,735
	<u>38,181</u>	<u>31,990</u>

## 7. PROFIT BEFORE TAX

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

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

## 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, Jiaying 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	<u>22,907</u>	<u>27,233</u>

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 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	<u>22,907</u>	<u>27,233</u>

## 9. DIVIDENDS

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

\* 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 the 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 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>65,333</u>	<u>77,316</u>
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<u>533,360</u>	<u>533,360</u>



## 11. 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
	<u>3,015,965</u>	<u>3,081,045</u>
Impairment	(3,551)	(3,728)
	<u>3,012,414</u>	<u>3,077,317</u>

## 12. 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	<u>951,356</u>	<u>1,047,894</u>
Bills receivable	246,922	422,809
	<u>1,198,278</u>	<u>1,470,703</u>

An ageing analysis of the trade receivables as at the end of each 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
	<u>951,356</u>	<u>1,047,894</u>

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

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

### 13. TRADE AND BILLS PAYABLES

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

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

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

### 14. COMMITMENTS

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 <sup>(1)</sup>	4,632.3	4,038.9
Revenue recognized <sup>(2)</sup>	(3,365.1)	(3,192.9)
Closing value of backlog <sup>(3)</sup>	<u>12,506.4</u>	<u>8,822.8</u>

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 (except 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.

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

### **‘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 year ended 30 June 2019, approximately 98.7% (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	%
<b>Construction contracting business</b>				
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
	<u>3,357.7</u>	<u>98.7</u>	<u>3,187.4</u>	<u>99.1</u>
<b>Other business</b>	<u>44.2</u>	<u>1.3</u>	<u>27.4</u>	<u>0.9</u>
<b>Total revenue</b>	<u>3,401.9</u>	<u>100.0</u>	<u>3,214.8</u>	<u>100.0</u>

## **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 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 Jiaying 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 collect 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. Such increase was in line with the expansion of the business. 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.

## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board does not recommend the payment of 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 announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

### **DIRECTORS' COMPETING INTERESTS**

Save as disclosed in this announcement, none of the controlling shareholders, Directors and their respective close associates 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 and up to the date of this announcement, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below.

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 do not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Lyu Yaoneng currently performs these two roles. The 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. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and general manager of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed above, the Company has complied with the CG Code for the period. The 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 set out in Appendix 10 to the Listing Rules (“**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.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this announcement, 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 announcement.

## **PUBLICATION OF THE CONDENSED CONSOLIDATED INTERIM RESULTS AND 2019 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jujiang.cn>) and the 2019 Interim Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed together with the management and external auditor of the Company has reviewed the accounting principles and policies adopted by the Group and discussed the internal control and financial reporting matters including a review of the annual results of the Group for the six months ended 30 June 2019.

By order of the Board  
**Jujiang Construction Group Co., Ltd.**  
**Mr. Lyu Yaoneng**  
*Chairman*

Zhejiang Province, the PRC, 26 August 2019

*As of the date of this announcement, the Board comprises Mr. Lyu Yaoneng, Mr. Lyu Dazhong, Mr. Li Jinyan, Mr. Lu Zhicheng, Mr. Shen Haiquan and Mr. Zheng Gang, as executive Directors; and Mr. Yu Jingxuan, Mr. Lin Tao, and Mr. Wong Kai Wai, as independent non-executive Directors.*

*\* for identification purposes only*