



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)



2020

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
(resigned with effect from 19 July 2020)
Mr. Jin Shuigen

AUTHORISED REPRESENTATIVES

Mr. Lyu Yaoneng
Mr. Jin Shuigen

LEGAL ADVISER

As to Hong Kong Law
Chungs Lawyers (in association with DeHeng
Law Offices)

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

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

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		
	2020	2019	Change %
	Unaudited RMB'000	Unaudited RMB'000	
Revenue	3,737,667	3,401,893	9.9
Gross profit	191,845	183,351	4.6
Gross profit margin	5.13%	5.39%	(0.26)
Profit for the period	57,429	68,320	(15.9)
Net profit margin	1.54%	2.01%	(0.47)
Basic and diluted earnings per share (RMB)	0.11	0.12	

OVERVIEW

Jujiang Construction Group Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) were 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 of 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 who can satisfy 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 the holder of two key certificates as well as the holder of other certificates, 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

Under ever-mounting downward pressure on the economy since 2019, the Gross Domestic Product (“GDP”) posted a year-on-year increase of 6.1% for the year. Entering into 2020, against the backdrop of the COVID-19 pandemic and the downward pressure on the economy, GDP fell by 6.8% and increased by 3.2% respectively in the first and second quarter. The construction industry was also partly affected by the COVID-19 pandemic, the State and the local governments, however, have introduced policies of safeguard measures with respect to finance, fiscal taxation and other areas after the COVID-19 pandemic subsided. The development of the Chinese economy is in dire need of a boost in domestic demand and an increase in investment, from which the construction industry will benefit.

In the first half of 2020, the real estate market in general showed a steadily declining trend. According to the statistics of the National Bureau of Statistics, for the six months ended 30 June 2020, i) total housing construction area in China was approximately 11,205.65 million square meters (“sq.m.”) (30 June 2019: approximately 10,749.59 million sq.m.), representing an increase of approximately 4.2% from the corresponding period of 2019; ii) total newly commenced construction area in China was approximately 2,226.16 million sq.m. (30 June 2019: approximately 2,351.89 million sq.m.), representing a decrease of approximately 5.3% from the corresponding period of 2019; and iii) total contract amount of PRC construction enterprises was approximately RMB39,087.5 billion (30 June 2019: approximately RMB36,397.8 billion), representing an increase of approximately 7.4% from the corresponding period of 2019. Moreover, the total value of the PRC construction industry was approximately RMB10,084.0 billion for the six months ended 30 June 2020, (30 June 2019: approximately RMB10,161.6 billion), which remained stable as compared with the corresponding period of 2019.

Management Discussion and Analysis

As the economy undergoes a smooth transition to a medium-to-low growth stage, the growth of the construction industry may slow down in the long term. The industry itself, however, will continue to play a crucial role in the national economy. Whenever there is a huge downward pressure on the economy, the State will generally increase investments in the construction industry in order for it to sustain economic growth. This was especially the case after the COVID-19 pandemic, as more “Growth Stabilizing” policies(「穩增長」政策) were implemented. In January 2020, No.1 Document entitled “Opinions of the CPC Central Committee and the State Council on Making the Key Work in Agriculture, Rural Areas and Farmers a Success to Ensure the Realization of Moderate Prosperity in All Respects”(《中共中央國務院關於抓好「三農」領域重點工作確保如期實現全面小康的意見》) of the central government further proposed to enhance the construction of modern agricultural infrastructure facilities, seize opportunities to initiate and commence construction of a series of major water conservancy and auxiliary facilities. In February and March 2020, the Standing Committee of the Central Political Bureau of the CPC Central Committee, the Standing Committee of the State Council and others convened four meetings to stress the importance of accelerating the progress of constructing 5G base stations, the Industrial Internet and other new types of infrastructural facilities, the introduction of which will push the construction industry to upgrade to a more efficient mode of development and create new momentum for the growth of the economy. On 5 May 2020, addressing the Third Session of the Thirteenth National People’s Congress, Li Keqiang, Premier of the State Council, proposed on behalf of the State Council in his 2020 Government Work Report to give priority to the construction of “new infrastructure, new urbanisation initiatives and major projects”. “New infrastructure, new urbanisation initiatives” refers to the construction of new types of infrastructure facilities and urbanisation facilities, while “major projects” refers to transportation, water conservancy and other major projects. If enterprises can take the advantage of the construction of “new infrastructure, new urbanization initiatives and major projects”, actively transform and upgrade, and grasp the opportunities to undertake new infrastructure construction and new urbanisation projects, we shall then expect promising development in the country.

BUSINESS REVIEW

Looking back into the first half of 2020, the Group has also encountered challenges as the industry was severely affected by the COVID-19 pandemic. In such exceptional times, the Group has forged ahead united, surmounted the unprecedented difficulties and demonstrated great capabilities to counteract risks. The Group’s revenue and net profit for the six months ended 30 June 2020 were approximately RMB3,737.7 million and approximately RMB57.4 million respectively, representing an increase of approximately 9.9% and a decrease of approximately 15.9% respectively from the corresponding period of the previous year. The value of backlog increased by approximately 22.8% to approximately RMB15,354.4 million as at 30 June 2020 as compared to that of approximately RMB12,506.4 million as at 30 June 2019. The following table sets forth a breakdown of the movement in the value of backlog:

	For the six months ended 30 June	
	2020	2019
	RMB’million (Unaudited)	RMB’million (Unaudited)
Opening value of backlog	14,432.8	11,239.2
Net value of new projects ⁽¹⁾	4,631.0	4,632.3
Revenue recognized ⁽²⁾	(3,709.4)	(3,365.1)
Closing value of backlog ⁽³⁾	15,354.4	12,506.4

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 at the end of the relevant period indicated.

Making the principal business prominent

In the first half of 2020, in response to the challenges brought by the COVID-19 pandemic, the Group maintained steady development of its businesses through market expansions and the undertaking of large-scale projects by leveraging the strength of its brand, management and talents. A net contract value of the newly signed-up projects of approximately RMB4.63 billion was achieved. As travelling to other regions was banned in the face of the COVID-19 pandemic, the Group, focused mainly on the consolidation of its market share in Jiaxing city in the first half of the year. The contract value of the newly signed-up projects in Jiaxing city reached RMB2.37 billion, which accounted for approximately 51.1% of the total contract value and represented a significant increase of approximately 140.9% over the corresponding period.

Affected by the COVID-19 pandemic, operations of all industries became increasingly difficult amidst downward pressure on the economy. Upon undertaking large-scale projects, the Group adopted the quality-over-quantity approach to ensure development in a difficult environment. For the six months ended 30 June 2020, the Group has entered into quality project businesses with contract value over RMB100 million mainly with a number of top real estate companies and quality customers, which amounted to nearly RMB3.39 billion in contract value and accounted for approximately 73.2% of the total contract value. Newly signed-up residential and commercial housing projects amounted to approximately RMB3.47 billion for the period, accounting for approximately 74.9% of the total contract value; industrial projects amounted to approximately RMB0.88 billion, accounting for approximately 19.0% of the total contract value; and public facility construction projects amounted to approximately RMB0.28 billion, accounting for approximately 6.1% of the total contract value.

Excelling in professionalism

In addition to making the principal business prominent in the first half of 2020, the Group also stepped up the resources committed to the development of its professional capabilities, expanded its businesses in various specialized sectors such as decorative foundations, municipal services and fire safety. Meanwhile, the Group was further extending to the upstream and downstream of the industrial chain to enhance complementary advantages between various specialized sectors and the principal business so as to promote diversity across projects and income to each business segment. During the first half of 2020, business growth in various specialized sectors was boosted by the contracting of engineering, procurement and construction. In particular, the business of decorative foundation companies amounted to approximately RMB210 million, new contracts signed up with municipal companies amounted to approximately RMB185 million, and the fire safety sector amounted to approximately RMB109 million.

Management Discussion and Analysis

The Group strengthened the evaluation and maintenance of technology centers of provincial enterprises, deepened the application of “production, study, research and utilization” platforms and post-doctoral workstations, reinforced research on new technologies, new craftsmanship, new materials and new equipment technologies, and strengthened the technical support for the construction of key projects and landmark projects. The Group obtained 1 provincial construction method, 10 accepted national patents, 2 licenses, 3 provincial QC achievements and 6 municipal QC achievements for the first half of the year. By way of the QC achievements, construction methods and patent applications, the Group has stepped up the summarization, upgrade, promotion and application of the existing technological achievements.

In the first half of 2020, the Group expanded its application of BIM technology in project construction management and made a step towards the goal of full coverage of new construction projects. Relying on its synchronized participation in new projects, the Group accelerated the extensive integration of BIM technology with project technology, production and business management. The Group planned to establish Zhejiang Yunjiang Digital Construction Technology Research Institute Co., Ltd. (浙江雲匠數字建造技術研究院有限公司) to formulate long-term development plans for sustainable and healthy development, actively cooperate with external training institutions and develop external training businesses so as to enhance the core competitiveness and industry influence of the Company’s application of BIM technology. The Group promoted the construction of the I8 Integrated Management Informatization System Platform, improved its existing modules, and perfected the project management system. A decision-making center platform was developed, and preliminary segment demand survey and blueprint design for the second phase of production were completed. Various financial statements and modules were developed and uploaded online. The construction of the Company’s digitalized and intelligent industrial site was accelerated, face recognition and data synchronization for the labor service real-name system were developed based on the I8 platform, and the development of a data synchronization interface for Pinghu, Haiyan and other county-level platforms was also completed.

Expanding into new areas

The engineering, procurement and construction (“EPC”) projects and public-private partnership (“PPP”) projects have been progressing in a solid way. By carrying out the operation and construction of the two EPC projects, the Group has built a direct project management team, toughened the design management team and raised the operation level of the general contracting of projects. In the first half of the year, the Group has undertaken the EPC project of Gaoqiao Scenic Village and commenced the construction of the research center. The PPP project for the practice base for quality youth education in Tongxiang City (the “Educational Complex”) has practically been completed, from which valuable experience for the expansion into new areas was accumulated.

Management Discussion and Analysis

For the six months ended 30 June 2020, approximately 99.2% of the revenue was contributed by the construction contracting business (six months ended 30 June 2019: 98.7%).

	For the six months ended 30 June 2020		2019	
	RMB'million (Unaudited)	%	RMB'million (Unaudited)	%
Construction contracting business				
Residential	2,155.2	57.6	1,736.9	51.1
Commercial	343.2	9.2	472.3	13.9
Industrial	859.3	23.0	888.1	26.1
Public works	351.7	9.4	260.4	7.6
	3,709.4	99.2	3,357.7	98.7
Other business				
Design, survey and consultancy	11.3	0.3	12.5	0.4
Sale of construction materials and civil defence products	17.0	0.5	31.7	0.9
	28.3	0.8	44.2	1.3
Total revenue	3,737.7	100.0	3,401.9	100.0

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 9.9% from approximately RMB3,401.9 million for the six months ended 30 June 2019 to approximately RMB3,737.7 million for the six months ended 30 June 2020, primarily because of an increase in the construction contracting business amounting to approximately RMB351.7 million, which was offset by a decrease in other business amounting to approximately RMB15.9 million for the six months ended 30 June 2020. Increase in construction contracting business was primarily due to an increase in revenue from residential construction contracting business amounting to approximately RMB418.3 million, which was partially offset by a decrease in revenue from commercial construction contracting business of approximately RMB129.1 million. Increase in revenue from residential construction contracting business for the six months ended 30 June 2020 was a result of benefits of the development of property market in the PRC, the Group co-operated with mega property developers and developers outside Jiaying City which stimulated our revenue. However, with the uncertain economy in the PRC, commercial activities were cooled down. As a result, the revenue from commercial construction contracting business for the six months ended 30 June 2020 was decreased.

Gross profit increased by approximately 4.6% from approximately RMB183.4 million for the six months ended 30 June 2019 to approximately RMB191.8 million for the six months ended 30 June 2020, which was in line with increase in revenue. However, the gross profit margin decreased from approximately 5.39% for the six months ended 30 June 2019 to approximately 5.13% for the six months ended 30 June 2020, such decrease was mainly due to the decrease in gross

Management Discussion and Analysis

profits margins of the other business. The gross profit margin of the construction contracting business was at approximately 5.04% and 5.08% for the six months ended 30 June 2020 and 2019, respectively. The gross profit margins of the other business decreased from approximately 28.9% for the six months ended 30 June 2019 to approximately 16.7% for the six months ended 30 June 2020, such decrease was primarily attributable to the service business being affected by the COVID-19 pandemic.

Other income and gains

Other income and gains increased by approximately RMB3.2 million from approximately RMB0.5 million for the six months ended 30 June 2019 to approximately RMB3.7 million for the six months ended 30 June 2020 primarily because of an increase in government grant income of approximately RMB2.8 million for the six months ended 30 June 2020.

Administrative expenses

The administrative expenses increased by approximately 25.2% from approximately RMB45.3 million for the six months ended 30 June 2019 to approximately RMB56.7 million for the six months ended 30 June 2020 which was primarily due to an increase in salaries and employee benefits of approximately RMB9.5 million as the Group has recruited a total of 112 new employees, including senior technology professionals, first class constructors and second class constructors, to meet its fast growing business and an incremental in salaries.

Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, including trade receivables and other receivables, increased significantly by approximately 56.3% from approximately RMB8.7 million for the six months ended 30 June 2019 to approximately RMB13.6 million for the six months ended 30 June 2020, primarily due to the worsened economic environment. The impairments of trade receivables and other receivables increased from approximately RMB7.0 million and approximately RMB2.0 million, respectively, for the six months ended 30 June 2019 to approximately RMB9.9 million and approximately RMB3.1 million, respectively, for the six months ended 30 June 2020.

Other expenses

Other expenses increased by approximately RMB6.3 million from approximately RMB0.4 million for the six months ended 30 June 2019 to approximately RMB6.7 million for the six months ended 30 June 2020, primarily due to the recognition of a loss on disposal of a subsidiary of the Group amounting to approximately RMB6.4 million for the six months ended 30 June 2020 when no such loss was incurred for the six months ended 30 June 2019. In June 2020, the Company and an independent third party entered into the share transfer agreement, pursuant to which the Company agreed to sell 100% of the equity interest in the wholly-owned subsidiary, Zhejiang Juijiang Construction Surveying and Design Co., Ltd. (浙江巨匠建築勘察設計有限公司) to the vendor at a cash consideration of RMB3.0 million which is same as the paid-in share capital of the subsidiary.

Finance costs

Finance costs increased by approximately 19.1% from approximately RMB38.2 million for the six months ended 30 June 2019 to approximately RMB45.5 million for the six months ended 30 June 2020. Such increase was primarily due to customers of the Group increased the use of bills for the settlement, the Group increased its working capital by using factoring which generated the finance costs.

Income tax expense

Income tax expenses decreased by 32.0% from approximately RMB22.9 million for the six months ended 30 June 2019 to approximately RMB15.6 million for the six months ended 30 June 2020 primarily because of a decrease in profits from the operation. The effective tax rate decreased from approximately 25.1% for the six months ended 30 June 2019 to 21.3% for the six months ended 30 June 2020 primarily because the Group reversed a provision of income tax in relation to prior year of RMB4.3 million for the six months ended 30 June 2020.

Profit for the period

Profit for the period decreased by approximately 15.9% from approximately RMB68.3 million for the six months ended 30 June 2019 to approximately RMB57.4 million for the six months ended 30 June 2020. Net profit margin decreased from approximately 2.0% for the six months ended 30 June 2019 to approximately 1.5% for the six months ended 30 June 2020, primarily due to an increase in administrative expenses and a loss on disposal of a subsidiary for the six months ended 30 June 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from the cash generated from operating activities and interest-bearing bank and other borrowings. As at 30 June 2020 and 31 December 2019, the Group had cash and cash equivalents of approximately RMB129.9 million and approximately RMB274.0 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 increased from approximately RMB2,564.1 million as at 31 December 2019 to approximately RMB2,746.4 million as at 30 June 2020, representing 48.7% and 53.7% of the total current assets as at the end of the corresponding period. The proportion of the contract assets to the total current assets was increased due to an increase in the balance of the contract assets. The increase in contract assets was primarily due to the slowed-down billing process brought about by the COVID-19 pandemic.

Trade and bills receivables

Trade and bills receivables decreased by approximately 10.3% from approximately RMB1,774.9 million as at 31 December 2019 to approximately RMB1,592.4 million as at 30 June 2020. Such decrease was due to the slowed down billing process brought about by the COVID-19 pandemic. The trade and bills receivables turnover days decreased from approximately 84 days as at 31 December 2019 to approximately 81 days as at 30 June 2020, which was stable.

Management Discussion and Analysis

Trade and bills payables

Trade and bills payables decreased by approximately 8.2% from approximately RMB2,836.6 million as at 31 December 2019 to approximately RMB2,604.5 million as at 30 June 2020. Such decrease was due to the advanced payment made to secure the materials to be delivered on time after the suspension of the construction works under the COVID-19 pandemic. The trade and bills payables turnover days decreased from approximately 164 days as at 31 December 2019 to approximately 138 days as at 30 June 2020.

Borrowings and charge on assets

As at 30 June 2020, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB557.7 million (31 December 2019: approximately RMB548.2 million). The short-term interest bearing borrowings amounting to approximately RMB420.9 million (31 December 2019: approximately RMB407.3 million) are repayable within 1 year and carried effective interest rate with a range from 4.05% to 15.0% per annum (31 December 2019: 2.88% to 15.0% per annum). A long-term interest-bearing borrowings amounting to approximately RMB136.8 million (31 December 2019: RMB140.9 million) are repayable from 2021 to 2028 and the interest rate is 10% lower than the base rate announced by the People's Bank of China.

As at 30 June 2020, certain general banking facilities were secured by the land use rights and buildings and trade receivables of approximately RMB89.8 million and nil, respectively (31 December 2019: approximately RMB91.0 million and RMB30.0 million).

Gearing ratio

The gearing ratio increased from 11.4% as at 31 December 2019 to approximately 24.9% as at 30 June 2020. The increase was mainly attributable to a decrease in cash and cash equivalents and pledged deposits with aggregated amounts of approximately RMB193.8 million.

Gearing ratio represents net debt divided by total equity as at 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 2020, the capital expenditures were approximately RMB15.4 million (six months ended 30 June 2019: approximately RMB6.4 million). The capital expenditure incurred for the six months ended 30 June 2020 was primarily related to the concession right of the Educational Complex and the procurement of construction machinery for the business expansion.

Capital commitments

As at 30 June 2020, the Group did not have any significant commitments.

Contingent liabilities

As at 30 June 2020, 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 a 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

Save as disclosed in this report, the Group had no significant investments held, material acquisitions and disposals during the six months ended 30 June 2020.

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 2020.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 974 employees, of which 615 were based in Jiaxing City, and 359 were based in other areas in Zhejiang Province and in other provinces and regions in China. For the six months ended 30 June 2020, the Group incurred total staff costs of approximately RMB37.1 million, representing an increase of approximately 30.1% as compared with the same period in 2019, 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

As economic activities in China resumes, the impact on the construction industry at the early stage of the COVID-19 pandemic has basically been fully reflected. The Group will take the initiative to respond to challenges, risks and difficulties, transform its development mindset, aim for comprehensive and high-quality development and build itself a solid foundation. At the same time, the Group will actively search for suitable markets and make every effort to promote quality services.

Management Discussion and Analysis

In terms of market development, the Group will expand the market of major customers, promote going out development and undertake business in new areas, as well as extend and expand new or nationwide projects for major customers with whom we have already secured project cooperation or entered into strategic cooperation agreements. The Group will also more frequently participate in the bidding of projects of private enterprises with good credentials, cultivate a number of new major customers with sustainable development and established businesses, so as to promote quality improvement and increment of their businesses. At the same time, the government has introduced a number of policies to increase infrastructure investment. The Group will pay more attention to government platform projects, comprehensively track the key projects in the Jiaying region to increase its participation in tenders and bolster its market share of public construction projects in the region.

In terms of internal management, the Group will firmly establish the corporate brand philosophy of “winning by speed, quality and safety” as its focus of work. 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 2020 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 2020 (six months ended 30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2020 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 2020, 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.

Other Information

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

As at 30 June 2020, 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 2020, 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 2020, 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 2020, 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. 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. 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 have confirmed that they have complied with the relevant provisions of the Model Code throughout the period from 1 January 2020 to 30 June 2020.

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.

Other Information

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there are no major subsequent events to 30 June 2020 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 of the Company the accounting principles and policies adopted by the Group, and discussed the internal control and financial reporting matters of the Group. The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020, and 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, 28 August 2020



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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 50, 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 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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.

Independent Review Report

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

28 August 2020

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	4	3,737,667	3,401,893
Cost of sales		(3,545,822)	(3,218,542)
Gross profit		191,845	183,351
Other income and gains	5	3,734	546
Administrative expenses		(56,737)	(45,297)
Impairment losses on financial and contract assets, net		(13,631)	(8,744)
Other expenses		(6,705)	(448)
Finance costs	6	(45,490)	(38,181)
PROFIT BEFORE TAX	7	73,016	91,227
Income tax expense	8	(15,587)	(22,907)
PROFIT FOR THE PERIOD		57,429	68,320
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		57,429	68,320
Profit attributable to:			
Owners of the parent		56,809	65,333
Non-controlling interests		620	2,987
		57,429	68,320
Total comprehensive income attributable to:			
Owners of the parent		56,809	65,333
Non-controlling interests		620	2,987
		57,429	68,320
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	10	0.11	0.12

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	131,669	135,201
Investment properties	12	16,479	–
Right-of-use assets		20,036	8,705
Goodwill		1,162	1,162
Other intangible assets		78,127	66,207
Deferred tax assets		27,209	24,277
Prepayments, other receivables and other assets	15	–	11,685
Total non-current assets		274,682	247,237
CURRENT ASSETS			
Inventories		23,897	37,515
Trade and bills receivables	14	1,592,399	1,774,881
Contract assets	13	2,746,425	2,564,120
Prepayments, other receivables and other assets	15	559,475	506,964
Pledged deposits	16	60,359	110,126
Cash and cash equivalents	16	129,918	273,991
Total current assets		5,112,473	5,267,597
CURRENT LIABILITIES			
Trade and bills payables	17	2,604,494	2,836,562
Other payables and accruals	18	527,286	486,314
Interest-bearing bank and other borrowings	19	420,887	407,300
Lease liabilities		989	–
Tax payable		213,548	207,456
Total current liabilities		3,767,204	3,937,632
NET CURRENT ASSETS		1,345,269	1,329,965
TOTAL ASSETS LESS CURRENT LIABILITIES		1,619,951	1,577,202

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	19	136,810	140,938
Lease liabilities		9,830	–
Total non-current liabilities		146,640	140,938
Net assets		1,473,311	1,436,264
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	533,360	533,360
Reserves	21	914,064	876,726
		1,447,424	1,410,086
Non-controlling interests		25,887	26,178
Total equity		1,473,311	1,436,264

Lyu Yaoneng
Director

Lyu Dazhong
Director

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Retained profits	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2020 (audited)		533,360	188,665	-	76,256	611,805	1,410,086	26,178	1,436,264
Profit for the period		-	-	-	-	56,809	56,809	620	57,429
Total comprehensive income for the period		-	-	-	-	56,809	56,809	620	57,429
Transfer to special reserve	(i)	-	-	81,107	-	(81,107)	-	-	-
Utilisation of special reserve	(i)	-	-	(81,107)	-	81,107	-	-	-
Final 2019 dividend declared	9	-	-	-	-	(19,471)	(19,471)	-	(19,471)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	(911)	(911)
At 30 June 2020 (unaudited)		533,360	188,665	-	76,256	649,143	1,447,424	25,887	1,473,311

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2019

Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve	Special reserve	Statutory surplus reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	-	-	-	-	65,333	65,333	2,987	68,320
Total comprehensive income for the period	-	-	-	-	65,333	65,333	2,987	68,320
Transfer to special reserve (i)	-	-	69,163	-	(69,163)	-	-	-
Utilisation of special reserve (i)	-	-	(69,163)	-	69,163	-	-	-
Final 2018 dividend declared 9	-	-	-	-	(18,743)	(18,743)	-	(18,743)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(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

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 2020 and 2019, 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 2020

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS USED IN OPERATING ACTIVITIES			
Profit before tax		73,016	91,227
Adjustments for:			
Finance costs	6	45,490	38,181
Interest income	5	(338)	(250)
Exchange difference		1	6
Loss on disposal of a subsidiary		6,385	–
Depreciation of items of property, plant and equipment	7	5,754	5,457
Depreciation of right-of-use assets	7	748	146
Amortisation of intangible assets	7	435	372
Impairment of trade receivables	7	9,898	6,967
Impairment of financial assets include in prepayments, other receivables and other assets	7	3,136	1,954
Impairment/(reversal of impairment) of contract assets	7	597	(177)
Gain on disposal of items of property, plant and equipment, net		(3)	(8)
		145,119	143,875
Decrease/(increase) in inventories		13,618	(765)
(Increase)/decrease in contract assets		(194,127)	65,080
Decrease in trade and bills receivables		151,869	265,458
Increase in prepayments, other receivables and other assets		(47,209)	(50,533)
Decrease/(increase) in pledged deposits		25,975	(7,219)
Decrease in trade and bills payables		(227,874)	(365,762)
Increase/(decrease) in other payables and accruals		23,175	(54,371)
Cash flows used in operations		(109,454)	(4,237)
Interest received		338	250
Income tax paid		(9,887)	(10,127)
Net cash flows used in operating activities		(119,003)	(14,114)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Payments for acquisition of items of property, plant and equipment	(2,905)	(6,398)
Payments for acquisition of intangible assets	(12,503)	(589)
Proceeds from disposal of items of property, plant and equipment	214	75
Disposal of a subsidiary	2,534	–
Net cash flows used in investing activities	(12,660)	(6,912)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
Repayment of loans from third parties	–	(30,000)
Loans from third parties	2,000	42,000
Interest paid	(49,618)	(38,181)
Proceeds from borrowings	240,167	353,210
Repayment of borrowings	(226,580)	(213,200)
Principal portion of lease payments	(1,260)	–
Deposits released from/(paid for) pledge	23,792	(21,962)
Dividends paid to non-controlling shareholders	(911)	(1,353)
Net cash flows (used in)/from financing activities	(12,410)	90,514
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	(144,073)	69,488
	273,991	167,406
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	129,918	236,894
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	16 190,277	301,444
Less: Pledged deposits	60,359	64,550
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	129,918	236,894

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. 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 THE GROUP'S 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 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2. CHANGES IN THE GROUP'S ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any 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.

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

3. OPERATING SEGMENT INFORMATION *(Continued)*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit 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.

	For the six months ended 30 June 2020			
	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers	3,709,370	28,297	-	3,737,667
Intersegment sales	-	8,073	(8,073)	-
Total revenue	3,709,370	36,370	(8,073)	3,737,667
Segment results	89,099	(3,438)	(12,645)	73,016
Other segment information:				
Interest income	325	13	-	338
Finance costs	42,799	2,691	-	45,490
Depreciation	5,606	896	-	6,502
Amortisation	353	82	-	435
Impairment losses recognised/ (reversed) in profit or loss	13,791	(160)	-	13,631
Capital expenditure*	3,078	12,330	-	15,408

	As at 30 June 2020			
	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	5,227,358	319,930	(160,133)	5,387,155
Segment liabilities	3,773,712	224,471	(84,339)	3,913,844

Note:

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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
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 profit or loss	8,655	89	–	8,744
Capital expenditure*	6,702	285	–	6,987

As at 31 December 2019

	Construction contracting RMB'000 (Audited)	Others RMB'000 (Audited)	Eliminations RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	5,314,807	323,980	(123,953)	5,514,834
Segment liabilities	3,915,432	217,682	(54,544)	4,078,570

Note:

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

4. REVENUE

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Residential	2,155,180	–	2,155,180
Commercial	343,169	–	343,169
Industrial	859,264	–	859,264
Public works	351,757	–	351,757
Construction contracting	3,709,370	–	3,709,370
Design, survey and consultancy	–	11,329	11,329
Sale of construction materials and civil defence products	–	16,968	16,968
Others	–	28,297	28,297
Total revenue from contracts with customers	3,709,370	28,297	3,737,667
Geographical market			
Mainland China	3,709,370	28,297	3,737,667
Total revenue from contracts with customers	3,709,370	28,297	3,737,667
Timing of revenue recognition			
Services transferred over time	3,709,370	11,329	3,720,699
Goods transferred at a point in time	–	16,968	16,968
Total revenue from contracts with customers	3,709,370	28,297	3,737,667

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

4. REVENUE (Continued)

For the six months ended 30 June 2019

Segments	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Residential	1,736,784	–	1,736,784
Commercial	472,319	–	472,319
Industrial	888,141	–	888,141
Public works	260,445	–	260,445
Construction contracting			
Design, survey and consultancy	3,357,689	–	3,357,689
Sale of construction materials and civil defence products	–	12,505	12,505
	–	31,699	31,699
Others	–	44,204	44,204
Total revenue from contracts with customers	3,357,689	44,204	3,401,893
Geographical market			
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

Notes to Interim Condensed Consolidated Financial Information

30 June 2020

4. REVENUE (Continued)

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

For the six months ended 30 June 2020

Segments	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External customers	3,709,370	28,297	3,737,667
Intersegment sales	–	8,073	8,073
	3,709,370	36,370	3,745,740
Intersegment adjustments and eliminations	–	(8,073)	(8,073)
Total revenue from contracts with customers	3,709,370	28,297	3,737,667

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

Notes to Interim Condensed Consolidated Financial Information

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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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	338	250
Government grant	2,936	99
Others	460	197
	3,734	546

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Factoring expense	24,553	24,790
Interest on bank loans	12,591	11,877
Interest on discounted bills receivable	8,049	1,404
Interest on lease liabilities	297	–
Letter of guarantee	–	110
	45,490	38,181

Notes to Interim Condensed Consolidated Financial Information

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7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of construction contracting (including depreciation)	3,526,986	3,188,473
Cost of others	18,836	30,069
Total cost of sales	3,545,822	3,218,542
Depreciation of items of property, plant and equipment	5,754	5,457
Depreciation of right-of-use assets	748	146
Amortisation of intangible assets	435	372
Total depreciation and amortisation	6,937	5,975
Research and development costs: Current period expenditure	1,255	790
Impairment of trade receivables	9,898	6,967
Impairment/(reversal of impairment) of contract assets	597	(177)
Impairment of financial assets included in prepayments, other receivables and other assets	3,136	1,954
Total impairment losses, net	13,631	8,744
Auditor's remuneration	800	880
Employee benefit expenses (including Directors' and Supervisors' remuneration)	37,147	28,555
– Wages, salaries and allowances	31,304	23,087
– Social insurance	5,230	4,659
– Welfare and other expenses	613	809
Interest income	(338)	(250)

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% (2019: 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.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax – Mainland China		
Charge for the period	23,219	24,818
Over-provision in prior years	(4,275)	–
Deferred income tax	(3,357)	(1,911)
	15,587	22,907
Tax charge for the period		

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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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	73,016	91,227
Income tax charge at the statutory income tax rate (25%)	18,254	22,807
Lower tax rate enacted by local authority	(10)	(803)
Rate change for deferred tax assets	-	41
Additional deductible allowance for research and development expenses	(141)	-
Expenses not deductible for tax purposes	364	335
Adjustments in respect of current tax of previous periods	(4,275)	-
Tax losses not recognised	1,395	527
Tax charge for the period at the effective rate	15,587	22,907

9. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Declared final dividend – RMB3.65 cents (2019: RMB3.5 cents) per ordinary share*	19,471	18,743
	19,471	18,743

* The Company proposed to distribute a final dividend of Hong Kong 4.0 cents in cash (before tax) for the year ended 31 December 2019 to the shareholders whose names appear on the register of members of the Company on Wednesday, 24 June 2020 (the "Record Date"). 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: RMB0.9132. Based on the above exchange rate, a final dividend of RMB3.65 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 2020 and 2019 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	
	2020	2019
	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	56,809	65,333

	For the six months ended 30 June	
	2020	2019
	'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 2020, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB2,905,000 (unaudited) (six months ended 30 June 2019: RMB6,398,000 (unaudited)).

In addition, during the same period, property, plant and equipment with an aggregate net carrying value of approximately RMB211,000 (unaudited) (six months ended 30 June 2019: RMB67,000 (unaudited)) were disposed of, which resulted in a net gain on disposal of approximately RMB3,000 (unaudited) (six months ended 30 June 2019: RMB8,000 (unaudited)).

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12. INVESTMENT PROPERTIES

30 June 2020
RMB'000
(Unaudited)

Carrying amount at 1 January	–
Additions	16,479
Depreciation	–
Carrying amount at 30 June	16,479

The Group's investment properties consist of five commercial properties in Mainland China and are stated at cost less depreciation and any impairment losses.

The fair value of the Group's investment properties of approximately RMB17,240,000 (unaudited) as at 30 June 2020 has been determined by the directors of the Company with reference to the estimated market value of similar properties.

13. CONTRACT ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contract assets arising from:		
Construction services	2,748,834	2,555,463
Design, survey and consultancy	2,398	12,902
	2,751,232	2,568,365
Impairment	(4,807)	(4,245)
	2,746,425	2,564,120

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14. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables at amortised cost	1,174,700	1,346,529
Provision for impairment	(61,920)	(52,371)
Trade receivables, net	1,112,780	1,294,158
Bills receivable	479,619	480,723
	1,592,399	1,774,881

Trade receivables represented receivables for contract works. The payment terms of contract work receivables are stipulated in relevant contracts. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. 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. The Group has not pledged any trade receivables during the period ended 30 June 2020 (2019: RMB30,000,000) for the Group's bank loans (note 19). Except for the pledged balance, the Group does not hold any other collateral or credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 3 months	613,223	828,577
3 months to 6 months	231,699	140,195
6 months to 1 year	148,578	145,632
1 to 2 years	57,266	110,558
2 to 3 years	42,039	32,581
3 to 4 years	5,990	34,210
4 to 5 years	13,985	2,405
	1,112,780	1,294,158

Notes to Interim Condensed Consolidated Financial Information

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14. TRADE AND BILLS RECEIVABLES (Continued)

The movements in provision for impairment of trade receivables are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At beginning of the period/year	52,371	35,581
Impairment losses, net	9,898	16,790
Transfer out due to disposal of a subsidiary	(349)	–
At end of the period/year	61,920	52,371

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Deposits and other receivables	283,756	253,085
Provision for impairment of deposits and other receivables	(38,980)	(35,844)
Other assets	8,654	6,065
Prepayment to suppliers	253,430 306,045	223,306 295,343
Portion classified as non-current assets ⁽¹⁾	559,475 –	518,649 (11,685)
Current portion	559,475	506,964

⁽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.

Notes to Interim Condensed Consolidated Financial Information

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15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At beginning of the period/year	35,844	34,344
Impairment losses recognised	3,136	1,500
At the end of the period/year	38,980	35,844

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	129,918	273,991
Time deposits	60,359	110,126
	190,277	384,117
Less: Pledged time deposits:		
Pledged for salaries of migrant workers	(42,935)	(68,910)
Pledged for bank loans and bank notes	(17,424)	(41,216)
Cash and cash equivalents	129,918	273,991

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.

Notes to Interim Condensed Consolidated Financial Information

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17. TRADE AND BILLS PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 6 months	1,863,038	2,329,209
6 months to 1 year	328,402	164,292
1 to 2 years	175,555	168,791
2 to 3 years	99,124	62,171
Over 3 year	138,375	112,099
	2,604,494	2,836,562

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

18. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Other taxes payable	230,201	162,648
Contract liabilities	222,515	267,759
Other payables	45,840	39,800
Dividends payable	18,986	–
Accrued salaries, wages and benefits	9,744	16,107
	527,286	486,314

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

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19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – mortgaged/ guaranteed	4.35-6.20	2021	365,460	4.50-6.48	2020	356,760
Bank loans – guaranteed	4.15-7.00	2021	42,950	4.71-7.00	2020	12,950
Bank loans – pledged	-	-	-	6.09	2020	30,000
Bank loans- credit	4.05	2021	5,000	-	-	-
Bank loans – other	-	-	-	2.88-8.33	2020	4,590
Other loans	6.03-15.00	2021	7,477	15.00	2020	3,000
			420,887			407,300
Non-current						
Bank loans – guaranteed	4.41	2021-2028	136,810	4.41	2021-2028	140,938

Notes:

- Certain of the Group's buildings with net carrying amounts of approximately RMB89,843,000 (unaudited) and approximately RMB90,978,000 (audited) as at 30 June 2020 and 31 December 2019, respectively, were used to secure general banking facilities granted to the Group.
- As set out in note 23(c), as at 30 June 2020 and 31 December 2019, the Group's interest-bearing bank and other borrowings of approximately RMB438,570,000 (unaudited) and approximately RMB340,960,000 (audited), respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group free of charge.
- The Group entered into the fixed asset loan contract with maximum loan amounts totalling RMB190,000,000. As at 30 June 2020 and 31 December 2019, the Group obtained loan amounts totalling RMB136,810,000 (unaudited) and RMB140,938,000 (audited) respectively and the interest rate is 10% lower than the base rate announced by the People's Bank of China.
- As set out in note 14, the Group has not pledged any trade receivables during the period ended 30 June 2020 (2019: RMB30,000,000) for the Group's bank loans.

20. SHARE CAPITAL

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Share capital	533,360	533,360

Notes to Interim Condensed Consolidated Financial Information

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21. 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.

22. COMMITMENTS

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

23. 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Construction contracting services provided to:		
Fellow subsidiaries	21,168	4,247
Associate of fellow subsidiaries	–	1,568
Design, survey and consultancy services provided to:		
Fellow subsidiaries	232	–

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

- (b) The aggregate amounts of remuneration of the Directors and Supervisors of the Company during the reporting periods are as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees		
Other emoluments:		
– Salaries, allowances and benefits in kind	1,097	1,100
– Pension schemes	44	31
	1,141	1,131

23. RELATED PARTY TRANSACTIONS *(Continued)*

- (c) Other transactions with related parties:

The Group's interest-bearing bank and other borrowings of RMB438,570,000 (unaudited) and RMB340,960,000 (audited) as at 30 June 2020 and 31 December 2019, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group, as set out in note 19(b).

- (d) Outstanding balances with related parties:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade and bills receivables:		
Fellow subsidiaries	9,915	21,647
Other receivables:		
Fellow subsidiaries	352	352
Key management person of the holding company	950	950
Contract assets:		
Fellow subsidiaries	35,510	40,782
Associate of fellow subsidiaries	53,665	53,665
Contract liabilities:		
Fellow subsidiaries	215	619

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24. 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 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial assets		
Bills receivable	479,619	480,723
Financial assets included in deposits and other receivables, non-current portion	-	5,620
	479,619	486,343
Financial liabilities		
Interest-bearing bank borrowings	550,220	545,238
Other borrowings	7,477	3,000
	557,697	548,238

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

	Fair value	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets		
Bills receivable	479,619	480,723
Financial assets included in deposits and other receivables, non-current portion	-	5,537
	479,619	486,260
Financial liabilities		
Interest-bearing bank borrowings	550,220	545,238
Other borrowings	7,477	3,000
	557,697	548,238

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.

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.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement categorised into			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL				
Bills receivable	-	479,619	-	479,619

As at 31 December 2019

	Fair value measurement categorised into			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL				
Bills receivable	-	480,723	-	480,723

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil)

25. EVENTS AFTER THE REPORTING PERIOD

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

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2020.