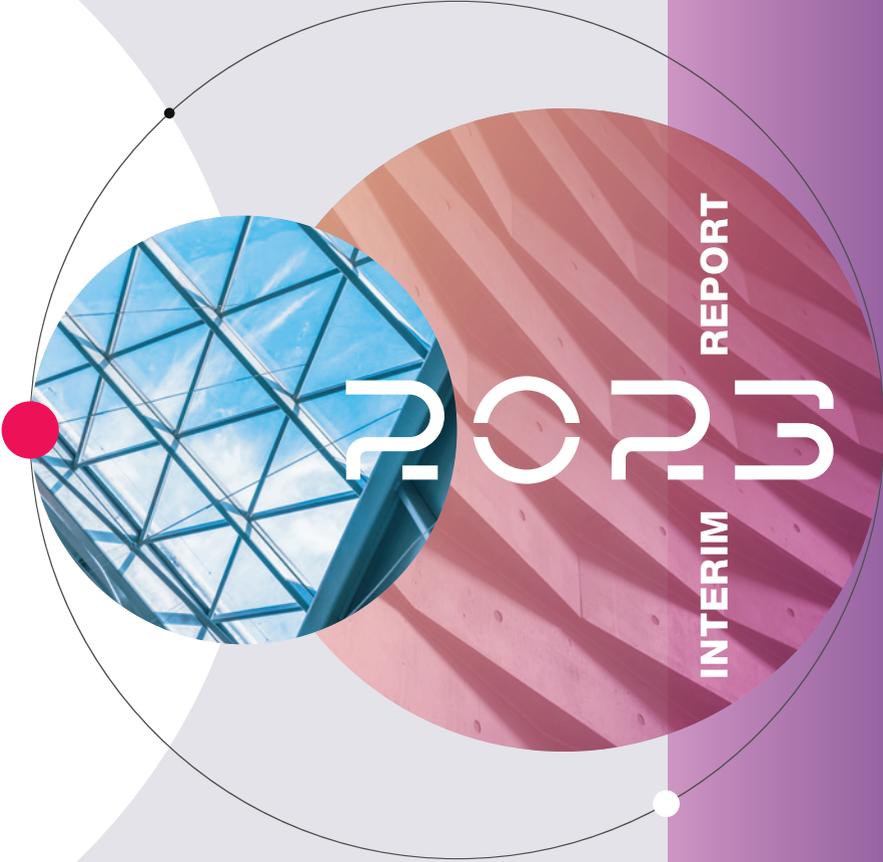


Jujiang Construction Group Co., Ltd.
巨匠建設集團股份有限公司

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



巨匠建设

JUJIANG CONSTRUCTION GROUP

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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. Wong Ka Wai
Mr. Ma Tao

SUPERVISORS

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

AUDIT COMMITTEE

Mr. Yu Jingxuan (Chairman)
Mr. Wong Ka Wai
Mr. Ma Tao

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

STRATEGIC COMMITTEE

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

COMPANY SECRETARY

Mr. Jin Shuigen

AUTHORISED REPRESENTATIVES

Mr. Lyu Yaoneng
Mr. Jin Shuigen

LEGAL ADVISER

As to Hong Kong Law
DeHeng Law Offices (Hong Kong) LLP

As to PRC Law
AllBright Law Offices

AUDITOR

Ernst & Young

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
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 | | |
|---|----------------------------------|------------------------------|-------------|
| | 2023 Unaudited RMB'000 | 2022 Unaudited RMB'000 | Change % |
| Revenue | 4,168,315 | 4,214,634 | (1.10) |
| Gross profit | 160,848 | 171,704 | (6.32) |
| Gross profit margin | 3.86% | 4.07% | (0.21) |
| Profit for the period | 31,278 | 34,514 | (9.38) |
| Net profit margin | 0.75% | 0.82% | (0.07) |
| Basic and diluted earnings per share (RMB) | 0.06 | 0.07 | |

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

OVERVIEW

Established in 1965, Jujiang Construction Group Co., Ltd. (“**Jujiang Construction**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is one of the earliest construction companies in Jiaying, a city which is home to about 5.50 million with well-developed commercial and light industries. With more than 50 years of experience in the industry and a proven track record, the Company has outperformed other construction group companies in Jiaying.

The Company successfully obtained the Premium Class Certificate for General Building Construction Contracting Work (“**Premium Class Certificate**”) and the Grade A Engineering Design (Construction Industry) Certificate (“**Engineering Design Certificate**”) on 28 January 2015 after undergoing a stringent review process. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying high standards in relation to project management, 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 these 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

In the first half of 2023, as the economy and society fully returned to normalcy, China steadily transitioned through the post-pandemic period with a rapid recovery of macroeconomic growth. As one of the important pillar industries of China, the construction industry plays a crucial role in the national economy and social development. In the midst of a bleak real estate industry, infrastructure and public construction provided strong support to the construction industry, allowing an uptick in the industry prospect. On the one hand, the continued weakening of the real estate development and investment and land acquisition by property developers may lead to a substantial dampening effect on new construction areas in the coming years. On the other hand, in view of the vigorous progression in infrastructure construction, which serves as an important leverage for “ensuring steady growth” of the economy, infrastructure investment might remain at a high level in the future. In general, the total value of the PRC construction industry for the first half of the year has maintained moderate-to-low growth while industrial concentration was further enhanced.

According to the National Bureau of Statistics of the People’s Republic of China, for the six months ended 30 June 2023, the total value of the PRC construction industry was approximately RMB13.2 trillion, representing a period-to-period growth of 5.9%, and the total construction area of buildings of the PRC construction industry was approximately 11.78 billion sq.m., representing a period-to-period decrease of 1.7%. National sales area of commercial property was approximately 595 million sq.m., representing a decrease of 5.3%; and the sales amount of commercial property was approximately RMB6.3 trillion, representing an increase of 1.1%. In addition, according to the China Association of Construction Enterprises, for the first half of 2023, the total contract sum of PRC construction enterprises was approximately RMB51,495.9 billion, representing a period-to-period increase of 5.03%, and the new contract sum was approximately RMB15,439.9 billion, representing a period-to-period increase of 3.11%.

Management Discussion and Analysis

In March 2023, Ni Hong, Minister of Housing and Urban-Rural Development of the People's Republic of China, proposed to support the construction industry due to the tremendous amount of works, wide range of aspects and large number of workers involved in, and enormous job opportunities for the public provided by, the industry; the advocacy for a technology empowered construction industry for the promotion of a high-quality development of the industry, which allow the construction industry to play an instrumental part in the "promoting investment, ensuring steady growth and maintaining employment"; the extension of an easing policy with regard to the real estate policies; the implementation of easing controls by various local governments, which, in particular, include measures such as raising the maximum loan amount under the housing provident fund, granting fiscal tax subsidies for housing purchase, implementing monetisation resettlement for squatter residents and optimising limited purchase, striving to relief the weak performance of the real estate sector.

BUSINESS REVIEW

Looking back into the first half of 2023, the Group earnestly implemented its working plan for the year at all levels by adhering to the guiding principles of steady operation and quality and safe development, led by the breakthroughs in "market optimisation" and "risk prevention and mitigation", and underpinned by "talents, innovation and management", thereby further consolidating the foundation for development and enhancing the quality of development. The Group's revenue and net profit for the six months ended 30 June 2023 were approximately RMB4,168.3 million and approximately RMB31.3 million, respectively, representing a decrease of approximately 1.1% and approximately 9.4%, respectively, as compared to the corresponding period of last year. The value of backlog increased by approximately 9.0% to approximately RMB19,346.7 million as at 30 June 2023 from that of approximately RMB17,741.5 million as at 30 June 2022.

The following table sets forth the movement of backlog of the construction projects during the periods:

| | For the six months ended 30 June | |
|--|------------------------------------|------------------------------------|
| | 2023 RMB'million (Unaudited) | 2022 RMB'million (Unaudited) |
| Opening value of backlog | 18,736.8 | 18,762.9 |
| Net value of new projects ⁽¹⁾ | 4,741.0 | 3,163.3 |
| Revenue recognised ⁽²⁾ | (4,131.1) | (4,184.7) |
| Closing value of backlog ⁽³⁾ | 19,346.7 | 17,741.5 |

Notes:

- (1) Net value of new contracts means the total contract value of new construction contracting contracts which were awarded to the Group during the relevant period indicated.
- (2) Revenue recognised means the revenue that has been recognised 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.

Steady Business Progress through New Path of Transformation and Upgrade

In the first half of 2023, faced with both challenges and opportunities arising from the industry, the Group continued to implement the three major business strategies of “major customers, quality business and market expansion” to enhance business quality, resulting in a net value of newly contracted projects of approximately RMB4,741.0 million.

In terms of major customer expansion, the Group’s newly contracted businesses from major customer accounted for 44.22% of the total contract sum in the first half of the year, the projects from industrial enterprise accounted for 52.54% of the total sum. In the first half of the year, there were ten projects with a contract sum of over RMB100 million and five projects with a contract sum of over RMB300 million. In terms of quality business, the newly contracted public construction works accounted for 34.36% of the total sum in the first half of the year. We are still working hard on our “market expansion” strategy, with the newly contracted local businesses from Zhejiang accounted for 74.20% of the total contracts sum in the first half of the year, among which, the newly contracted business from Jiaxing accounted for 62.19% of the total sum, representing a sharp increase as compared to the corresponding period of last year. While businesses from local market achieved a significant growth, business undertaken outside the province accounted for 25.80% of the total sum, which decreased gently compared to that of last year.

The Group persisted in high quality transformation and upgrade in the face of the complicated macroeconomic and industrial environment. During the period, the Group has planned to increase our resources to explore the markets within the province, it will give full play to our local regional advantages, among which the Group will focus on the development of Yiwu City. The Yiwu City has a world-renowned small commodity market and its economy is developing rapidly. We are strengthening the co-operation and communication with the local government and enterprise, which will pave the way for further market expansion of Yiwu City and provided guarantee for the city to further enhance its regional competitive edges, demonstrating a new pathway and new platform for market expansion. On the other hand, in response to the “Belt and Road” national strategy, the chairman of the Group visited Indonesia during the period to conduct research on the key market, making a significant step in the Group’s further development in the Indonesian market and mapping out its new development blueprint.

Management Discussion and Analysis

Adhere to Project Quality with Notable Results in Quality and Standardisation Establishment

The Group adheres to a target-oriented approach in which project quality is always given the top priority. We strictly observe the requirements in respect of construction duration to ensure smooth completion with high quality and high standard, garnering customers' recognition and praise through outstanding services and quality. In the first half of the year, Huaian Jushi High Performing Special Fiberglass New Material Project (with annual production capacity of 800,000 tons), and the Second People's Hospital of Tongxiang (Zhouquan Branch) Project have both made progress ahead of schedule. In addition, the piling and foundation works of the Huayou Holdings Headquarter (Science and Technology Building) Project, in particular, was completed one month in advance, which was highly recognised by the construction project owner.

In the first half of 2023, the Group proactively established construction sites in adherence with construction quality and standard to enhance our edges in quality. A total of 9 standardised construction sites were established at the municipal level, which have earned them nine quality construction awards in the "Nanhu Cup" (南湖杯) and four quality construction awards in the "Qianjiang Cup" (錢江杯), among which, the "China Jushi Science and Technology Centre Construction" and "Tongkun Group Headquarters Building (Phase I) Construction" have been selected and shortlisted for the "Luban Prize" (魯班獎) and "National Quality Engineering Award" (國家優質工程獎). During the period, the Group was named "Zhejiang Top 100 Leading Private Enterprises in Social Responsibility 2022" (2022年浙江民營企業社會責任100家領先企業) and "Outstanding Provincial Enterprise Technology Centers 2022" (2022年度優秀省級企業技術中心), and was awarded the title of "Model Enterprises in the Modernisation of Zhejiang's Construction Industry" (浙江省建築產業現代化示範企業). In addition, the Group ranked 51th in the "National Top 500 Zhejiang Enterprises 2022" (2022浙商全國500強) published by the Chamber of Direct Members of National Federation of Industry and Commerce.

Promote smart manufacturing projects and step-up technical support for projects

With the great support of leading cadres at all levels, the preparation of smart construction base project is advancing in an orderly manner. The Group has completed the preliminary research on, among others, project site selection, project background analysis, development prospect analysis, market analysis, benefit analysis and equipment selection, which formed the basis for the compilation of the project's feasibility report. If the project materialises on schedule in the second half of the year, it will play a positive role in the Group's transformation and upgrading towards high-quality development.

During the period, the Group continued to strengthen the evaluation and maintenance of provincial enterprises technology centers, enhanced the application of platforms such as "industry, universities and research institutions cooperation" and post-doctoral workstations, and reinforced research on "four new" technologies, thereby strengthening the technical support for the construction of key projects. During the first half of the year, the Group completed the application for 3 construction methods at provincial level. The applications for 7 national patents were accepted and 4 national patents were granted, we obtained 1 quality control achievement at provincial (ministerial) level and 3 quality control achievements at municipal level 2 software copyrights were granted. We also participated in 1 group standard compilation project, 2 scientific research projects were accepted by the Provincial Department of Construction. Moreover, we completed the application for the Model Enterprise of Intellectual Property Rights in Zhejiang

Management Discussion and Analysis

Province, and 3 post-doctoral researchers were recruited to the post-doctoral workstations. Through the applications for quality control achievements, construction methods, patents and model projects, the Group has further enhanced our existing technological achievements and promoted their applications.

In terms of BIM technology application, the coverage of BIM technology application was further expanded. Two service projects were launched with two newly developed applications, namely, drone oblique photography application and 720° cloud scene building, in collaboration with the smart site division. The Group has accelerated the deep integration of BIM technology with project technology, production and business management, assisted the production management center in completing the split of production value of 8 projects, and made substantial breakthroughs in business settlement. A total of 82 smart site projects were implemented in the first half of the year. The Group formulated the R&D plan for the 3.0 version of the smart site, which improved, refined and made progress on the original system, built the overall framework function of the 1.0 version of the smart operation and maintenance platform, and developed the training function of the tower crane and environmental monitoring module of the smart site training simulation platform, so as to realise the comprehensive integration of “BIM + Quality + Safety + Cost + Progress”.

For the six months ended 30 June 2023, the construction contracting business contributed approximately 99.1% of the revenue (for the six months ended 30 June 2022: approximately 99.3%). The following table sets forth a breakdown of our revenue by business and project type for the periods indicated:

| | For the six months ended 30 June | | | |
|---|------------------------------------|--------------|------------------------------------|-------|
| | 2023 RMB'million (Unaudited) | % | 2022 RMB'million (Unaudited) | % |
| Construction contracting business | | | | |
| Residential | 1,916.3 | 46.0 | 1,967.1 | 46.7 |
| Commercial | 291.4 | 7.0 | 417.8 | 9.9 |
| Industrial | 1,219.3 | 29.2 | 1,221.1 | 29.0 |
| Public works | 704.0 | 16.9 | 578.7 | 13.7 |
| | 4,131.0 | 99.1 | 4,184.7 | 99.3 |
| Other business | | | | |
| Design, survey and consultancy | 19.3 | 0.5 | 15.0 | 0.4 |
| Sale of construction materials and civil defence products | 18.0 | 0.4 | 14.9 | 0.3 |
| | 37.3 | 0.9 | 29.9 | 0.7 |
| Total revenue | 4,168.3 | 100.0 | 4,214.6 | 100.0 |

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue slightly decreased by approximately 1.10% from approximately RMB4,214.6 million for the six months ended 30 June 2022 to approximately RMB4,168.3 million for the six months ended 30 June 2023, primarily attributed to a decrease in the construction contracting business amounting to approximately RMB53.7 million for the six months ended 30 June 2023. The decrease in construction contracting business was primarily due to the downturn in property market in general during the six months ended 30 June 2023. The revenue from residential and commercial construction contracting business for the six months ended 30 June 2023 were decreased by approximately RMB50.8 million and approximately RMB126.4 million, respectively, as compared with the corresponding period last year. Such decrease was partially offset by an increase in public contracting business of approximately RMB125.3 million for the six months ended 30 June 2023 as compared with the corresponding period last year. The Group increased its resources and focused in public and industrial construction contracting business to reduce its business risks and maintain the business growth.

Gross profit decreased by approximately 6.32% from approximately RMB171.7 million for the six months ended 30 June 2022 to approximately RMB160.8 million for the six months ended 30 June 2023, which was in line with the decrease in revenue. The gross profit margin decreased from approximately 4.07% for the six months ended 30 June 2022 to approximately 3.86% for the six months ended 30 June 2023 which was mainly due to an increase in labour costs and material costs and a decrease in gross profit margin of the commercial and residential construction business. The gross profit margin of the construction contracting business decreased from 3.89% for the six months ended 30 June 2022 to 3.47% for the six months ended 30 June 2023.

Other income and gains

Other income and gains decreased by approximately RMB8.3 million from approximately RMB18.9 million for the six months ended 30 June 2022 to approximately RMB10.6 million for the six months ended 30 June 2023, primarily attributed to a decrease in government subsidies of approximately RMB6.8 million mainly consisting of the incentive fund received from the Bureau of Housing and Urban-Rural Development to support construction services and a decrease in fair value gains in relation to financial assets at fair value through profit or loss by approximately RMB1.0 million.

Administrative expenses

The administrative expenses increased by approximately 5.65% from approximately RMB81.4 million for the six months ended 30 June 2022 to approximately RMB86.0 million for the six months ended 30 June 2023, which was primarily due to an increase in salaries and employee benefits and depreciation and amortization expenses of approximately RMB1.9 million and approximately RMB1.3 million, respectively. During the period, the Group purchased new property and office equipment, resulting in the increase in depreciation and amortization expenses.

Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, including trade receivables and other receivables, decreased significantly by approximately 55.84% from approximately RMB51.4 million for the six months ended 30 June 2022 to approximately RMB22.7 million for the six months ended 30 June 2023, primarily due to the significant amount of specific impairment loss provided on trade receivables and contract assets from certain customers for the six months ended 30 June 2022 primarily resulting from the downturn in property market and a series of negative news and announcements over the financial conditions of certain listed property developers which heightened the credit risk of certain customers. As such circumstances were alleviated for the six months ended 30 June 2023, impairment losses on financial and contract assets, net decreased significantly.

Other expenses

Other expenses increased by approximately RMB8.4 million from approximately RMB0.2 million for the six months ended 30 June 2022 to approximately RMB8.6 million for the six months ended 30 June 2023, which was primarily due to an increase in fair value loss in relation to financial assets at fair value through profit or loss of approximately RMB7.8 million.

Finance costs

Finance costs increased by approximately 8.72% from approximately RMB19.5 million for the six months ended 30 June 2022 to approximately RMB21.2 million for the six months ended 30 June 2023. Such increase was primarily due to an increase in average balance of the interest-bearing bank and other borrowings.

Income tax expense

Income tax expense decreased by approximately 52.78% from approximately RMB3.6 million for the six months ended 30 June 2022 to approximately RMB1.7 million for the six months ended 30 June 2023 primarily attributed to a decrease in operating profits and an increase in additional deductible allowance for research and development expenses as the Group is recognised as an advanced and new technology enterprise. The effective tax rate decreased from approximately 9.5% for the six months ended 30 June 2022 to 5.0% for the six months ended 30 June 2023 primarily attributed to an increase in additional deductible allowance for research and development expenses for the six months ended 30 June 2023 as compared with the corresponding period in 2022.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately 9.38% from approximately RMB34.5 million for the six months ended 30 June 2022 to approximately RMB31.3 million for the six months ended 30 June 2023. Net profit margin remained stable at approximately 0.82% and approximately 0.75% for the six months ended 30 June 2022 and 2023, respectively.

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 at 30 June 2023 and 31 December 2022, the Group had cash and cash equivalents of approximately RMB210.7 million and approximately RMB221.1 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 to 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 any material external debt financing plan in the near future.

Contract assets

The contract assets decreased by approximately 11.79% from approximately RMB2,771.0 million as at 31 December 2022 to approximately RMB2,444.3 million as at 30 June 2023, representing 46.25% and 41.21% of the total current assets as at the end of the corresponding periods. The decrease in absolute amounts was primarily attributable to increased billings to our customers after the completion of the projects.

Trade and bills receivables

Trade and bills receivables increased by approximately 14.68% from approximately RMB2,060.6 million as at 31 December 2022 to approximately RMB2,363.0 million as at 30 June 2023. Such increase was due to the delay in settlement by our customers. The trade and bills receivables turnover days remained stable at approximately 99 days and 97 days as at 31 December 2022 and 30 June 2023, respectively.

Trade and bills payables

Trade and bills payables decreased by approximately 0.97% from approximately RMB3,438.2 million as at 31 December 2022 to approximately RMB3,404.9 million as at 30 June 2023. Such decrease was due to the decrease in costs of sales. The trade and bills payables turnover days increased from approximately 145 days as at 31 December 2022 to approximately 156 days as at 30 June 2023.

Borrowings and charge on assets

As at 30 June 2023, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB699.1 million (31 December 2022: approximately RMB676.0 million). The short-term interest bearing borrowings amounting to approximately RMB553.9 million (31 December 2022: approximately RMB516.9 million) are repayable within 1 year and carried effective interest rate with a range from 4.20% to 7.12% per annum (31 December 2022: 4.35% to 7.12% per annum). As at 30 June 2023, the long-term interest bearing borrowings amounting to approximately RMB145.2 million (31 December 2022: RMB159.2 million)

are repayable from 2024 to 2032 (31 December 2022: 2024 to 2032) and the interest rate is at the range from 4.41% to 4.90% (31 December 2022: 4.41% to 4.90%).

As at 30 June 2023, certain general banking facilities were secured by buildings of approximately RMB83.1 million (31 December 2022: 84.2 million).

Gearing ratio

The gearing ratio increased from 13.2% as at 31 December 2022 to approximately 15.6% as at 30 June 2023. The increase was mainly attributable to an increase in interest-bearing bank and other borrowings.

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 2023, the capital expenditures were approximately RMB13.5 million (six months ended 30 June 2022: approximately RMB13.9 million). The capital expenditure incurred for the six months ended 30 June 2023 was primarily related to construction works in new office building and the purchase of new machinery.

Capital commitments

As at 30 June 2023, the Group did not have any significant capital commitments (31 December 2022: nil).

Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: nil).

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

Save as disclosed in this interim report, the Group had no significant investments held, material acquisitions and disposals during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Management Discussion and Analysis

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 2023.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 1,070 employees, of which 583 were based in Jiaxing City, and 487 were based in other areas in Zhejiang Province or in other provinces and regions in China. For the six months ended 30 June 2023, the Group incurred total staff costs of approximately RMB52.5 million, representing an increase of approximately 3.75% as compared with the same period in 2022, mainly attributable to salary increments and an increase in performance bonus.

The Group believes that its 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

In recent years, under the influence of government regulations, market demand, technological development and many other factors, the construction industry has been undergoing transformation to comprehensively enhance high-quality development. 2023 is not only a year crucial for getting our efforts to build China into a modern socialist country in all respects, but also a crucial year in continuing the implementation of the "14th Five-Year Plan". The Central Economic Work Conference emphasised the need to prioritize stability while pursuing steady progress, and to continue to implement a proactive fiscal policy and a prudent monetary policy, while the construction industry will continue to be an important pillar of maintaining steady growth in China.

In the second half of the year, the Group will, with a focus on the development plan and annual goals and tasks of the "14th Five-Year Plan", adhere to the guiding principles of steady operation, high quality and safe development, persistently make the "three breakthroughs", make the comprehensive and high-quality development of the "four major projects" as a leverage, and internally strengthen the control and prevention of risks to lay a solid foundation for development; externally strengthen the development of high-quality business and maintenance of customers to continuously improve the core competitiveness of the Company, and strive to open up new prospects for the healthy and sustainable development of the Company. We will continue to focus on key regions and key customers, so as to improve business in the Yiwu market in terms of both quantity and quality. In due course, we will seek to replicate the Yiwu model and increase our effort in foreign market expansion.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2023 and up to the date of this interim 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 2023, the interests or short positions of the directors (the **"Directors"**), the supervisors (the **"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 (浙江巨匠控股集团有限公司) (**"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 is 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 2023, 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) | 51.0% | 38.25% |
| Ms. Shen Hongfen ⁽⁵⁾ | Interest of spouse | 204,000,000 Domestic Shares (L) | 51.0% | 38.25% |
| Jujiang Equity Investment ⁽⁶⁾ | Beneficial owner | 196,000,000 Domestic Shares (L) | 49.0% | 36.75% |
| Chan Ka Wo | Beneficial owner | 9,480,000 H Shares (L) | 7.1% | 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 is 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) Zhejiang Jujiang Equity Investment Management Co., Ltd. (浙江巨匠股權投資管理股份有限公司) ("**Jujiang Equity Investment**") is directly interested in approximately 36.75% in the Company.

Save as disclosed above, as at 30 June 2023, 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

Save as disclosed in this interim report, none of the controlling shareholders of the Company, 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 2023 and up to the date of this interim report, the Company has fully complied with the Code Provisions. 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 2023 to 30 June 2023.

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 interim report, there are no major events subsequent to 30 June 2023 which would materially affect the Group's operating and financial performance as at the date of this interim report.

AUDIT COMMITTEE

The Audit Committee has discussed with the management and the 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 2023, 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, 18 August 2023



Ernst & Young

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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 comprises the interim condensed consolidated statement of financial position of Jujiang Construction Group Co., Ltd. (the **"Company"**) and its subsidiaries (together, the **"Group"**) as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss and other 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

18 August 2023

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

For the six months ended 30 June 2023

| | Notes | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
|--|-------|--------------------------------|--------------------------------|
| Revenue | 4 | 4,168,315 | 4,214,634 |
| Cost of sales | | (4,007,467) | (4,042,930) |
| Gross profit | | 160,848 | 171,704 |
| Other income and gains | 5 | 10,590 | 18,938 |
| Administrative expenses | | (86,000) | (81,417) |
| Impairment losses on financial and contract assets, net | | (22,676) | (51,368) |
| Other expenses | | (8,614) | (230) |
| Finance costs | 6 | (21,219) | (19,511) |
| PROFIT BEFORE TAX | 7 | 32,929 | 38,116 |
| Income tax expense | 8 | (1,651) | (3,602) |
| PROFIT FOR THE PERIOD | | 31,278 | 34,514 |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences: | | | |
| Exchange differences on translation of foreign operations | | 281 | – |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | 281 | – |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | 31,559 | 34,514 |
| Profit attributable to: | | | |
| Owners of the parent | | 31,086 | 34,915 |
| Non-controlling interests | | 192 | (401) |
| | | 31,278 | 34,514 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 31,283 | 34,915 |
| Non-controlling interests | | 276 | (401) |
| | | 31,559 | 34,514 |
| Earnings per share attributable to ordinary equity holders of the parent: | | | |
| Basic and diluted (expressed in RMB per share) | 10 | 0.06 | 0.07 |

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

| | Notes | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|-------|---|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 193,727 | 188,233 |
| Investment Properties | | 14,776 | 15,060 |
| Right-of-use assets | | 25,335 | 27,049 |
| Goodwill | | 1,162 | 1,162 |
| Other intangible assets | | 84,029 | 88,195 |
| Deferred tax assets | | 70,527 | 66,038 |
| Long term deferred assets | | 115,051 | 119,420 |
| Total non-current assets | | 504,607 | 505,157 |
| CURRENT ASSETS | | | |
| Inventories | | 26,767 | 26,351 |
| Non-currents assets due within one year | | 8,526 | 8,274 |
| Trade and bills receivables | 13 | 2,362,959 | 2,060,624 |
| Contract assets | 12 | 2,444,338 | 2,770,952 |
| Prepayments, other receivables and other assets | 14 | 637,952 | 655,007 |
| Financial assets at fair value through profit or loss | | 10,653 | 10,535 |
| Pledged deposits | 15 | 229,297 | 238,151 |
| Cash and bank balances | 15 | 210,671 | 221,145 |
| Total current assets | | 5,931,163 | 5,991,039 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 16 | 3,404,874 | 3,438,205 |
| Other payables and accruals | 17 | 445,500 | 512,644 |
| Interest-bearing bank and other borrowings | 18 | 553,934 | 516,895 |
| Tax payable | | 227,024 | 224,995 |
| Total current liabilities | | 4,631,332 | 4,692,739 |
| NET CURRENT ASSETS | | | |
| | | 1,299,831 | 1,298,300 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 1,804,438 | 1,803,457 |

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

| | Notes | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--|-------|---|--|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | 18 | 145,224 | 159,152 |
| Total non-current liabilities | | 145,224 | 159,152 |
| Net assets | | 1,659,214 | 1,644,305 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 533,360 | 533,360 |
| Reserves | | 1,096,610 | 1,084,427 |
| | | 1,629,970 | 1,617,787 |
| Non-controlling interests | | 29,244 | 26,518 |
| Total equity | | 1,659,214 | 1,644,305 |

Lyu Yaoneng
Director

Lyu Dazhong
Director

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| Notes | Attributable to owners of the parent | | | | | | Total RMB'000 | Non- controlling interests RMB'000 | Total equity RMB'000 |
|--|--------------------------------------|-------------------------------|-------------------------------|--|---|--------------------------------|------------------|---|----------------------------|
| | Share capital RMB'000 | Capital reserve RMB'000 | Special reserve RMB'000 | Statutory surplus reserve RMB'000 | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | | | |
| At 1 January 2023 (audited) | 533,360 | 188,665 | - | 105,917 | - | 789,845 | 1,617,787 | 26,518 | 1,644,305 |
| Profit for the period | - | - | - | - | - | 31,086 | 31,086 | 192 | 31,278 |
| Other comprehensive income for the period: | | | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | - | 197 | - | 197 | 84 | 281 |
| Total comprehensive income for the period | - | - | - | - | 197 | 31,086 | 31,283 | 276 | 31,559 |
| Contribution from non-controlling interests | - | - | - | - | - | - | - | 2,450 | 2,450 |
| Transfer to special reserve (i) | - | - | 127,466 | - | - | (127,466) | - | - | - |
| Utilisation of special reserve (i) | - | - | (127,466) | - | - | 127,466 | - | - | - |
| Final 2022 dividend declared 9 | - | - | - | - | - | (19,100) | (19,100) | - | (19,100) |
| At 30 June 2023 (unaudited) | 533,360 | 188,665 | - | 105,917 | 197 | 801,831 | 1,629,970 | 29,244 | 1,659,214 |

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2022

| Notes | Attributable to owners of the parent | | | | | Total (RMB'000) | Non- controlling interests (RMB'000) | Total equity (RMB'000) |
|--|--------------------------------------|-------------------------------|-------------------------------|--|--------------------------------|--------------------|---|---------------------------|
| | Share capital RMB'000 | Capital reserve RMB'000 | Special reserve RMB'000 | Statutory surplus reserve RMB'000 | Retained profits RMB'000 | | | |
| At 1 January 2022 (audited) | 533,360 | 188,665 | - | 99,769 | 759,920 | 1,581,714 | 26,258 | 1,607,972 |
| Profit for the period | - | - | - | - | 34,915 | 34,915 | (401) | 34,514 |
| Total comprehensive income for the period | - | - | - | - | 34,915 | 34,915 | (401) | 34,514 |
| Transfer to special reserve (i) | - | - | 82,937 | - | (82,937) | - | - | - |
| Utilisation of special reserve (i) | - | - | (82,937) | - | 82,937 | - | - | - |
| Final 2021 dividend declared 9 | - | - | - | - | (18,757) | (18,757) | - | (18,757) |
| At 30 June 2022(unaudited) | 533,360 | 188,665 | - | 99,769 | 776,078 | 1,597,872 | 25,857 | 1,623,729 |

Note:

Pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation (Cai Qi [2012] No.16) issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from profit after tax an amount to a safety reserve at 1.5% – 2% of the total construction contract revenue recognised. On 21 November 2022, the Ministry of Finance and the Ministry of Emergency Management of the People's Republic of China issued Cai Zi [2022] No.136 to update the safety reserve rate to 1.5% – 3%, with immediate effect on the new contracts signed afterwards. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were 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 2023

| | Notes | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
|--|-------|---|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 32,929 | 38,116 |
| Adjustments for: | | | |
| Finance costs | 6 | 21,219 | 19,511 |
| Interest income | 5 | (5,061) | (6,004) |
| Exchange difference | | (248) | (2) |
| Depreciation of items of property, plant and equipment | 7 | 8,029 | 7,365 |
| Depreciation of right-of-use assets | 7 | 1,714 | 1,341 |
| Depreciation of investment properties | 7 | 284 | 284 |
| Amortisation of intangible assets | 7 | 4,178 | 4,189 |
| Impairment of trade receivables | 7 | 2,062 | 15,458 |
| Impairment of financial assets included in prepayments, other receivables and other assets | 7 | 2,902 | 9,892 |
| Impairment of contract assets | 7 | 17,712 | 26,018 |
| Gain on intangible assets | | - | (18) |
| Loss on disposal of items of property, plant and equipment, net | 11 | - | 13 |
| | | 85,720 | 116,163 |
| Increase in inventories | | (416) | (1,636) |
| Decrease in contract assets | | 313,018 | 141,245 |
| (Increase)/decrease in trade and bills receivables | | (312,222) | 547,420 |
| Decrease/(increase) in prepayments, other receivables and other assets | | 14,154 | (260,944) |
| Decrease/(increase) in financial assets at fair value through profit or loss | | 7,706 | (912) |
| Decrease/(increase) in pledged deposits | | 20,548 | (22,987) |
| Decrease in trade and bills payables | | (33,330) | (408,800) |
| Decrease in other payables and accruals | | (68,644) | (36,754) |
| Cash flows from operations | | 26,534 | 72,795 |
| Interest received | | 5,061 | 6,004 |
| Income tax paid | | (4,111) | (8,218) |
| Net cash flows from operating activities | | 27,484 | 70,581 |

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

| | Notes | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
|--|-------|---|--------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for acquisition of items of property, plant and equipment | | (13,523) | (13,733) |
| Payments for acquisition of other intangible assets | | (12) | (158) |
| Proceeds from disposal of items of property, plant and equipment | 11 | – | 53 |
| Net cash flows used in investing activities | | (13,535) | (13,838) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of loans from third parties | | (2,000) | (10,000) |
| Loans from third parties | | 3,500 | 12,000 |
| Interest paid | | (20,972) | (19,511) |
| Proceeds from borrowings | | 376,800 | 343,090 |
| Repayment of borrowings | | (351,768) | (351,341) |
| Principal portion of lease payments | | (1,920) | (2,061) |
| Deposits (paid)/received from for bank loans | | (11,694) | 460 |
| Contribution from non-controlling interests | | 2,450 | – |
| Dividends paid to shareholders | | (19,100) | – |
| Net cash flows used in financing activities | | (24,704) | (27,363) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| | | (10,755) | 29,380 |
| Cash and cash equivalents at beginning of period | | 221,145 | 248,167 |
| Effect of foreign exchange rate changes, net | | 281 | – |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | |
| | | 210,671 | 277,547 |

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. The interim condensed consolidated financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand, 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 2022, 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 IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to IAS 12 | <i>International Tax Reform – Pillar Two Model Rules</i> |

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

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

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

The nature and impact of the new and revised IFRSs are described below: *(Continued)*

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 – provision of construction services;
- (b) Others – provision of services on designing, surveying, training and consulting relating to construction contracting in architecture and sale of civil defence products.

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 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.

3. OPERATING SEGMENT INFORMATION (Continued)

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 2023 | | | |
|---|--|----------------------------------|--|---------------------------------|
| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Eliminations RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| Segment revenue | | | | |
| Sales to external customers | 4,131,023 | 37,292 | - | 4,168,315 |
| Intersegment sales | - | 8,091 | (8,091) | - |
| Total revenue | 4,131,023 | 45,383 | (8,091) | 4,168,315 |
| Profit before tax for the period | 30,896 | (1,438) | 595 | 32,929 |
| Income tax expense | (1,714) | 93 | (30) | (1,651) |
| Segment results | 29,182 | 1,531 | 565 | 31,278 |
| Other segment information: | | | | |
| Interest income | 5,037 | 24 | - | 5,061 |
| Finance costs | 16,645 | 4,574 | - | 21,219 |
| Depreciation | 6,696 | 3,331 | - | 10,027 |
| Amortisation | 340 | 3,838 | - | 4,178 |
| Impairment losses recognised in profit or loss | 22,101 | 575 | - | 22,676 |
| Capital expenditure ¹ | 7,600 | 5,935 | - | 13,535 |
| | | | | |
| | As at 30 June 2023 | | | |
| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Eliminations RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| Segment assets | 6,343,100 | 352,839 | (260,169) | 6,435,770 |
| Segment liabilities | 4,711,085 | 233,838 | (168,367) | 4,776,556 |

Note:

- 1 Capital expenditure mainly consists of additions to property, plant and equipment and other intangible assets.

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2022

| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Eliminations RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|---|----------------------------------|--|---------------------------------|
| Segment revenue | | | | |
| Sales to external customers | 4,184,646 | 29,988 | – | 4,214,634 |
| Intersegment sales | – | 8,615 | (8,615) | – |
| Total revenue | 4,184,646 | 38,603 | (8,615) | 4,214,634 |
| Profit before tax | 43,593 | (1,546) | (3,931) | 38,116 |
| Income tax expense | (3,998) | 188 | 208 | (3,602) |
| Segment results | 39,595 | (1,358) | (3,723) | 34,514 |
| Other segment information: | | | | |
| Interest income | 5,994 | 10 | – | 6,004 |
| Finance costs | 14,201 | 5,310 | – | 19,511 |
| Depreciation | 7,272 | 1,718 | – | 8,990 |
| Amortisation | 358 | 3,831 | – | 4,189 |
| Impairment losses recognised in profit or loss | 51,250 | 118 | – | 51,368 |
| Capital expenditure ¹ | 13,223 | 668 | – | 13,891 |

As at 31 December 2022

| | Construction contracting RMB'000 (Audited) | Others RMB'000 (Audited) | Eliminations RMB'000 (Audited) | Total RMB'000 (Audited) |
|---------------------|---|--------------------------------|--------------------------------------|-------------------------------|
| Segment assets | 6,330,199 | 388,394 | (222,397) | 6,496,196 |
| Segment liabilities | 4,721,368 | 263,103 | (132,580) | 4,851,891 |

Note:

- 1 Capital expenditure mainly consists of additions to property, plant and equipment and other intangible assets.

4. REVENUE

Disaggregated revenue information for revenue from contracts with customers

| | For the six months ended 30 June 2023 | | |
|---|--|----------------------------------|---------------------------------|
| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| Type of goods or service | | | |
| Construction contracting | 4,131,023 | – | 4,131,023 |
| Design, survey, training and consultancy | – | 19,271 | 19,271 |
| Sale of construction materials and civil defence products | – | 18,021 | 18,021 |
| Total revenue from contracts with customers | 4,131,023 | 37,292 | 4,168,315 |
| Geographical markets | | | |
| Mainland China | 4,082,554 | 37,292 | 4,119,846 |
| Indonesia | 48,469 | – | 48,469 |
| Total revenue from contracts with customers | 4,131,023 | 37,292 | 4,168,315 |
| Timing of revenue recognition | | | |
| Services transferred over time | 4,131,023 | 14,474 | 4,145,497 |
| Goods and services transferred at a point in time | – | 22,818 | 22,818 |
| Total revenue from contracts with customers | 4,131,023 | 37,292 | 4,168,315 |

Notes to Interim Condensed Consolidated Financial Information

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4. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 June 2022

| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|--|---|----------------------------------|---------------------------------|
| Type of goods or service | | | |
| Construction contracting | 4,184,646 | – | 4,184,646 |
| Design, survey, training and consultancy | – | 15,044 | 15,044 |
| Sale of construction materials and civil defence products | – | 14,944 | 14,944 |
| Total revenue from contracts with customers | 4,184,646 | 29,988 | 4,214,634 |
| Geographical markets | | | |
| Mainland China | 4,184,646 | 29,988 | 4,214,634 |
| Total revenue from contracts with customers | 4,184,646 | 29,988 | 4,214,634 |
| Timing of revenue recognition | | | |
| Services transferred over time | 4,184,646 | 9,743 | 4,194,389 |
| Goods and services transferred at a point in time | – | 20,245 | 20,245 |
| Total revenue from contracts with customers | 4,184,646 | 29,988 | 4,214,634 |

4. REVENUE *(Continued)***Disaggregated revenue information for revenue from contracts with customers** *(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 2023 | | |
|--|---|----------------------------------|---------------------------------|
| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| Revenue | | | |
| External customers | 4,131,023 | 37,292 | 4,168,315 |
| Intersegment sales | – | 8,091 | 8,091 |
| | 4,131,023 | 45,383 | 4,176,406 |
| Intersegment adjustments and eliminations | – | (8,091) | (8,091) |
| Total revenue from contracts with customers | 4,131,023 | 37,292 | 4,168,315 |

For the six months ended 30 June 2022

| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|--|---|----------------------------------|---------------------------------|
| Revenue | | | |
| External customers | 4,184,646 | 29,988 | 4,214,634 |
| Intersegment sales | – | 8,615 | 8,615 |
| | 4,184,646 | 38,603 | 4,223,249 |
| Intersegment adjustments and eliminations | – | (8,615) | (8,615) |
| Total revenue from contracts with customers | 4,184,646 | 29,988 | 4,214,634 |

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 | |
|--|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Other income | | |
| Bank interest income | 5,061 | 6,004 |
| Government grant* | 3,787 | 10,616 |
| Others interest income from financial assets at fair value through profit or loss | 118 | 244 |
| Others | 1,624 | 1,038 |
| | 10,590 | 17,902 |
| Gains | | |
| Fair value gains, net: Financial assets at fair value through profit or loss | - | 1,036 |
| | 10,590 | 18,938 |

Note:

*Government grants primarily consisted of the incentive fund received from the Bureau of Housing and Urban-Rural Development to support construction services.

6. FINANCE COSTS

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Interest on bank loans | 18,019 | 15,710 |
| Factoring expense | 2,735 | 2,320 |
| Interest on discounted bills receivable | - | 1,136 |
| Interest on lease liabilities | 465 | 345 |
| | 21,219 | 19,511 |

7. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Cost of construction contracting (including depreciation and research and development costs) | 3,992,562 | 4,021,724 |
| Cost of others | 14,905 | 21,206 |
| Total cost of sales | 4,007,467 | 4,042,930 |
| Depreciation of items of property, plant and equipment | 8,029 | 7,365 |
| Depreciation of investment properties | 284 | 284 |
| Depreciation of right-of-use assets | 1,714 | 1,341 |
| Amortisation of intangible assets | 4,178 | 4,189 |
| Total depreciation and amortisation | 14,205 | 13,179 |
| Research and development costs: Current period expenditure | 131,432 | 155,816 |
| | 131,432 | 155,816 |
| Impairment of trade receivables | 2,062 | 15,458 |
| Impairment of contract assets | 17,712 | 26,018 |
| Impairment of financial assets included in prepayments, other receivables and other assets | 2,902 | 9,892 |
| Total impairment losses, net | 22,676 | 51,368 |
| Auditor's remuneration | 1,100 | 1,071 |
| Employee benefit expenses (including directors' and supervisors' remuneration): | 52,468 | 50,568 |
| – Wages, salaries and allowances | 42,450 | 38,470 |
| – Social insurance | 8,406 | 11,652 |
| – Welfare and other expenses | 1,612 | 446 |
| Interest income | (5,061) | (6,004) |

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8. INCOME TAX EXPENSE

Most of the companies of the Group are subject to PRC Corporation Income Tax Law, which have been provided based on the statutory rate of 25% (2022: 25%) of the assessable profits of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC entities of the Company, which were taxed at 15%. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates.

| | For the six months ended 30 June | |
|-------------------------------|---|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current – Mainland China | | |
| Charge for the period | 5,456 | 12,587 |
| Over-provision in prior years | – | (570) |
| Current – Elsewhere | 684 | – |
| Deferred | (4,489) | (8,415) |
| Tax charge for the period | 1,651 | 3,602 |

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 | |
|---|---|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Profit before tax | 32,929 | 38,116 |
| Income tax charge at the statutory income tax rate | 8,232 | 9,529 |
| Lower tax rate enacted by local authority | (2,927) | (3,209) |
| Additional deductible allowance for research and development expenses | (4,096) | (2,604) |
| Income not subject to tax | – | (34) |
| Expenses not deductible for tax purposes | 257 | 232 |
| Adjustments in respect of current tax of previous periods | – | (570) |
| Tax losses not recognised | 185 | 258 |
| Tax charge for the period at the effective rate | 1,651 | 3,602 |

9. DIVIDENDS

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Declared and paid final dividend – RMB3.67 cents (2022: RMB3.43 cents) per ordinary share* | 19,100 | 18,757 |
| | 19,100 | 18,757 |

* The Company proposed to distribute a final dividend of Hong Kong 4.0 cents in cash (before tax) for the year ended 31 December 2022 to the shareholders whose names appear on the register of members of the Company on Monday, 15 May 2023 (the "Record Date") and been paid on Friday, 30 June 2023. 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, being HK\$1.0000: RMB0.918. Based on the above exchange rate, a final dividend of RMB3.67 cents (before tax) have been paid 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 2023 and 2022 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 | |
|---|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Earnings: | | |
| Profit for the period attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | 31,086 | 34,915 |

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

| | For the six months ended 30 June | |
|---|----------------------------------|-----------------------------|
| | 2023 '000 (Unaudited) | 2022 '000 (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 2023, the Group acquired property, plant and equipment at an aggregate cost amounting to approximately RMB13,523,000 (unaudited) (six months ended 30 June 2022: RMB13,733,000 (unaudited)).

In addition, during the same period, the Group did not dispose any property, plant and equipment (unaudited) (six months ended 30 June 2022: RMB66,000 (unaudited)), which did not result in any gain or loss on disposal (six months ended 30 June 2022: a net gain of RMB13,000 (unaudited)).

12. CONTRACT ASSETS

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--------------------------------|---|---|
| Contract assets arising from: | | |
| Construction services | 2,536,766 | 2,849,515 |
| Design, survey and consultancy | 10,401 | 6,554 |
| | 2,547,167 | 2,856,069 |
| Impairment | (102,829) | (85,117) |
| | 2,444,338 | 2,770,952 |

13. TRADE AND BILLS RECEIVABLES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|-------------------------------------|---|---|
| Trade receivables at amortised cost | 1,774,756 | 1,699,734 |
| Provision for impairment | (176,720) | (174,658) |
| Trade receivables, net | 1,598,036 | 1,525,076 |
| Bills receivables at fair value | 764,923 | 535,548 |
| | 2,362,959 | 2,060,624 |

The majority of the Group's revenue are generated through construction services, and the settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables, including retentions based on the due date and others based on the billing date and net of loss allowance, as at the end of the reporting period is as follows:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|----------------------|---|---|
| Within 3 months | 668,921 | 656,916 |
| 3 months to 6 months | 249,144 | 160,121 |
| 6 months to 1 year | 198,078 | 315,793 |
| 1 to 2 years | 408,604 | 303,046 |
| 2 to 3 years | 64,786 | 74,002 |
| 3 to 4 years | 4,375 | 8,889 |
| 4 to 5 years | 4,128 | 6,309 |
| | 1,598,036 | 1,525,076 |

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13. TRADE AND BILLS RECEIVABLES *(Continued)*

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

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---------------------------------|---|---|
| At beginning of the period/year | 174,658 | 135,313 |
| Impairment losses, net | 2,062 | 39,345 |
| At end of the period/year | 176,720 | 174,658 |

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|--|---|--|
| Deposits and other receivables | 189,262 | 198,545 |
| Provision for impairment of deposits and other receivables | (49,166) | (46,264) |
| Prepayment to suppliers | 140,096 497,856 | 152,281 502,726 |
| | 637,952 | 655,007 |

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

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---------------------------------|---|--|
| At beginning of the period/year | 46,264 | 35,736 |
| Impairment losses, net | 2,902 | 10,528 |
| At the end of the period/year | 49,166 | 46,264 |

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|--|---|--|
| Cash and bank balances | 210,671 | 221,145 |
| Time deposits | 229,297 | 238,151 |
| | 439,968 | 459,296 |
| Less: Pledged time deposits: | | |
| Pledged for salaries of migrant workers | (65,454) | (52,501) |
| Pledged for bank loans and bank notes | (15,680) | (27,366) |
| Other restricted cash and cash equivalents | (148,163) | (158,284) |
| Cash and cash equivalents | 210,671 | 221,145 |

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

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

16. TRADE AND BILLS PAYABLES

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

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--------------------|---|---|
| Within 6 months | 2,394,839 | 2,496,681 |
| 6 months to 1 year | 418,770 | 295,956 |
| 1 to 2 years | 372,726 | 447,446 |
| 2 to 3 years | 135,012 | 120,285 |
| Over 3 years | 83,527 | 77,837 |
| | 3,404,874 | 3,438,205 |

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

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17. OTHER PAYABLES AND ACCRUALS

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|--------------------------------------|---|--|
| Other taxes payable | 228,895 | 275,043 |
| Contract liabilities | 126,565 | 136,700 |
| Other payables | 69,073 | 72,138 |
| Accrued salaries, wages and benefits | 20,967 | 28,763 |
| | 445,500 | 512,644 |

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

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2023 | | | 31 December 2022 | | |
|--|------------------------------------|------------------|----------------|-----------------------------|-----------|---------|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| Current | | | | | | |
| Lease liabilities | 4.90 | 2023-2024 | 3,912 | 4.90 | 2023 | 3,493 |
| Bank loans – mortgaged/ guaranteed | 4.20-5.73 | 2023-2024 | 475,580 | 4.35-5.80 | 2023 | 440,480 |
| Bank loans – guaranteed | 4.65-7.12 | 2023-2024 | 55,350 | 4.41-7.12 | 2023 | 54,550 |
| Current portion of long term bank loans – guaranteed | 4.41 | 2023-2024 | 19,092 | 4.41 | 2023 | 18,372 |
| | | | 553,934 | | | 516,895 |
| Non-current | | | | | | |
| Lease liabilities | 4.90 | 2025-2032 | 14,245 | 4.90 | 2025-2032 | 16,585 |
| Bank loans – guaranteed | 4.41 | 2024-2030 | 130,979 | 4.41 | 2024-2030 | 142,567 |
| | | | 145,224 | | | 159,152 |

18. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) Certain of the Group's buildings with net carrying amounts of approximately RMB83,057,000 (unaudited) and approximately RMB84,186,000 (audited) as at 30 June 2023 and 31 December 2022, respectively, were used to secure general banking facilities granted to the Group.
- (b) As at 30 June 2023 and 31 December 2022, the Group's interest-bearing bank and other borrowings of approximately RMB437,180,000 (unaudited) and approximately RMB458,480,000 (audited), respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group free of charge.
- (c) The Group entered into a fixed asset loan contract with maximum loan amounts totalling RMB190,000,000. As at 30 June 2023 and 31 December 2022, the outstanding loan balance amount to RMB150,071,000 (unaudited) and RMB160,939,000 (audited), and the interest rate is 4.41%.

19. SHARE CAPITAL

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---------------|---|--|
| Share capital | 533,360 | 533,360 |

20. COMMITMENTS

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

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21. 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 | |
|--|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Construction contracting services provided to: | | |
| Fellow subsidiaries | 154 | 7,140 |
| Purchases from a company of which the controlling shareholder of the company is a key management personal of parent company | 904 | – |
| Purchase from non-controlling shareholder of fellow subsidiaries | 9,494 | – |
| Lease payments to a fellow subsidiary: | 1,694 | 1,637 |

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

- (b) Other transactions with related parties:

The Group's interest-bearing bank and other borrowings of RMB437,180,000 (unaudited) and RMB458,480,000 (audited) as at 30 June 2023 and 31 December 2022, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group, as set out in note 18(b).

21. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|--|---|--|
| Trade and bills receivables: | | |
| Fellow subsidiaries | 35,658 | 50,358 |
| Trade payables: | | |
| Fellow subsidiaries | 29 | 27 |
| A company of which the controlling shareholder of the company is a key management personal of parent company | 1,083 | 774 |
| Non-controlling shareholder of fellow subsidiaries | 349 | – |
| Other receivables: | | |
| Fellow subsidiaries | 20 | 20 |
| Key management personnel of the holding company | 950 | 950 |
| Contract assets: | | |
| Fellow subsidiaries | 11,444 | 11,459 |
| Associate of fellow subsidiaries | 38,485 | 50,628 |
| Contract liabilities: | | |
| Fellow subsidiaries | 633 | 633 |

(d) Compensation of key management personnel of the Group:

| | For the six months ended 30 June | |
|---|---|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Short term employee benefits | 2,132 | 2,233 |
| Post-employment benefits | 65 | 60 |
| Total compensation paid to key management personnel | 2,197 | 2,293 |

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22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

| | Carrying amounts | |
|---|--|--|
| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
| Financial assets | | |
| Bills receivable | 764,923 | 535,548 |
| Financial assets at fair value through profit or loss | 10,653 | 10,535 |
| | 775,576 | 546,083 |
| Financial liabilities | | |
| Interest-bearing bank and other borrowings (other than lease liabilities) | 681,001 | 655,969 |
| | | |
| | Fair values | |
| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
| Financial assets | | |
| Bills receivable | 764,923 | 535,548 |
| Financial assets at fair value through profit or loss | 10,653 | 10,535 |
| | 775,576 | 546,083 |
| Financial liabilities | | |
| Interest-bearing bank and other borrowings (other than lease liabilities) | 681,001 | 655,969 |

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade receivables, trade and bills payables, interest-bearing bank and other borrowings, 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.

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

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 senior management twice a year for annual financial reporting.

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 2023

| | 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 fair value through profit or loss | 10,653 | - | - | 10,653 |
| Bills receivable | - | 764,923 | - | 764,923 |
| | 10,653 | 764,923 | - | 775,576 |

As at 31 December 2022

| | 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 fair value through profit or loss | 10,535 | - | - | 10,535 |
| Bills receivable | - | 535,548 | - | 535,548 |
| | 10,535 | 535,548 | - | 546,083 |

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

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

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 (2022: Nil)

23. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the reporting period that are required to be disclosed.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 August 2023.