



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)

2022

**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. 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
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
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		
	2022 Unaudited RMB'000	2021 Unaudited RMB'000	Change %
Revenue	4,214,634	5,108,561	-17.50%
Gross profit	171,704	226,014	-24.03%
Gross profit margin	4.07%	4.42%	-0.35%
Profit for the period	34,514	76,604	-54.94%
Net profit margin	0.82%	1.50%	-0.68%
Basic and diluted earnings per share (RMB)	0.07	0.14	

Management Discussion and Analysis

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 Jiaxing, 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 proven track record, the Company has outperformed other construction group companies in Jiaxing.

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 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 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 2022, as the PRC accelerated the establishment of the new development landscape, the construction industry ramped up its transformation and upgrade, resulting in both opportunities and challenges. Under the impact of the pandemic, external politics and economic environment had become increasingly complicated, severe and uncertain. As a labour-intensive industry, the construction industry was restrained by the fluctuating pandemic. Profit margin shrank due to increasing economic downward pressure, slowdown in the overall development pace of the construction industry and continuous increase in construction material costs.

Since 2021, the domestic real estate market has demonstrated a downward trend with several mid-to-large real estate enterprises experiencing difficulties. The situation is further aggravated by the recent “suspension of loans” for uncompleted construction projects. Being in the upstream of the real estate industry chain, the construction industry has also been considerably impacted and witnessed escalating market competition and accelerating industry consolidation and restructuring. Despite the introduction of a series of stabilising policies for the property market by local governments and regulatory authorities, the recovery of the real estate industry has remained sluggish. As a result, stabilisation of the real estate market has become one of the primary economic targets of the Central Government in the second half of the year. As the ongoing slowdown in population growth and urbanisation rate has caused a relatively significant negative impact on the rigid demand for real estate, the residential construction sector will experience greater growth pressure in the future in the real estate inventory-centric era and under the keynote of “houses are for inhabitation, not for speculation”.

The government and local authorities have successively introduced a series of supporting and stimulating policies for the construction industry and its related upstream and downstream industries to promote its healthy development in the long run. In January 2022, the “14th Five-year Plan” Construction Industry Development Plan” (「十四五」建築業發展規劃) issued by the Bureau of Housing and Urban-Rural Development proposed that the construction industry shall shift its effort from rapid development to quality development, from expansion in “quantity”

Management Discussion and Analysis

to increase in “quality”; stipulated seven major tasks, such as facilitating the co-development of intelligent construction and new construction industrialisation, improving the operating mechanism of the construction market, polishing the engineering and construction organisation model, refining the construction quality and safety assurance system and promoting the pace of “external expansion” of the construction industry. In addition, “Certain Opinions of the General Office of the People’s Government of Zhejiang Province on Further Supporting the Improvement and Strengthening of the Construction Industry” (浙江省人民政府辦公廳關於進一步支持建築業做優做強的若干意見) were promulgated in July 2022 to help resolve difficulties faced by construction enterprises in their operation and development and provide full support in aspects such as project undertaking, competitiveness improvement, external expansion and taxation.

In the first half of 2022, given the consistent introduction of growth stabilisation policies, the infrastructure industry demonstrated an upward trend and the construction industry, in turn, remained resilient to a certain extent. According to the data of the National Bureau of Statistics of the People’s Republic of China, for the six months ended 30 June 2022, the total value of the PRC construction industry was approximately RMB12.9 trillion, representing a period-to-period growth of 7.6% as compared to 2021; total construction area of buildings of the PRC construction industry was approximately 12.07 billion sq.m., representing a period-to-period increase of 1.2% as compared to 2021. National sales area of commercial property was approximately 689 million sq.m., representing a period-to-period decrease of 22.2% as compared to 2021; sales amount of commercial property was approximately RMB6.6 trillion, representing a period-to-period decrease of 28.9% as compared to 2021. In addition, according to the data of the China Association of Construction Enterprises for the six months ended 30 June 2022, contract amount of PRC construction enterprises was approximately RMB49.0 trillion, representing a period-to-period increase of approximately 10.5% as compared to 2021. New contract amount was approximately RMB14.9 trillion, representing a period-to-period increase of approximately 3.9% as compared to 2021. In light of the above, despite pressure brought about by the pandemic, costs and slowdown of the real estate industry, the construction industry maintained a stable status as the backbone of the national economy. Given the escalating market competition in the construction industry, construction enterprises shall strictly follow the policy trend, adhere to high-quality development, and pursue breakthrough in various directions, such as intelligent manufacturing and green construction, to take better advantage of their competitive edges.

BUSINESS REVIEW

Looking back into the first half of 2022, the Group earnestly implemented the development plan for the “14th Five-year Plan” period at all levels, adhered to the keynote of progressing in stability, spared no efforts on technology innovation, quality enhancement and transformation upgrade, and established a positive, sound and comprehensive high-quality development layout. The Group’s revenue and net profit for the six months ended 30 June 2022 were approximately RMB4,214.6 million and approximately RMB34.5 million, respectively, representing a decrease of approximately 17.5% and a decrease of approximately 54.9%, respectively, from the corresponding period of the previous year. The value of backlog increased by approximately 0.4% to approximately RMB17,741.5 million as at 30 June 2022 as compared to that of approximately RMB17,660.0 million as at 30 June 2021.

Management Discussion and Analysis

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

	For the six months ended 30 June	
	2022 RMB'million (Unaudited)	2021 RMB'million (Unaudited)
Opening value of backlog	18,762.9	17,048.4
Net value of new projects ⁽¹⁾	3,163.3	5,687.8
Revenue recognized ⁽²⁾	(4,184.7)	(5,076.2)
Closing value of backlog ⁽³⁾	17,741.5	17,660.0

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 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.

Accelerating transformation upgrade to commence overseas business

In the first half of 2022, faced with challenges and opportunities of the industry, the Group adhered to 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 project of approximately RMB3,163.3 million. In terms of major customer expansion, the Group’s newly contracted industrial enterprise projects in the first half accounted for approximately 55.6% of the total amount of contracts, while major real estate enterprise projects accounted for approximately 38.6% and tourism enterprise projects accounted for approximately 5.4%. In the first half of the year, there were nine projects with a contract amount over RMB100 million and four projects with a contract amount over RMB300 million.

With regards to the market layout, the Group further consolidated its share of the local market and made use of its local advantage. Newly contracted local businesses in Jiaxing city accounted for approximately 27.1% of total amount of contracts, among which, newly contracted business in Tongxiang city accounted for approximately 17.1%. The “market expansion” strategy continued to be steadily implemented, with focus on undertaking large-scale and influential projects. Business undertaking outside the province accounted for approximately 41.4%, representing a decrease of approximately 24.4% over last year.

The Group won the civil engineering project for the ferro-nickel production line and ancillary buildings of Zhenshi Group’s new project in Indonesia. The project is located at Sulawesi, Indonesia and the first overseas project won by the Group, which marks a substantial breakthrough of the Group in overseas business operation and kickstarts the new journey of overseas “market expansion” as a milestone of the Group.

Management Discussion and Analysis

Adhering to quality enhancement and pursuing high-quality development

The Group adheres to a target-oriented approach and consistently emphasises project quality to strictly implement construction duration requirement and ensure smooth completion with high quality at a high standard and garner customers' recognition and praise through outstanding service and quality. In the first half of the year, newly added projects, such as the construction project with an annual production capacity of 2,000 industrial robots and Jushi 238 construction, made satisfactory progress. In particular, the intelligent visual Internet-of-Things park project in Tongxiang Economic Development Zone was completed and delivered four months in advance and recognised by the construction entity.

In the first half of 2022, the Group proactively established quality construction and standardised construction sites and improved quality advantage to obtain one provincial quality construction and seven city and county-level quality constructions. Upon passing the assessment of the Management Institution of High Tech Enterprise Recognition of Zhejiang Province, the Group was officially recognised as a "national high tech enterprise". During the six months ended 30 June 2022, the Group obtained honours and titles such as Advanced Construction Enterprise of Zhejiang Province, First Batch of Model Commercial Buildings of "Strong Party Building, Robust Development" of Jiaxing, Advanced Construction Enterprise of Jiaxing, "Top 10 Accomplished Enterprise" of Tongxiang. Meanwhile, the relocation construction of Chinese Medicine Hospital of Tongxiang undertaken by the Group obtained the provincial "outstanding red construction site" title. In the "National Top 500 Enterprises of Zhe Shang 2022" officially published by the Zhe Shang magazine, the Group ranked 171st, improving by 12 places over last year.

Advancing technological innovation with completion of R&D in intelligent construction site AI platform 2.0

As always, in addition to promoting the business quality of the principal business, the Group has also enhanced the professional abilities, expanded business in various specialised fields such as decorative foundation, municipal and fire protection, etc., through extending to upstream and downstream of the industrial chain. During the six months ended 30 June 2022, driven by the contracting business of engineering, procurement and construction, various specialised sectors made orderly progress. In particular, the new contracts signed up of decorative foundations, municipal and fire protection amounted to approximately RMB16.1 million, approximately RMB1.0 million and approximately RMB76.3 million, respectively.

In compliance with the standard requirement of high-tech enterprise, the Group promoted technological innovation and utilised platforms such as provincial enterprise technological centre and "industry-university-research" to facilitate the shift of focus of technological innovation to releasing production capacity through innovative R&D in various technology projects. In the first half of 2022, it obtained two provincial quality assurance achievements. In 2020, the Group established the Yunjiang Digital Construction Technology Research Institute and endeavoured to enhance digitalisation and intelligent management level through exploring and applying "BIM + intelligent management system". After two years of development, the Yunjiang Institute has refined its development direction, approach and positioning to cater for market demand and continue to evolve.

Management Discussion and Analysis

In terms of the application of BIM technology, in view of the increasing awareness and recognition of BIM technology in projects, the complementary implementation level has been gradually rising, with satisfactory overall feedback in relation to the application results. In the first half of 2022, commercial application services commenced for seven projects, including two new headquarter building projects, the relocation and construction project of a Chinese medicine hospital and the Puyuan Zijinyuan project. In addition, the intelligent construction site AI platform has completed the research and development of V2.0 quality management and safety management. After a half-year effort, the intelligent control centre completed the admission of 23 projects, including 19 projects within the province and 4 projects outside the province, with 177 video admission channels in total. In particular, Tongxiang residential construction monitoring cloud platform, as the first government cooperation project, had completed the initiation of Tongxiang labour real name system and video surveillance aggregation trial operation, which will be fully implemented subsequently.

For the six months ended 30 June 2022, approximately 99.3% of the revenue was contributed by the construction contracting business (six months ended 30 June 2021: 99.4%).

	For the six months ended 30 June			
	2022 RMB'million (Unaudited)	%	2021 RMB'million (Unaudited)	%
Construction contracting business				
Residential	1,967.1	46.7	2,719.3	53.2
Commercial	417.8	9.9	1,158.9	22.7
Industrial	1,221.1	29.0	916.7	18.0
Public works	578.7	13.7	281.3	5.5
	4,184.7	99.3	5,076.2	99.4
Other business				
Design, survey, training and consultancy	15.0	0.4	10.8	0.2
Sale of construction materials and civil defence products	14.9	0.3	21.6	0.4
	29.9	0.7	32.4	0.6
Total revenue	4,214.6	100.0	5,108.6	100.0

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue decreased by approximately 17.5% from approximately RMB5,108.6 million for the six months ended 30 June 2021 to approximately RMB4,214.6 million for the six months ended 30 June 2022, primarily because of a decrease in the construction contracting business amounting to approximately RMB891.5 million for the six months ended 30 June 2022. Decrease in construction contracting business was primarily due to the progress of the construction projects being affected by the COVID-19-related prevention and control measures (including the extended period of lock-down as well as enhanced mandatory quarantine measures and scalable nucleic acid testing orders in place from time to time) implemented at places where the construction projects were located during the six months ended 30 June 2022, the downturn in property market in general and the decrease in the amount of net values of new projects undertaken by the Group during the six months ended 30 June 2022. The revenue from residential and commercial construction contracting business for the six months ended 30 June 2022 were decreased by approximately RMB752.2 million and approximately RMB741.1 million, respectively, as compared with the corresponding period in last year. Such decrease was partly offset by an increase in public and industrial construction contracting business of approximately RMB297.4 million and approximately RMB304.4 million, respectively, for the six months ended 30 June 2022 as compared with the corresponding period in 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 24.0% from approximately RMB226.0 million for the six months ended 30 June 2021 to approximately RMB171.7 million for the six months ended 30 June 2022, which was in line with the decrease in revenue. However, the gross profit margin decreased from approximately 4.42% for the six months ended 30 June 2021 to approximately 4.07% for the six months ended 30 June 2022, such decrease was mainly due to the decrease in gross profits margins of the construction contracting business, especially for the residential and public construction contracting business. The decrease in gross profits margins of the construction contracting business was a result of i) the further compressed pricing of the construction contracts as the PRC government sets a ceiling on the residential property markets, even the pricing policy, and ii) an increase in the raw material costs. The gross profit margin of the construction contracting business decreased from 4.29% for the six months ended 30 June 2021 to 3.89% for the six months ended 30 June 2022.

Other income and gains

Other income and gains increased by approximately RMB11.5 million from approximately RMB7.4 million for the six months ended 30 June 2021 to approximately RMB18.9 million for the six months ended 30 June 2022, primarily because of i) an increase in government grants of approximately RMB8.8 million in relation to the Government based on the assessment results of the Company in the construction industry to grant a subsidy of approximately RMB8.0 million for the six months ended 30 June 2022, and ii) an increase in interest income of approximately RMB5.6 million, which was mainly related to an increase in unrealised financial income generated by the educational complex as the complex was commenced the operation in March 2021.

Management Discussion and Analysis

Administrative expenses

The administrative expenses increased by approximately 17.5% from approximately RMB69.3 million for the six months ended 30 June 2021 to approximately RMB81.4 million for the six months ended 30 June 2022 which was primarily due to an increase in salaries and employee benefits of approximately RMB8.1 million and depreciation and amortisation expenses of approximately RMB3.9 million. For the six months ended 30 June 2022, the Group continued to expand its workforces and pay a special bonus of approximately RMB3.2 million as well as an increase in contribution of the social security under the government policy. In addition, increase in depreciation and amortisation expenses are mainly attributing to the amortisation of the intangible assets in relation to the educational complex.

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 92.5% from approximately RMB26.7 million for the six months ended 30 June 2021 to approximately RMB51.4 million for the six months ended 30 June 2022, primarily due to the downturn in property market, especially for a series of negative news and announcements over the financial conditions of certain listed property developers, which heightened the credit risk of certain customers.

Other expenses

Other expenses increased by approximately RMB0.1 million from approximately RMB0.1 million for the six months ended 30 June 2021 to approximately RMB0.2 million for the six months ended 30 June 2022, there was no significant change.

Finance costs

Finance costs decreased by approximately 45.5% from approximately RMB35.8 million for the six months ended 30 June 2021 to approximately RMB19.5 million for the six months ended 30 June 2022. Such decrease was primarily due to a decrease in the number of customers of the Group using factoring settlement, resulting in a decrease in factoring fee.

Income tax expense

Income tax expense decreased by approximately 85.5% from approximately RMB24.8 million for the six months ended 30 June 2021 to approximately RMB3.6 million for the six months ended 30 June 2022 primarily because of significant decrease in profits from the operation. The effective tax rate decreased from approximately 24.5% for the six months ended 30 June 2021 to 9.5% for the six months ended 30 June 2022 primarily because the Company obtained approval from the relevant tax bureau to be taxed as an advanced and new technology enterprise for the calendar years from 2021 to 2023 in second half of 2021. Pursuant to the relevant tax regulations, the Company is entitled to a preferential tax rate of 15%. In addition to the preferential PRC Corporate Income Tax rate, the Company is also entitled to an additional tax deductible allowance calculated at 75% of its qualified research and development costs incurred, as a result, the effective tax rate decreased for the six months ended 30 June 2022.

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Profit for the period

As a result of the foregoing, profit for the period decreased by approximately 54.9% from approximately RMB76.6 million for the six months ended 30 June 2021 to approximately RMB34.5 million for the six months ended 30 June 2022. Net profit margin decreased from approximately 1.5% for the six months ended 30 June 2021 to approximately 0.8% for the six months ended 30 June 2022.

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 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately RMB277.5 million and approximately RMB248.2 million, respectively.

Treasury policies

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

Contract assets

The contract assets decreased by approximately 7.9% from approximately RMB2,063.0 million as at 31 December 2021 to approximately RMB1,900.0 million as at 30 June 2022, representing 36.3% and 36.1% of the total current assets as at the end of the corresponding periods. The decrease in absolute amounts was primarily attributing to increased billings to our customers after the completion of the projects and decrease in revenue.

Trade and bills receivables

Trade and bills receivables decreased by approximately 21.8% from approximately RMB2,578.4 million as at 31 December 2021 to approximately RMB2,016.3 million as at 30 June 2022. Such decrease was due to the settlement by our customers was made in a more timely manner after the Group tightened the collection policy under the downturn in property market and decrease in revenue. The trade and bills receivables turnover days increased from approximately 89 days as at 31 December 2021 to approximately 99 days as at 30 June 2022.

Trade and bills payables

Trade and bills payables decreased by approximately 12.9% from approximately RMB3,173.7 million as at 31 December 2021 to approximately RMB2,764.9 million as at 30 June 2022. Such decrease was due to the decrease in revenue. The trade and bills payables turnover days increased from approximately 114 days as at 31 December 2021 to approximately 134 days as at 30 June 2022.

Management Discussion and Analysis

Borrowings and charge on assets

As at 30 June 2022, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB669.2 million (31 December 2021: approximately RMB679.5 million). The short-term interest bearing borrowings amounting to approximately RMB509.8 million (31 December 2021: approximately RMB507.5 million) are repayable within 1 year and carried effective interest rate with a range from 4.35% to 6.88% per annum (31 December 2021: 4.00% to 12.0% per annum). As at 30 June 2022, the long-term interest bearing borrowings amounting to approximately RMB159.4 million (31 December 2021: RMB172.0 million) are repayable from 2023 to 2031 and the interest rate is at the range from 4.41% to 4.9%.

As at 30 June 2022, certain general banking facilities were secured by the buildings of approximately RMB85.3 million (31 December 2021: approximately RMB86.4 million).

Gearing ratio

The gearing ratio decreased from 18.9% as at 31 December 2021 to approximately 15.1% as at 30 June 2022. The decrease was mainly attributable to improvement of cash management as net cash inflow from operating activities of approximately RMB70.6 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 2022, the capital expenditures were approximately RMB13.9 million (six months ended 30 June 2021: approximately RMB24.7 million). The capital expenditure incurred for the six months ended 30 June 2022 was primarily related to construction of a new office building next to the headquarter of our Group.

Capital commitments

As at 30 June 2022, the Group did not have any significant commitments (31 December 2021: nil).

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: 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.

Management Discussion and Analysis

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 2022 (six months ended 30 June 2021: nil).

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 2022.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 1,140 employees, of which 635 were based in Jiaxing City, and 505 were based in other areas in Zhejiang Province and in other provinces and regions in China. For the six months ended 30 June 2022, the Group incurred total staff costs of approximately RMB50.6 million, representing an increase of approximately 19.9% as compared with the same period in 2021, 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

Looking forward, the construction industry will continue to embrace the "new economy" and proactively participate in the "Dual Carbon" national strategy, leading to a promising future for green construction. Currently, the PRC's economy is faced with downward pressure. In light of the keynote of stabilising growth, the construction industry is likely to benefit from development opportunities driven by policies. Meanwhile, under the real estate regulatory policy, real estate development and investment will face pressure of growth. The restructuring of manufacture industry and the new urbanisation construction will bring about the introduction of urban renewal, old city renovation and indemnificatory housing projects as well as medical and other infrastructure to make up for shortfalls, which will provide a certain degree of relief for the impact of real estate policy on the construction industry. Under the influence of the above factors, the construction industry is expected to maintain a recovery trend.

With "comprehensively improving core competitiveness" as the guidance and "enhancing quality and efficiency" as the means, the Group will further promote all-range quality corporate development. The Group will centre around its development plan for the "14th Five-year Plan" to uphold the keynote of progressing in stability, respond positively, take proactive measures, enhance quality and efficiency, achieve breakthroughs, facilitate digitalised management and intelligent construction site development, and improve core competitiveness. The Group will actively address local planning and government demand and undertake brand-defining, scalable and influential government-funded projects. It will pay close attention to customer demands, precisely capture operation and breakthrough points to create value for customers and ensure the expansion and increment of businesses from core major customers. Furthermore, through the

Management Discussion and Analysis

promotion of BIM technology and the integration of various aspects of intelligent construction site, such as project costs, material management and quality management, it will develop the overall service advantage of the Yunjiang Institute to speed up the development progress of intelligent construction site products.

Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2022 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 2022, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange are as follows:

The Company

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

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) Zhejiang Jujiang Holdings Group Co., Ltd (浙江巨匠控股集團有限公司) ("Jujiang Holdings") is held as to approximately 51.33% by Mr. Lyu Yaoneng. Mr. Lyu Yaoneng controls more than one-third of the voting rights of Jujiang Holdings and are deemed to be interested in its interest in the Company by virtue of the SFO.

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

As at 30 June 2022, 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)	7.1%	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.

Other Information

Save as disclosed above, as at 30 June 2022, 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 2022 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 2022 to 30 June 2022.

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 2022 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 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 2022, 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, 17 August 2022

Independent Review Report



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 22 to 52, 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 2022 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

17 August 2022

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

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	4,214,634	5,108,561
Cost of sales	7	(4,042,930)	(4,882,547)
Gross profit		171,704	226,014
Other income and gains	5	18,938	7,377
Administrative expenses		(81,417)	(69,275)
Impairment losses on financial and contract assets, net		(51,368)	(26,729)
Other expenses		(230)	(113)
Finance costs	6	(19,511)	(35,840)
PROFIT BEFORE TAX	7	38,116	101,434
Income tax expense	8	(3,602)	(24,830)
PROFIT FOR THE PERIOD		34,514	76,604
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		34,514	76,604
Profit attributable to:			
Owners of the parent		34,915	76,447
Non-controlling interests		(401)	157
		34,514	76,604
Total comprehensive income attributable to:			
Owners of the parent		34,915	76,447
Non-controlling interests		(401)	157
		34,514	76,604
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	10	0.07	0.14

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	180,909	174,606
Investment properties	12	15,344	15,628
Right-of-use assets		21,077	22,418
Goodwill		1,162	1,162
Other intangible assets		91,727	95,758
Deferred tax assets		55,561	47,146
Long-term deferred assets		123,577	127,693
Total non-current assets		489,357	484,411
CURRENT ASSETS			
Inventories		25,808	24,169
Non-current assets due within one year		8,028	7,791
Trade and bills receivables	14	2,016,315	2,578,408
Contract assets	13	1,899,572	2,062,956
Prepayments, other receivables and other assets	15	874,316	623,264
Financial assets at fair value through profit or loss	24	10,419	10,291
Pledged deposits	16	145,766	123,239
Cash and bank balances	16	277,547	248,167
Total current assets		5,257,771	5,678,285
CURRENT LIABILITIES			
Trade and bills payables	17	2,764,887	3,173,687
Other payables and accruals	18	467,482	483,496
Interest-bearing bank and other borrowings	19	509,839	507,529
Tax payable		221,828	218,029
Total current liabilities		3,964,036	4,382,741
NET CURRENT ASSETS		1,293,735	1,295,544
TOTAL ASSETS LESS CURRENT LIABILITIES		1,783,092	1,779,955

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	19	159,363	171,983
Total non-current liabilities		159,363	171,983
Net assets		1,623,729	1,607,972
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	533,360	533,360
Reserves	21	1,064,512	1,048,354
		1,597,872	1,581,714
Non-controlling interests		25,857	26,258
Total equity		1,623,729	1,607,972

Lyu Yaoneng
Director

Lyu Dazhong
Director

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2022

Notes	Attributable to owners of the parent							Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory		Non-controlling interests RMB'000	Total RMB'000	
				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

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 (audited)	533,360	188,665	-	89,843	694,098	1,505,966	27,319	1,533,285	
Profit for the period	-	-	-	-	76,447	76,447	157	76,604	
Total comprehensive income for the period	-	-	-	-	76,447	76,447	157	76,604	
Transfer to special reserve (i)	-	-	98,105	-	(98,105)	-	-	-	
Utilisation of special reserve (i)	-	-	(98,105)	-	98,105	-	-	-	
Final 2020 dividend declared 9	-	-	-	-	(17,627)	(17,627)	-	(17,627)	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(670)	(670)	
At 30 June 2021 (unaudited)	533,360	188,665	-	89,843	752,918	1,564,786	26,806	1,591,592	

Note:

- (i) In the 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 2022 and 2021, for safety production expense purposes as required by directives issued by the 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 2022

	Note	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		38,116	101,434
Adjustments for:			
Finance costs	6	19,511	35,840
Interest income	5	(6,004)	(432)
Exchange difference		(2)	30
Depreciation of items of property, plant and equipment	7	7,365	5,961
Depreciation of right-of-use assets	7	1,341	1,263
Depreciation of investment properties	7	284	284
Amortisation of intangible assets	7	4,189	354
Impairment of trade receivables	7	15,458	11,021
Impairment of financial assets included in prepayments, other receivables and other assets	7	9,892	3,595
Impairment of contract assets	7	26,018	12,113
Gain on intangible assets		(18)	–
Loss/(gain) on disposal of items of property, plant and equipment, net	11	13	(2)
		116,163	171,461
Increase in inventories		(1,636)	(7,454)
Decrease in contract assets		141,245	282,442
Decrease in trade and bills receivables		547,420	218,910
Increase in prepayments, other receivables and other assets		(260,944)	(152,810)
Increase in financial assets at fair value through profit or loss		(912)	(10,000)
(Increase)/decrease in pledged deposits		(22,987)	2,616
Decrease in trade and bills payables		(408,800)	(265,951)
Decrease in other payables and accruals		(36,754)	(59,941)
Cash flows from operations		72,795	179,273
Interest received		6,004	432
Income tax paid		(8,218)	(12,141)
Net cash flows from operating activities		70,581	167,564

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Note	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of items of property, plant and equipment		(13,733)	(18,972)
Payments for acquisition of other intangible assets		(158)	(5,346)
Proceeds from disposal of items of property, plant and equipment	11	53	9
Net cash flows used in investing activities		(13,838)	(24,309)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans from third parties		(10,000)	(6,000)
Loans from third parties		12,000	13,388
Interest paid		(19,511)	(35,472)
Proceeds from borrowings		343,090	632,774
Repayment of borrowings		(351,341)	(653,984)
Principal portion of lease payments		(2,061)	(2,135)
Deposit received from/(paid for) bank loans		460	(28,974)
Dividends paid to non-controlling shareholders		-	(670)
Net cash flows used in financing activities		(27,363)	(81,073)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		248,167	184,428
CASH AND CASH EQUIVALENTS AT END OF PERIOD		277,547	246,610
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		423,313	395,399
Less: Pledged deposits		145,766	148,789
Cash and cash equivalents as stated in the interim condensed consolidated statements of financial position and cash flows		277,547	246,610

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021. 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 2021, 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>Reference to the Conceptual Framework</i>
Amendments to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples IFRS 16, and IAS 41</i>

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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

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

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, and equipment available for use on or after 1 January 2021, the amendments did not have any impact on financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to Group are as follows:
- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 of designing, surveying, training and consulting relating to construction contracting in architecture, and the 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 profit or loss 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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 for the period	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*	13,223	17,645	(16,977)	13,891

	As at 30 June 2022			
	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	5,578,163	362,404	(193,439)	5,747,128
Segment liabilities	3,976,255	250,302	(103,158)	4,123,399

Note:

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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2021

	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers	5,076,180	32,381	–	5,108,561
Intersegment sales	–	7,080	(7,080)	–
Total revenue	5,076,180	39,461	(7,080)	5,108,561
Profit before tax for the period	107,667	(4,903)	(1,330)	101,434
Income tax expense	(24,757)	(73)	–	(24,830)
Segment results	82,910	(4,976)	(1,330)	76,604
Other segment information:				
Interest income	427	5	–	432
Finance costs	31,483	4,357	–	35,840
Depreciation	5,895	1,613	–	7,508
Amortisation	340	14	–	354
Impairment losses recognised/ (reversed) in profit or loss	26,931	(202)	–	26,729
Capital expenditure*	17,660	7,071	–	24,731

As at 31 December 2021

	Construction contracting RMB'000 (Audited)	Others RMB'000 (Audited)	Eliminations RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	5,947,503	370,842	(155,649)	6,162,696
Segment liabilities	4,371,544	270,814	(87,634)	4,554,724

Note:

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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

4. REVENUE

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
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 market			
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	5,301	4,189,947
Goods transferred at a point in time	–	24,687	24,687
Total revenue from contracts with customers	4,184,646	29,988	4,214,634

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

4. REVENUE (Continued)

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

For the six months ended 30 June 2021

	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Construction contracting	5,076,180	–	5,076,180
Design, survey, training and consultancy	–	10,745	10,745
Sale of construction materials and civil defence products	–	21,636	21,636
Total revenue from contracts with customers	5,076,180	32,381	5,108,561
Geographical market			
Mainland China	5,076,180	32,381	5,108,561
Total revenue from contracts with customers	5,076,180	32,381	5,108,561
Timing of revenue recognition			
Services transferred over time	5,076,180	5,578	5,081,758
Goods transferred at a point in time	–	26,803	26,803
Total revenue from contracts with customers	5,076,180	32,381	5,108,561

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 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

For the six months ended 30 June 2021

	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External customers	5,076,180	32,381	5,108,561
Intersegment sales	-	7,080	7,080
	5,076,180	39,461	5,115,641
Intersegment adjustments and eliminations	-	(7,080)	(7,080)
Total revenue from contracts with customers	5,076,180	32,381	5,108,561

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income		
Bank interest income	6,004	432
Government grant*	10,616	1,815
Other interest income from financial assets at fair value through profit or loss	244	331
Others	1,038	2,520
	17,902	5,098
Gains		
Fair value gains, net:		
Financial assets at fair value through profit or loss	1,036	2,279
	18,938	7,377

Note:

*Government grants primarily consist 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Factoring expense	2,320	16,889
Interest on bank loans	15,710	15,578
Interest on discounted bills receivable	1,136	3,005
Interest on lease liabilities	345	368
	19,511	35,840

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of construction contracting (including depreciation and research and development costs)	4,021,724	4,858,320
Cost of others	21,206	24,227
Total cost of sales	4,042,930	4,882,547
Depreciation of items of property, plant and equipment	7,365	5,961
Depreciation of investment properties	284	284
Depreciation of right-of-use assets	1,341	1,263
Amortisation of intangible assets	4,189	354
Total depreciation and amortisation	13,179	7,862
Research and development costs:		
Current period expenditure	155,816	1,486
	155,816	1,486
Impairment of trade receivables	15,458	11,021
Impairment of contract assets	26,018	12,113
Impairment of financial assets included in prepayments, other receivables and other assets	9,892	3,595
Total impairment losses, net	51,368	26,729
Auditor's remuneration	1,071	947
Employee benefit expenses (including directors' and supervisors' remuneration):	50,568	42,190
– Wages, salaries and allowances	38,470	33,405
– Social insurance	11,652	7,691
– Welfare and other expenses	446	1,094
Interest income	(6,004)	(432)

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

8. INCOME TAX EXPENSE

Most of the companies of the Group are subject to PRC Corporation Income Tax, which have been provided based on the statutory rate of 25% (2021: 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 a rate of 15%.

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax – Mainland China		
Charge for the period	12,587	33,007
Overprovision in prior years	(570)	(2,110)
Deferred income tax	(8,415)	(6,067)
Tax charge for the period	3,602	24,830

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit before tax	38,116	101,434
Income tax charge at the statutory income tax rate	9,529	25,358
Lower tax rate enacted by local authority	(3,209)	(85)
Additional deductible allowance for research and development expenses	(2,604)	(167)
Income not subject to tax	(34)	–
Expenses not deductible for tax purposes	232	658
Adjustments in respect of current tax of previous periods	(570)	(2,110)
Tax losses not recognised	258	1,176
Tax charge for the period at the effective rate	3,602	24,830

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

9. DIVIDENDS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Declared and paid final dividend – RMB3.43 cents (2021: RMB3.30 cents) per ordinary share	18,757	17,627

The Company proposed to distribute a final dividend of Hong Kong 4.0 cents in cash (before tax) for the year ended 31 December 2021 to the shareholders whose names appear on the register of members of the Company on Tuesday, 26 July 2022 (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, which was HK\$1.0000: RMB0.8552. Based on the above exchange rate, a final dividend of RMB3.43 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 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings: Profit for the period attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	34,915	76,447

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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

	For the six months ended 30 June	
	2022 '000 (Unaudited)	2021 '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 2022, the Group acquired property, plant and equipment at an aggregate cost amounting to approximately RMB13,733,000 (unaudited) (six months ended 30 June 2021: RMB18,972,000 (unaudited)).

In addition, during the same period, property, plant and equipment with an aggregate net carrying value of approximately RMB66,000 (unaudited) (six months ended 30 June 2021: RMB7,000 (unaudited)) were disposed of, which resulted in a net loss on disposal of approximately RMB13,000 (unaudited) (six months ended 30 June 2021: a net gain of RMB2,000 (unaudited)).

12. INVESTMENT PROPERTIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of the period/year	15,628	16,196
Depreciation	(284)	(568)
At end of the period/year	15,344	15,628

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

As at 30 June 2022, the investment properties were valued by the comparison approach with reference to comparable market transactions. The fair value of these properties was RMB17,838,900, which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable prices in the market.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

13. CONTRACT ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract assets arising from:		
Construction services	1,966,207	2,099,416
Design, survey and consultancy	2,398	6,555
	1,968,605	2,105,971
Impairment	(69,033)	(43,015)
	1,899,572	2,062,956

14. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables at amortised cost	1,474,581	1,848,242
Provision for impairment	(150,771)	(135,313)
Trade receivables, net	1,323,810	1,712,929
Bills receivables at fair value	692,505	865,479
	2,016,315	2,578,408

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.

As at 30 June 2022, the Group has not pledged any trade receivables to secure the Group's bank loans (31 December 2021: RMB58,263,000) (note 19).

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

14. TRADE AND BILLS RECEIVABLES *(Continued)*

An ageing analysis of the Group's 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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	560,653	997,961
3 months to 6 months	182,851	113,836
6 months to 1 year	258,497	265,793
1 to 2 years	224,356	283,011
2 to 3 years	84,127	33,032
3 to 4 years	10,092	15,962
4 to 5 years	3,234	3,334
	1,323,810	1,712,929

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of the period/year	135,313	69,198
Impairment losses, net	15,458	66,115
At end of the period/year	150,771	135,313

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deposits and other receivables	211,997	227,082
Provision for impairment of deposits and other receivables	(45,628)	(35,736)
Input value-added tax to be credited	2,024	5,037
	168,393	196,383
Prepayment to suppliers	705,923	426,881
	874,316	623,264

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of the period/year	35,736	33,608
Impairment losses, net	9,892	2,128
At the end of the period/year	45,628	35,736

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	277,547	248,167
Time deposits	145,766	123,239
	423,313	371,406
Less: Pledged time deposits:		
Pledged for salaries of migrant workers	(103,749)	(95,645)
Pledged for bank loans and bank notes	(42,017)	(27,594)
Cash and cash equivalents	277,547	248,167

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

For the six months ended 30 June 2022

17. 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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 6 months	1,875,576	2,560,271
6 months to 1 year	465,881	265,793
1 to 2 years	276,242	241,724
2 to 3 years	80,453	69,923
Over 3 years	66,735	35,976
	2,764,887	3,173,687

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Other taxes payable	184,899	243,513
Contract liabilities	179,175	155,904
Other payables	65,338	57,281
Dividends payable	18,298	–
Accrued salaries, wages and benefits	19,772	26,798
	467,482	483,496

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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2022			31 December 2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	4.90	2022-2023	2,447	4.90	2022	2,716
Bank loans – mortgaged/ guaranteed	4.35-5.50	2022-2023	458,080	4.15-6.20	2022	317,760
Bank loans – guaranteed	5.22-6.88	2022-2023	30,950	4.00-7.21	2022	90,950
Bank loans – pledged	-	-	-	4.35-5.50	2022	65,400
Bank loans – other	-	-	-	9.00	2022	12,001
Current portion of long-term bank loans – guaranteed	4.41	2022-2023	18,362	4.41	2022	17,502
Other loans	-	-	-	9.00-12.00	2022	1,200
			509,839			507,529
Non-current						
Lease liabilities	4.90	2029-2031	10,292	4.90	2023-2031	12,083
Bank loans – guaranteed	4.41	2023-2030	149,071	4.41	2023-2030	159,900
			159,363			171,983

Notes:

- Certain of the Group's buildings with net carrying amounts of approximately RMB85,315,000 (unaudited) and approximately RMB86,444,000 (audited) as at 30 June 2022 and 31 December 2021, respectively, were used to secure general banking facilities granted to the Group.
- As set out in note 23(b), as at 30 June 2022 and 31 December 2021, the Group's interest-bearing bank and other borrowings of approximately RMB342,280,000 (unaudited) and approximately RMB368,360,000 (audited), respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group free of charge.
- The Group entered into a fixed asset loan contract with maximum loan amounts totalling RMB190,000,000. As at 30 June 2022 and 31 December 2021, the Group obtained loan amounts totalling RMB167,433,000 (unaudited) and RMB184,405,000 (audited), and the interest rate is 4.41%.
- As set out in note 14, no trade receivables as at 30 June 2022 were pledged to secure bank loans (31 December 2021: RMB58,263,000).

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

20. SHARE CAPITAL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Share capital	533,360	533,360

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Construction contracting services provided to:		
Fellow subsidiaries	7,140	9,632
Lease payments to a fellow subsidiary:		
	1,637	1,557

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 RMB342,280,000 (unaudited) and RMB368,360,000 (audited) as at 30 June 2022 and 31 December 2021, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group, as set out in note 19(b).

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade and bills receivables:		
Fellow subsidiaries	48,717	42,819
Trade payables:		
Fellow subsidiaries	77	77
Other receivables:		
Fellow subsidiaries	20	20
Key management personnel of the holding company	950	950
Contract assets:		
Fellow subsidiaries	11,034	12,382
Associate of fellow subsidiaries	50,628	50,628
Contract liabilities:		
Fellow subsidiaries	4,605	333

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	2,233	1,739
Post-employment benefits	60	48
Total compensation paid to key management personnel	2,293	1,787

Notes to Interim Condensed Consolidated Financial Information

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24. 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets		
Bills receivable	692,505	865,479
Financial assets at fair value through profit or loss	10,419	10,291
	702,924	875,770
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities)	656,463	664,713

	Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets		
Bills receivable	692,505	865,479
Financial assets at fair value through profit or loss	10,419	10,291
	702,924	875,770
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities)	656,463	664,713

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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

24. 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 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	10,419	-	-	10,419
Bills receivable	-	692,505	-	692,505
	10,419	692,505	-	702,924

As at 31 December 2021

	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	10,291	-	-	10,291
Bills receivable	-	865,479	-	865,479
	10,291	865,479	-	875,770

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

24. 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 2022 and 31 December 2021.

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 (2021: Nil).

25. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the reporting period that are 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 17 August 2022.