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

For the six months ended 30 June 2019

	Notes	2019 (Unaudited)	2018 (Unaudited)
Revenue	4	**3,401,893**	3,214,760
Cost of sales		**(3,218,542)**	(3,036,722)
Gross profit		**183,351**	178,038
Other income and gains	5	**546**	1,095
Administrative expenses		**(45,297)**	(36,477)
Impairment losses on financial and contract assets, net		**(8,744)**	(4,325)
Other expenses		**(448)**	(1,685)
Finance costs	6	**(38,181)**	(31,990)
PROFIT BEFORE TAX	7	**91,227**	104,656
Income tax expense	8	**(22,907)**	(27,233)
PROFIT FOR THE PERIOD		**68,**	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting **IAS** *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information annual financial statements for the year ended 31 December 2018. The interim condensed consolidated financial information is **RMB** nearest thousands, except when otherwise indicated.

This interim condensed consolidated financial information has not been audited.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new **IFRSs** effective as of 1 January 2019.

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

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC-Int 23 *Uncertainty over Income Tax Treatments,* the new and revised standards are not relevant to

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

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

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

New definition of a lease

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

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

As a lessee Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

Impacts on transition

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

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

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

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/ terminate the lease

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

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

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018.824 550.99102as

Lease liabilities

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

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

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

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

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

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

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

-of-use assets and lease liabilities (included

-

are as follow:

	Right-of-use assets Land lease
As at 1 January 2019	8,997
Depreciation charge	(146)
As at 30 June 2019	8,851

(b) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as **uncertain tax positions**

scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising

compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpre

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 2019	Construction contracting	Others	Eliminations	Total

For the six months ended 30 June 2018	Construction contracting	Others	Eliminations	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue :				
Sales to external customers	3,187,333	27,427	-	3,214,760
Intersegment sales	-	3,240	(3,240)	-
Total revenue	3,187,333	30,667	(3,240)	3,214,760
Segment results	104,661	1,395	(1,400)	104,656
Income tax expense	(26,343)	(890)	-	(27,233)
Profit for the period	78,318	505	(1,400)	77,423
Other segment information:				
Interest income	80	10	-	90
Finance costs	30,190	1,800	-	31,990
Depreciation	3,782	209	-	3,991
Amortisation	356	41	-	397
Impairment losses recognised in the statement				

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

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

For the six months ended 30 June 2018

Segments	Construction contracting	Others	Total
	(Unaudited)	(Unaudited)	(Unaudited)
Type of goods or service			
Residential	1,472,876	-	1,472,876
Commercial	553,799	-	553,799
Industrial	911,566	-	911,566
Public works	249,092	-	249,092
Others	-	27,427	27,427
Total revenue from contracts with customers	3,187,333	27,427	3,214,760
Geographical markets			
Mainland China	3,187,333	27,427	3,214,760
Total revenue from contracts with customers	3,187,333	27,427	3,214,760

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

For the six months ended 30 June 2019

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

For the six months ended 30 June 2018

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

5. OTHER INCOME AND GAINS

□

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

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

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

8. INCOME TAX EXPENSE

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

Pursuant to relevant laws and regulations in the PRC and with approval from tax

Co., Ltd., qualified as a High and New Technology Enterprise, is entitled to the preferential tax rate of 15% for the three years from November 2018 to November 2021, which will be renewable after November 2021 subject to fulfilment of certain conditions imposed by relevant laws and regulations.

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

The breakdown of income tax expense is as follow:

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

A reconciliation of the income tax expense applicable to profit before tax at the statutory is as follows:

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

9. DIVIDENDS

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

* The Company will distribute a final dividend of 4.0 Hong Kong cents in cash (before tax) per share for the year ended 31 December 2018 to the shareholders whose names appear on the register of members of the Company on Wednesday, 10 July 2019. The exchange

11. CONTRACT ASSETS

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

12. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

13. TRADE AND BILLS PAYABLES

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

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
Within 6 months	**2,185,880**	2,515,938
6 months to 1 year	**159,830**	119,275
Over 1 year	**410,140**	524,304

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2019, central and local governments of PRC have issued as many as 251 real estate regulatory control policies. Under the key rationale of

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

BUSINESS REVIEW

In the first half of the year 2019, the Group continues to use of its own brand superiority to strengthen the allocation of business resources by actively delivering the three main strategies

t profit were approximately RMB3,401.9 million and approximately RMB68.3 million, respectively, representing an increase of approximately 5.8% and a decrease of approximately 11.8% respectively compared with the same period last year. Compared with the value of backlog of approximately RMB8,822.8 million as at 30 June 2018, the value of backlog increased by approximately 41.8% to approximately RMB12,506.4 million as at 30 June 2019. The table below shows the breakdown of the value of backlog changes:

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

Notes:49(o)-42(t)-58(e)-444804T28TBT1 08 Tm[N0 1 407.5/F4 11.04 Tf1 0 0 18 120.14 0.48004 ref*421632.3)]TJETQ

While maintaining sound relationship with existing customers of top real estate companies, the Group took the initiative to engage with other top-tier property enterprises in China to diversify

approximately RMB2.08 billion, or 45.0% of its projects. Meanwhile, the Group pursued development of industrial projects by strengthening the cooperation with industrial enterprises, including Tongkun Group Co., Ltd.* ( ), Jushi Group Co., Ltd.* ( ), Zhejiang Huayou Cobalt Co., Ltd.* ( ), Xin Feng Ming Group Co., Ltd.* ( ) and Skyworth Group Limited* (

Research and Development

The Group has always been committed to innovation in production technology. Leveraging the -□ □ it expedited the enhancement of new technology and techniques. In the first half of 2019, it obtained 2 provincial QC achievements and 2 utility model patents in PRC. On 17 April 2019, the Company entered into an agreement in relation to City Digital Construction Industrial Base Company) with several investors, pursuant to which all parties agreed to engage in research, development, production and sale of concrete prefabricated parts and related □ City of China is vigorously

FINANCIAL REVIEW

Revenue and gross profit margin

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

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

Other income and gains

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

Administrative expenses

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

Impairment losses on financial and contract assets, net

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

Finance costs

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

Income tax expense

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

Profit for the period

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Treasury Policies

The Group monitors the cash flows and cash balance on a regular basis and seeks to maintain an optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies. In the future, the Group intends to finance

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Contingent liabilities

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

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

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

The PPP Project

On 17 April 2019, Tongxiang City Education Culture Development and Investment Co. Limited* (€G9 2 ‰6â · F,¬ … ÅB÷ 9L€BÜ + œ (**Vendor**) and Tongxiang City Quality Education Complex Company Limited* (€G9 23PC ‰6â D@ * ` 9L€BÜ + œ (or the **Tongxiang Subsidiary** , a subsidiary of the Company, entered into the PPP contract in respect of the PPP project in Tongxiang City, Zhejiang Province, the PRC. The total investment of the PPP Project is expected to be approximately RMB263.1 million, which included the considerations of the acquisition, to acquire 80% shareholdings of the Tongxiang Subsidiary by the Company from the Vendor in accordance with the share transfer agreement dated 13 November 2018 entered into between the Company and the Vendor, in the amount of RMB48.0 million.

Pursuant to the PPP contract, the PPP project is construction and operation of the educational complex in Tongxiang City, Zhejiang Province, the PRC, with a total site area of approximately 100,000 square metre and a total construction floor area of 53,235.94 square metre. The educational complex is a complex that contains two ancillary to be used as offices and exhibition halls, two student dormitories and a staff dormitory, a canteen, a stadium, a power distribution room and a parking lot.

Establishment of a joint venture

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

As at 30 June 2019, the Company and 2 investors have established an intermediate company named Tongxiang City San Ju Digital Construction Technology Company Limited* (€G9 2 9 ¨ ‡ *1ù0 ° 9L€BÜ + œ ( ) with registered capital of RMB208.0 million. As at 30 June 2019, the Company have not yet paid any registered capital and the project company have not yet established.

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EMPLOYEE AND REMUNERATION POLICIES

As of 30 June 2019, the Group had total of 928 employees, of which 701 were based in Jiaxing City, and 227 were based in other areas in Zhejiang Province and in other provinces and regions in China. For the six months ended 30 June 2019, the Group incurred total staff costs of approximately RMB28.6 million, representing a

OTHER INFORMATION

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Save as disclosed in this announcement, none of the controlling shareholders, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with the principal business and other businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board comprises six executive Directors and three independent non-executive Directors.

Code Provisions

CG Code Throughout the six months ended 30 June 2019 and up to the date of this announcement, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below.

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