Jianzhong Construction Development Limited
建中建設發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 589)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Directors**") of Jianzhong Construction Development Limited (the "**Company**") wishes to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021, together with comparative figures for the six months ended 30 June 2020 or other dates/periods, as follows:.

FINANCIAL HIGHLIGHTS

- Revenue slightly decreased by approximately 0.2% from approximately RMB612.7 million for the six months ended 30 June 2020 to approximately RMB611.5 million for the six months ended 30 June 2021.

- Gross profit decreased by approximately 40.7% from approximately RMB162.5 million for the six months ended 30 June 2020 to approximately RMB96.3 million for the six months ended 30 June 2021. Gross profit margin decreased by approximately 10.8 percentage point from approximately 26.5% for the six months ended 30 June 2020 to approximately 15.7% for the six months ended 30 June 2021.

- Profit attributable to the equity holders of the Company for the six months ended 30 June 2021 decreased by approximately RMB8.3 million or 15.8% from approximately RMB52.5 million for the six months ended 30 June 2020 to approximately RMB44.2 million for the six months ended 30 June 2021.

- Basic earnings per share was approximately RMB0.07 for the six months ended 30 June 2021 and approximately RMB0.09 for the six months ended 30 June 2020.

- The Board does not recommend any declaration of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June **2021** *RMB'000*	2020 *RMB'000*
Revenue	2	**611,531**	612,706
Cost of sales		**(515,222)**	(450,220)
Gross profit		**96,309**	162,486
Other net income	3	**42,183**	7,838
Administrative expenses		**(29,771)**	(25,768)
Research and development costs		**(26,980)**	(16,845)
Impairment losses on assets arising from contracts with customers	13	**(10,976)**	(54,494)
Other operating expenses		**(280)**	(2,908)
Profit from operations		**70,485**	70,309
Finance costs	4(a)	**(19,202)**	(6,902)
Profit before taxation	4	**51,283**	63,407
Income tax	5	**(7,117)**	(10,865)
Profit for the period		**44,166**	52,542
Earnings per share	6		
Basic and diluted *(RMB)*		**0.07**	0.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit for the period	**44,166**	52,542
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside mainland China	**(112)**	(153)
Other comprehensive income for the period	**(112)**	(153)
Total comprehensive income for the period	**44,054**	52,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2021 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Non-current assets			
Property, plant and equipment	8	**585,791**	477,276
Intangible assets		**3,134**	3,618
Receivables under service concession arrangement	10	**27,340**	29,201
Deferred tax assets		**3,047**	1,219
Other non-current assets		**19,742**	25,108
		639,054	536,422
Current assets			
Inventories		**39,130**	28,268
Contract assets		**568,558**	581,612
Trade and other receivables	9	**864,536**	881,427
Prepayments		**84,225**	21,816
Receivables under service concession arrangement	10	**6,593**	6,448
Restricted bank balances		**20,581**	17,042
Cash and cash equivalents		**143,509**	200,884
		1,727,132	1,737,497
Current liabilities			
Trade and other payables	11	**767,374**	753,934
Contract liabilities		**6,237**	5,720
Loans and borrowings	12	**289,094**	296,953
Current taxation		**10,889**	9,190
		1,073,594	1,065,797
Net current assets		**653,538**	671,700
Total assets less current liabilities		**1,292,592**	1,208,122

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2021 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current liabilities			
Loans and borrowings	12	**135,905**	89,541
Deferred tax liabilities		**3,271**	2,661
Other non-current liabilities		**26,834**	22,575
		166,010	114,777
NET ASSETS		**1,126,582**	1,093,345
CAPITAL AND RESERVES			
Share capital		**5,671**	5,671
Reserves		**1,120,911**	1,087,674
TOTAL EQUITY		**1,126,582**	1,093,345

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi, unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). It was authorised for issue on 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The Company's auditor has expressed an unqualified opinion on those financial statements in its report dated 29 March 2021.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of construction service, leasing of construction machinery, equipment and tools, and provision of sewage treatment service in mainland China.

(i) Disaggregation of revenue

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Revenue from construction service	**491,950**	549,870
— Revenue from sewage treatment service	**2,668**	2,297
— Others*	**15,675**	11,245
	510,293	563,412
Revenue from other sources		
— Revenue from leasing of construction machinery, equipment and tools	**101,238**	49,294
	611,531	612,706

* Others mainly represents sales of construction materials and provision of certain logistic services.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Disaggregated by timing of revenue recognition		
— Over time	**595,856**	601,461
— Point in time	**15,675**	11,245
Total	**611,531**	612,706

Revenue from major customers which accounts for 10% or more of the Group's revenue are set out below:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Customer A	**148,842**	336,128
Customer B	**253,278**	61,722

(b) Segment reporting

The Group manages its businesses by service lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. No geographical segment analysis is presented as substantially all assets, liabilities, revenue and gross profit of the Group are attributable to the operations in the PRC.

The Group has four separate segments as follows:

— Provision of construction service ("**Construction service**");

— Provision of leasing services of construction machinery, equipment and tools ("**Leasing of construction machinery, equipment and tools**");

— Provision of sewage treatment service ("**Sewage treatment operation**"); and

— Sales of construction materials and others ("**Others**").

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results based on the revenue and gross profits of Construction service, Leasing of construction machinery, equipment and tools, Sewage treatment operation and Others.

	Construction service *RMB'000*	Leasing of construction machinery, equipment and tools *RMB'000*	Sewage treatment operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2021					
Revenue	**491,950**	**101,238**	**2,668**	**15,675**	**611,531**
Cost of sales	**(433,724)**	**(64,415)**	**(2,029)**	**(15,054)**	**(515,222)**
Reportable segment gross profits	**58,226**	**36,823**	**639**	**621**	**96,309**
Six months ended 30 June 2020					
Revenue	549,870	49,294	2,297	11,245	612,706
Cost of sales	(408,336)	(29,375)	(1,991)	(10,518)	(450,220)
Reportable segment gross profits	141,534	19,919	306	727	162,486

Substantially all of the Group's revenue were arising from mainland China. The Group does not allocate any specific assets or expenditure for property, plant and equipment to the operating segments as the Group's senior executive management does not use the information to measure the performance of the reportable segments.

3. OTHER NET INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Interest income	**1,417**	1,912
Government grants*	**6,345**	1,335
Gain on disposal of property, plant and equipment *(note 8)*	**34,217**	3,897
Others	**204**	694
	42,183	7,838

* Government grants mainly represented reward for listing and the obtaining of High-tech Enterprise qualification. There were no unfulfilled conditions relating to the grants.

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**14,561**	4,597
Interest on lease liabilities	**32**	27
Finance charges on sale and leaseback transactions	**1,277**	184
Interest on acquisition of equipment by instalments	**1,838**	1,047
Other borrowing costs	**1,494**	1,047
	19,202	6,902

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**42,040**	22,954
Contributions to defined contribution retirement benefit schemes	**1,361**	155
	43,401	23,109

(c) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Depreciation		
— property, plant and equipment owned	**43,880**	45,104
— right-of-use assets	**105**	493
	43,985	45,597
Amortisation of intangible assets	**484**	45
Expenses relating to short-term leases	**14,287**	11,345
Labour subcontracting fee	**226,743**	160,893
Listing expenses	**—**	7,453

5. INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current tax	**8,335**	15,755
Deferred tax	**(1,218)**	(4,890)
	7,117	10,865

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit that was subject to Hong Kong Profits Tax for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

(iii) The Group's subsidiaries in mainland China is subject to PRC corporate income tax at the statutory rate of 25%.

On 7 January 2020, Jianzhong Construction Technology Co., Ltd. ("**Jianzhong Construction Technology**"), an indirect wholly-owned subsidiary of the Company, obtained the state-level approval for its application of High-tech Enterprise qualification and was granted the qualification with effect from 2 December 2019. In accordance with the PRC Corporate Income Tax Law ("**CIT Law**"), the High-tech Enterprise qualification will be valid for a period of three years from 2019 to 2021 and entitles Jianzhong Construction Technology to a reduced tax rate at 15% during this period.

In December 2020, Fujian Jianzhong Yantu Engineering Co., Ltd. (originally named "Fujian Jinghai Engineering Service Co., Ltd.") ("**Jianzhong Yantu**"), another indirect wholly-owned subsidiary of the Company, obtained the state-level approval for its application of High-tech Enterprise qualification and was granted the qualification with effect from 1 December 2020. In accordance with the CIT Law, the High-tech Enterprise qualification will be valid for a period of three years from 2020 to 2022 and entitles Jianzhong Yantu to a reduced tax rate at 15% during this period.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholder of the Company of RMB44,166,000 (six months ended 30 June 2020: RMB52,542,000) and the weighted average of 625,000,000 ordinary shares (six months ended 30 June 2020: 558,894,000 shares) in issue, calculated as follows:

Weighted average number of ordinary shares

	2021	2020
	shares	shares
	'000	*'000*
Issued ordinary shares at 1 January	**625,000**	10
Capitalisation issue	**—**	468,740
Effect of issue of 156,250,000 ordinary shares upon initial public offering on 18 March 2020	**—**	90,144
Weighted average number of ordinary shares at 30 June	**625,000**	558,894

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the six months ended 30 June 2021 and 2020.

7. DIVIDENDS

The Board has resolved not to declare any dividends for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Final dividend of HK2.08 cents per share (2020: Nil)	**10,817**	—

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of plant and machinery with a cost of RMB177,970,000 (six months ended 30 June 2020: RMB59,560,000). Items of machinery, equipment and tools with a net book value of RMB25,470,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB20,106,000), resulting in a gain on disposal of RMB34,217,000 (six months ended 30 June 2020: RMB3,897,000).

(a) Property, plant and equipment pledged for loans and borrowings

(i) The Group had obtained specific bank loans to acquire some machinery and equipment and these machinery and equipment were pledged to the bank until the settlement of the corresponding bank loans. As at 30 June 2021, the carrying amounts of the machinery and equipment pledged for these bank loans were RMB105,015,000 (31 December 2020: RMB71,615,000). Please refer to note 12(a)(ii) for details.

(ii) The Group sold some of its machinery and equipment to external parties and leased them back for a term of 3 to 4 years. The Group determined the transfers to buyer-lessor were not sales under HKFRS15, thus the Group continues to recognise the underlying assets, and recognises financial liabilities for the considerations. No gain or loss were recognised from the sale and leaseback transactions for the period during the six months ended 30 June 2021. As at 30 June 2021, the carrying amounts of the machinery and equipment pledged for the aforementioned sale and leaseback transactions were RMB141,237,000 (31 December 2020: RMB92,585,000). Please refer to note 12(c) for details of the loan.

9. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on date of progress certificates or date of issuance of bills and net of loss allowance, is as follows:

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Within 1 month	**175,721**	130,223
More than 1 month but within 3 months	**167,921**	192,551
More than 3 months but within 6 months	**113,105**	179,168
More than 6 months but within 12 months	**188,097**	231,328
More than 12 months	**173,842**	104,035
Trade and bills receivables, net of loss allowance	**818,686**	837,305
Deposits and other receivables	**45,850**	44,122
	864,536	881,427

As part of its normal business, the Group has entered into certain factoring agreements with certain banks and factoring companies. During the six months ended 30 June 2021, outstanding trade receivables of RMB216,546,000 (six months ended 30 June 2020: RMB382,242,000) were transferred to certain banks or factoring companies in accordance with non-recourse factoring agreements, and the corresponding trade receivables were derecognised as the directors are of the view that the substantial risks and rewards associated with the trade receivables have been transferred and therefore these receivables were qualified for derecognition.

As at 30 June 2021, outstanding commercial acceptance bills of RMB1,596,000 (31 December 2020: RMB18,499,000) were endorsed to certain suppliers with recourse and the Group continued to recognise the corresponding receivables. The associated liabilities with the same amount were included in trade and other payables (Note 11).

As at 30 June 2021, outstanding commercial acceptance bills of RMB24,674,000 (31 December 2020: RMB49,957,000) were discounted to banks with recourse and were not derecognised. The associated liabilities with the same amount were included in bank loans (Note 12).

According to the payment terms in contracts, the Group is entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified amount of work completed. Further details on the credit risk arising from trade receivables are set out in Note 13.

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

The Group's receivables under service concession arrangement in respect of sewage treatment service concession arrangement are as follows:

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Non-current portion	**27,340**	29,201
Current portion	**6,593**	6,448
	33,933	35,649
Expected collection schedule is as follows:		
Within 1 year	**6,593**	6,448
After 1 year but within 5 years	**14,238**	14,334
After 5 years but within 10 years	**13,102**	14,867
	33,933	35,649

The effective interest rate for the above financial assets was 3.85% per annum.

11. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade and bills payable (which are included in trade and other payables), based on the invoice date/transaction date, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	**105,255**	178,426
More than 1 month but within 3 months	**125,947**	99,529
More than 3 months but within 6 months	**108,138**	88,330
More than 6 months but within 12 months	**80,937**	62,392
More than 12 months	**97,908**	104,734
Total creditors and bills payable	**518,185**	533,411
Suppliers of property, plant and equipment	**63,282**	73,204
Other payables and accruals	**183,377**	126,691
Obligation for bills endorsed with recourse	**1,596**	18,499
Interest payable	**934**	2,129
	767,374	753,934

12. LOANS AND BORROWINGS

	Note	**At 30 June 2021** ***RMB'000***	At 31 December 2020 *RMB'000*
Non-current			
Bank loans and other borrowings-secured	(a)	**71,544**	56,131
Lease liabilities	(b)	**—**	44
Obligations arising from sale and leaseback transactions	(c)	**64,361**	33,366
		135,905	89,541
Current			
Bank loans and other borrowings-secured	(a)	**259,389**	279,220
Lease liabilities	(b)	**6**	1,099
Obligations arising from sale and lease back transactions	(c)	**29,699**	16,634
		289,094	296,953
Total		**424,999**	386,494

(a) Bank loans and other borrowings

Bank loans and other borrowings were repayable as follows:

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Less than 1 year	**259,389**	279,220
1 to 2 years	**27,866**	19,015
2 to 5 years	**43,678**	37,116
	330,933	335,351

Notes:

(i) As at 30 June 2021, bank loans of RMB106,669,000 (31 December 2020: RMB:210,229,000) were all secured by pledged properties of an independent property developer, among which bank loan of RMB50,000,000 (31 December 2020: RMB50,000,000) was also guaranteed by an indirect wholly-owned subsidiary of the Company.

(ii) As at 30 June 2021, bank loans of RMB88,069,000 (31 December 2020: RMB75,165,000) were secured by pledged machinery and equipment of the Group, please refer to note 8(a)(i) for details.

(iii) As at 30 June 2021, bank loans of RMB24,673,000 (31 December 2020: RMB49,957,000) were related to the outstanding commercial acceptance bills discounted to banks with recourse.

(iv) In July 2020, Jianzhong Construction Technology entered into a credit line agreement, pursuant to which Jianzhong Construction Technology was granted bank facilities of up to RMB150,000,000. Such bank facilities were guaranteed by the Company, the controlling shareholder of the Company and an independent property developer with a guarantee fee based on the drawdown amount. As at 30 June 2021, bank loans of RMB100,000,000 (31 December 2020: RMB100,000,000) and undrawn bank facilities that are available for use of RMB50,000,000 (31 December 2020: RMB50,000,000) were guaranteed by the controlling shareholder of the Company.

(v) In June 2021, Jianzhong Construction Technology entered into a credit line agreement with a financial institute to purchase certain equipment on instalment, pursuant to which Jianzhong Construction Technology was granted credit amount up to RMB20,000,000. As at 30 June 2021, the borrowings of RMB11,522,000 and unused credit amount that are available for use of RMB38,478,000 were guaranteed by the controlling shareholder of the Company and the equipment supplier.

(b) Lease liabilities

Maturity analysis-contractual undiscounted cash flows

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Less than 1 year	**8**	1,125
1 to 2 years	**—**	45
Total undiscounted lease liabilities	**8**	1,170
Less: total future interest expenses	**(2)**	(27)
Lease liabilities included in the consolidated statements of financial position	**6**	1,143

Maturity analysis-present value of lease liabilities

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Less than 1 year	**6**	1,099
1 to 2 years	**—**	44
Present value of lease liabilities	**6**	1,143

(c) Obligations arising from sale and leaseback transactions

Obligations arising from sale and leaseback transactions were repayable as below:

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Less than 1 year	**33,835**	18,707
1 to 2 years	**32,440**	17,970
2 to 3 years	**36,141**	17,173
Total undiscounted obligations arising from sale and leaseback transactions	**102,416**	53,850
Less: total future interest expenses	**(8,356)**	(3,850)
Obligations arising from sale and leaseback transactions included in the consolidated statements of financial position	**94,060**	50,000

All obligations arising from sale and leaseback transactions were secured by underlying machinery and equipment as mentioned in Note 8(a)(ii) and were guaranteed by the Controlling Shareholder of the Group as at 30 June 2021 and 2020.

13. CREDIT RISK

The Group's credit risk is primarily attributable to trade receivables, bills receivable, contract assets and receivables under service concession arrangement. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers. These evaluations focus on the customer's history of making payments and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group's customers are mainly real estate companies or main contractors in mainland China. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 15.8% (31 December 2020: 66.6%) and 76.6% (31 December 2020: 80.4%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables, bills receivable and contract assets at an amount equal to lifetime expected credit losses ("**ECLs**"), which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, bills receivable and contract assets:

		As 30 June 2021	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
Current (not past due)	**6.0**	**604,853**	**(36,296)**
Less than 12 months past due	**9.8**	**715,105**	**(70,261)**
More than 12 months past due	**28.0**	**241,326**	**(67,483)**
		1,561,284	**(174,040)**

		As 31 December 2020	
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	7.1	626,374	(44,762)
Less than 12 months past due	10.0	814,365	(81,095)
More than 12 months past due	26.4	141,257	(37,222)
		1,581,996	(163,079)

In addition to above provision matrix, the Group has made individual loss allowance for a customer. As at 30 June 2021, the accumulated individual loss allowance was RMB686,000 (31 December 2020: RMB686,000) with the carrying amounts before loss allowance of RMB686,000 (31 December 2020: RMB686,000).

Expected loss rates are based on historical credit loss experience over the past years or loss rates of comparable companies with published financials when there was no sufficient historical experience. These rates are adjusted for factors that are specific to the debtors, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables, bills receivable and contract assets.

For receivables under service concession arrangement as at 30 June 2021, the Group estimated loss allowances based on expected cash short falls calculated by discounting using the corresponding effective interest rate. As at 30 June 2021 and 31 December 2020, the Group considered the loss allowances for receivables under service concession arrangement to be immaterial.

Movement in the loss allowance account in respect of trade receivables, contract assets and receivables under service concession arrangement during the period is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**163,765**	49,009
Impairment losses recognised during the period	**10,976**	54,494
Amounts written off during the period	**(15)**	—
Balance at 30 June	**174,726**	103,503

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a construction services provider based in Fujian Province, the People's Republic of China (the "**PRC**"). The construction services provided by the Group include general construction works as a main contractor and sub-contractor works (such as foundation works, formwork and scaffolding works and other construction works). The Group also has an extensive fleet of construction machinery and equipment, which enables itself to handle complicated and/or sizable construction works, thus allowing itself to capture more opportunities in the construction market and engage in construction machinery, equipment and tools leasing services. The Group also operates a sewage treatment plant and engages in the sales of construction materials and others. The Group has developed as a regional construction works service provider in Fujian and has further extended the footprint across a number of other provinces in the PRC.

During the six months ended 30 June 2021, the Group is more cautious in assessing the expected credit losses in respect of trade receivables, bill receivables and contract assets given current economic environment and tightened credit policy towards property developers. The Group has tendered for new construction projects from customers that the management considers to have good financial standing, which led to a decline in sub-contractor business. On the other hand, the Group has secured new contracts in main contractor business after obtaining a second class license of main contractor in general construction works in September 2020. Despite a lower gross profit margin, the new business provided an opportunity to the Group to establish direct business relationship with property developers and to better manage the corresponding credit risk arising from the business transactions with property developers. The aforementioned developments led to the decrease in revenue from Construction service by approximately RMB57.9 million, or approximately 10.5%, as compared to the corresponding period in 2020, from approximately RMB549.9 million to approximately RMB492.0 million.

Moreover, with the aim to balance the source of revenue, the Group has secured more leasing contracts during the six months ended 30 June 2021, which led to the increase in revenue from Leasing of construction machinery, equipment and tools by approximately RMB51.9 million, or approximately 105.3%, as compared to the corresponding period in 2020, from approximately RMB49.3 million to approximately RMB101.2 million.

To improve the Group's liquidity position and the utilisation rate of the fixed assets, the Group has disposed of certain unutilised tools (mainly H-piles and Larssen sheet piles) in the six months ended 30 June 2021, which led to the increase in other net income by approximately RMB34.4 million, as compared to the corresponding period in 2020, from approximately RMB7.8 million to approximately RMB42.2 million.

PROSPECTS

The construction industry in the PRC is highly fragmented and there are opportunities for the Group to further develop its businesses. However, given current economic environment and tightened credit policy towards property developers, the operating environment of the Group will continue to be challenging. The Group will continue to manage credit risk and balance the source of revenue in order to develop a more sustainable business and bring greater value to the shareholders.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2021 and up to the date of this results announcement.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2021, the overall revenue of the Group has slightly decreased by approximately RMB1.2 million, or approximately 0.2%, as compared to the corresponding period in 2020, from approximately RMB612.7 million to approximately RMB611.5 million.

The Construction service segment continued to be the largest business segment of the Group in terms of revenue during the periods under review, which accounted for approximately 80.4% (six months ended 30 June 2020: approximately 89.7%) of the Group's total revenue. The revenue from Construction service decreased by approximately RMB57.9 million, or approximately 10.5%, as compared to the corresponding period in 2020, from approximately RMB549.9 million to approximately RMB492.0 million. The decrease in revenue from Construction service was primarily due to the decline in sub-contractor business. As mentioned above, with the aim to better manage the associated credit risks, the Group has tendered for new construction projects from customers that the management considers to have good financial standing. The decline in sub-contractor business was partially offset by the increase in revenue from the main contractor business, as the Group obtained the second-class license of main contractor in general construction works in September 2020.

In order to balance the source of revenue, the Group has secured more leasing contracts during the six months ended 30 June 2021, which led to the increase in revenue from leasing of construction machinery, equipment and tools by approximately RMB51.9 million, or approximately 105.3%, as compared to the corresponding period in 2020, from approximately RMB49.3 million to approximately RMB101.2 million.

Revenue from Sewage treatment operation and Others remained stable during the six months ended 30 June 2021.

Cost of sales

Cost of sales mainly comprises of material cost, labour subcontracting fee, depreciation and others. During the six months ended 30 June 2021, the overall cost of sales of the Group has increased by approximately RMB65.0 million, or approximately 14.4% compared to the six months ended 30 June 2020, from approximately RMB450.2 million to approximately RMB515.2 million.

Gross profit and gross profit margin

Set out below is the breakdown of the gross profit and gross profit margins of the Group by business segment and work type during the period under review and the corresponding period in 2020:

	Six months ended 30 June			
	2021		2020	
	RMB'000	***GP%***	*RMB'000*	*GP%*
Construction service	**58,226**	**11.8**	141,534	25.7
Leasing of construction machinery, equipment and tools	**36,823**	**36.4**	19,919	40.4
Sewage treatment operation	**639**	**24.0**	306	13.3
Others	**621**	**4.0**	727	6.5
	96,309	**15.7**	162,486	26.5

During the six months ended 30 June 2021, the Group's overall gross profit margin decreased by 10.8 percentage point, from 26.5% in the six months ended 30 June 2020 to 15.7% in the six months ended 30 June 2021. The decrease in overall gross profit margin was mainly due to the decrease in gross profit margin of Construction service.

Pursuant to relevant accounting standards and policies adopted by the Group, construction revenue is recognised progressively over time using the output method, based on direct measurements of the value of contract work performed, whilst costs for construction services are expensed in the period in which they are incurred. During the six months ended 30 June 2021, a relatively high portion of sub-contractor projects of the Group, as compared to the corresponding period in 2020, went through completion phases, in which a relatively lower gross profit margin is generally recorded since revenue has been recognised in earlier stage of the projects according to the progress certificates issued by customers while certain unbillable costs, such as inspection costs and costs to make good of defects in relation to works done by the Group in such projects, were incurred in the completion phases. Coupled with the general lower profit margin of main contractor business, it led to a lower overall gross profit margin.

However, the decrease in gross profit of Construction service was partially offset by the increase in gross profit of Leasing of construction machinery, equipment and tools, which shared a higher proportion of revenue during the six months ended 30 June 2021.

Other net income

The other net income mainly represented government grants, interest income and gain on disposal of property, plant and equipment. During the six months ended 30 June 2021, the other net income has increased by approximately RMB34.4 million, compared to the corresponding period in 2020, from approximately RMB7.8 million to approximately RMB42.2 million. The increase in other net income was mainly attributable to the recognition of gain on disposal of property, plant and equipment and certain unutilised tools (mainly H-piles and Larssen sheet piles) of approximately RMB34.2 during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB3.9 million).

Administrative expenses

The administrative expenses increased by approximately RMB4.0 million from RMB25.8 million for the six months ended 30 June 2020 to RMB29.8 million for the six months ended 30 June 2021. The increase in administrative expenses was mainly due to the increase in staff costs as a result of the expansion of leasing business and main contractor business.

Research and development costs

The research and development costs mainly include (i) staff costs; (ii) and raw materials costs. The Group obtained a second class license of main contractor in general construction works in September 2020. To support the expansion of the general construction works business, the Group incurred additional staff costs and raw materials costs during the six months ended 30 June 2021, which led to an increase in research and development costs by approximately RMB10.2 million from RMB16.8 million for the six months ended 30 June 2020 to RMB27.0 million for the six months ended 30 June 2021.

Impairment losses on assets arising from contracts with customers

As part of the ordinary course of business, the Group enters into contracts with its customers in connection to (a) Construction service; and (b) Leasing services of construction machinery, equipment and tools. Such customers are mainly real estate companies or main contractors in the PRC. According to the payment terms in the contracts, the Group is entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified amount of work completed. Retention money may be retained by the customers in order to secure the due performance under the contract. Accordingly, the Group's credit risk is primarily attributable to trade receivables, bills receivable and contract assets.

The following table sets out the breakdown of trade receivables, bills receivable and contract assets of the Group as at the dates indicated, respectively:

	As at 30 June 2021 *RMB'000*	As at 31 December 2020 *RMB'000*
Contract assets *(as disclosed in the consolidated statement of financial position)*	**568,558**	581,612
Trade and bills receivables, net of loss allowance *(as disclosed in note 9)*	**818,686**	837,305
Net carrying amount of trade receivables, bills receivable and contract assets	**1,387,244**	1,418,917
Add: loss allowance for ECLs	**174,040**	163,079
Gross carrying amount of trade receivables, bills receivable and contract assets used under the provision matrix in relation to the calculation of the loss allowance for ECL *(as disclosed in note 13)*	**1,561,284**	1,581,996
Add: individual loss allowance for a customer	**686**	686
Gross carrying amount of trade receivables, bills receivable and contract assets	**1,561,970**	1,582,682

As indicated below, among the gross carrying amount of trade receivables, bills receivable and contract assets of approximately RMB1,561.9 million (31 December 2020: approximately RMB1,582.7 million), approximately RMB956.4 million (31 December 2020: approximately RMB955.6 million) was past due. In particular, two of the Group's major customers, namely Customer A and Customer B, contributed approximately 50.2% and 16.0% (31 December 2020: approximately 68.4% and 8.9%) of the total gross carrying amount of trade receivables, bills receivable and contract assets which was past due, respectively.

The following sets out the breakdown of the gross carrying amount of trade receivables, bills receivable and contract assets which was past due by customers:

	Listing status (Y/N)	**As at 30 June 2021**		As at 31 December 2020	
		RMB'000	*%*	*RMB'000*	*%*
State-owned enterprises					
Customer A	Y	**480,191**	**50.2**	653,950	68.4
Other state-owned customers[(1)]		**89,125**	**9.3**	67,697	7.1
Sub-total		**569,316**	**59.5**	721,647	75.5
Non-state-owned enterprises					
Customer B	Y	**153,497**	**16.0**	85,050	8.9
Other non-state owned customers[(2)]		**233,618**	**24.4**	148,925	15.6
Sub-total		**387,115**	**40.5**	233,975	24.5
Total		**956,431**	**100.0**	955,622	100.0

Notes:

(1) Other state-owned customers included a total of 23 enterprises (31 December 2020: 33 enterprises), each of which accounted for less than 4.1% (31 December 2020: 3.1%) of the total gross carrying amount of trade and bills receivables and contract assets as at 30 June 2021.

(2) Other non-state owned customers included a total of 249 enterprises (31 December 2020: 135 enterprises), each of which accounted for less than 2.5% (31 December 2020: 1.5%) of the total gross carrying amount of trade and bills receivables and contract assets as at 30 June 2021.

The following sets out the background information of Customer A and Customer B:

Customer A	A state-owned enterprise which mainly carries out business management activities through a company listed on the Shanghai Stock Exchange ("**Customer A's Principal Operating Subsidiary**"), which in turn has seven subsidiaries which are listed on the Hong Kong Stock Exchange or Shenzhen Stock Exchange, as well as more than 100 investment-holding subsidiaries. To the best knowledge of the Directors after making reasonable enquiries, for the year ended 31 December 2020, Customer A's Principal Operating Subsidiary recorded a total revenue and net profit attributable to equity owners which amounted to approximately RMB1.6 trillion and RMB44.9 billion, respectively.
Customer B	A group of companies which are subsidiaries of a company listed on the Shanghai Stock Exchange which is engaged in real estate development, property management and construction of public infrastructure. To the best knowledge of the Directors after making reasonable enquiries, for the six months ended 30 June 2021, such parent company recorded a total revenue and net profit amounting to approximately RMB4.2 billion and RMB243.5 million, respectively.

Loss allowance for ECLs

The Group measures loss allowances for trade receivables, bills receivable and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Such loss allowances on trade and bills receivables, and contract assets only reflect the Group's credit risk as at the reporting date, and were subject to subsequent remeasurement reflecting the developments thereafter.

As at the reporting date, the expected credit losses for bills receivable and contract assets were calculated by applying the expected loss rate of trade receivables within the extended payment period to the outstanding balances of bills receivables and contract assets, as they have similar credit risk characteristics.

The following briefly illustrates the Group's calculation of the loss allowance for ECLs:

Step 1 — Ageing analysis and categorisation of trade receivables into time bands

Based on the ageing report as at the reporting date, the Group's trade receivables were categorised into three time bands, i.e. "trade receivables within the extended payment period", "trade receivables exceeding the extended payment period by less than 1 year" and "trade receivables exceeding the extended payment period by more than 1 year".

Note: The Group is entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified amount of work completed according to the payment terms in the contracts. However, in practice, it normally takes months to complete the settlement of trade receivables due to the administrative process of different customers. Therefore, the Group generally grants an extended payment period based on the background of its customers — for stated-owned enterprises, 6 months from the issuance of progress certificates; for private entities, 3 months from the issuance of progress certificates.

Step 2 — Determination of expected loss rate for trade receivables

The Group first determined the expected loss rate for trade receivables exceeding the extended payment period by more than one year, which was derived from historical observed default rates, adjusted by certain forward-looking estimates which reflected the probability of a worsening economic environment within the next year. The forward-looking factors adopted by the Group included the growth rate of the consumer price index published by the National Bureau of Statistics of China, the growth rate of non-performing loans in the construction sector as published by the China Banking and Insurance Regulatory Commission (中國銀行保險業監督管理委員會) and the decrease rate of land purchase area (土地購置面積) in the PRC as published by the National Bureau of Statistics of China.

The expected loss rates for trade receivables in the other time bands were further determined based on the expected loss rate for the trade receivables exceeding the extended payment period by more than one year and roll rates. The Group derived roll rates based on historical ageing data, which represented the percentages of trade receivables that are not received in a time band and thus have rolled to the next time band, and reflected the probability of loss for trade receivables in each time band.

Step 3 — Construct the provision matrix to calculate the loss allowance for ECLs

With all parameters fixed, the Group constructed a provision matrix by applying the expected loss rate of each time band to the respective outstanding balances of trade receivables to compute the loss allowance for ECL for trade receivables as at the reporting date.

The following tables sets out information about the Group's exposure to credit risk and ECLs for trade receivables, bills receivable and contract assets as at the dates indicated:

	As at 30 June 2021		
	Expected loss rate *%*	**Gross carrying amount of trade receivables, bills receivable and contract assets** ***RMB'000***	**Loss allowance** ***RMB'000***
Current (not past due)	**6.0**	**604,853**	**(36,296)**
Less than 12 months past due	**9.8**	**715,105**	**(70,261)**
More than 12 months past due	**28.0**	**241,326**	**(67,483)**
		1,561,284	**(174,040)**

	As at 31 December 2020		
	Expected loss rate *%*	Gross carrying amount of trade receivables, bills receivable and contract assets *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	7.1	626,374	(44,762)
Less than 12 months past due	10.0	814,365	(81,095)
More than 12 months past due	26.4	141,257	(37,222)
		1,581,996	(163,079)

In particular, the loss allowance for ECL made in respect of Customer A and Customer B as at 30 June 2021 amounted to approximately RMB90.6 million and RMB24.7 million (31 December 2020: approximately RMB85.1 million and RMB8.9 million), respectively, representing approximately 52.0% and 14.2% (31 December 2020: approximately 52.2% and 5.5%) of the total loss allowance made, respectively.

In addition to above provision matrix, the Group has made individual loss allowance for a customer. As at 30 June 2021, the accumulated individual loss allowance was RMB686,000 (31 December 2020: RMB686,000) with the carrying amounts before loss allowance of RMB686,000 (31 December 2020: RMB686,000). Such individual loss allowance of RMB686,000 was made for one particular customer and represented the outstanding amount that was awarded to the Group in a legal proceeding between the Group and the customer in respect of a failure of payment by the customer. Save for the individual loss allowance of RMB686,000, the Directors confirmed that there was no existing business relationship nor outstanding amounts of trade receivables, bills receivable and contract assets with the particular customer as at 30 June 2021.

The following table (as disclosed in note 13) sets out the movement in the loss allowance account in respect of trade receivables, bills receivable and contract assets during the period:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Balance at 1 January	**163,765**	49,009
Amounts written off during the period*	**(15)**	—
Impairment losses recognised in profit or loss during the period	**10,976**	54,494
Balance at 30 June	**174,726**	103,503

* An amount of approximately RMB15,000 of trade receivables were written off during the six months ended 30 June 2021. Such write off was made for certain of the Group's customer as they failed to settle the outstanding amount of approximately RMB15,000 in respect of certain construction services contracts. Having considered the legal costs to recover the amount would be proportionally higher, the Directors considered that the Group should not take any legal action to recover the amount and accordingly the Group has no reasonable expectations of recovering the amount.

Factors, events and circumstances leading to the recognition of ECLs

The amount of impairment losses on assets arising from contracts with customers decreased from approximately RMB54.5 million in the six months ended 30 June 2020 to approximately RMB10.9 million in the six months ended 30 June 2021, which was particularly due to that more progress payments were received by the Group from the customers, as compared to the corresponding period in 2020.

However, as more long-aged trade and bills receivables were recorded as at 30 June 2021 as compared to that as at 31 December 2020, the amount of loss allowance for ECLs on assets arising from contracts with customers increased by approximately RMB10.9 million from approximately RMB163.1 million as at 31 December 2020 to approximately RMB174.0 million as at 30 June 2021. The increase in long-aged trade and bills receivables was primarily due to the following reasons:

— tightened credit policy towards the property developers, which led to the delay in payment made by the customers to the Group; and

— the final contract amounts of certain completed projects were pending for verification by customers. The remaining balance will be settled upon completion of verification of final contract sum.

Subsequent settlement in respect of trade receivables, bill receivable and contract assets

During the period from 1 July 2021 to 20 August 2021, there was settlement of the trade and bills receivables that amounted to approximately RMB149.2 million, which represented approximately 15.6% of the gross trade and bills receivables balance as at 30 June 2021. All of the subsequent settlements were in cash.

In particular, in respect of Customer A and Customer B, approximately RMB26.3 million and RMB50.1 million, representing approximately 5.5% and 32.6% of their respective gross trade and bills receivables balance as at 30 June 2021 was settled during the period from 1 July 2021 to 20 August 2021, respectively.

Measures taken by the Group in respect of the matter

After the Directors became aware of the impact of COVID-19 and particularly the increasing exposure of the Group to ECLs, when the Group entered into agreements with customers during the ordinary course of business, the Group has adopted a more prudent approach in tendering for new construction projects. The Group has established a credit risk management policy under which credit evaluations are performed on each of the customers. These evaluations focus on the customer's history of making payments and current ability to pay. The Group's customers are mainly real estate companies or main contractors in the PRC. Before tendering for contracts with new customers, the Group performed background check (e.g. shareholders' background) and credit assessment (e.g. financial information of publicly listed companies) to evaluate the creditworthiness of the new customers.

In addition, the Group has its debt collection policy, under which it is the responsibility of the finance and accounts department, the business administration department and the respective project management units to confirm and follow up the outstanding debts with the customers. The amounts of construction work performed are assessed and confirmed by the business administration department and respective project management units on a monthly basis. Taking into account the progress payment, if any, made by each of the individual customers, a written payment request and official invoice are issued to each customer to request for payment of the remaining balance. The business administration department and respective project management units will continue to follow up the outstanding debts. If the debt is outstanding for 90 days or more, the project manager of the relevant project management unit is advised for review and follow up. If payment is not received after 180 days past due, the following factors will be considered before proceeding with any legal action:

— financial position of the debtor;

— alternative to legal action;

— time and legal cost to recover the amount; and

— long-term relationship with the customer.

Finance costs

Our finance costs mainly represented (i) interests on bank loans and other borrowings; (ii) interest on acquisition of equipment by instalments; and (iii) finance charges on sale and leaseback transactions.

Our finance costs increased by RMB12.3 million from RMB6.9 million to RMB19.2 million for the six months ended 30 June 2021 when comparing with that for the six months ended 30 June 2020. As mentioned above, with an aim to balance the source of revenue of the Group, the Group has secured more contracts on Leasing of construction machinery, equipment and tools. To support the expansion of the leasing business, the Group has acquired additional construction machinery and equipment, and obtained more borrowings. As a result, the balance of loans and borrowings increased as at 30 June 2021 to finance the Group's operation and capital investment, as compared to the corresponding date of 2020, and thus more finance costs were incurred during the six months ended 30 June 2021.

Income tax expenses

As a result of the decrease in profit before taxation of the Group, the income tax expenses has decreased by approximately RMB3.8 million, or approximately 34.9% compared to the six months ended 30 June 2020, from approximately RMB10.9 million in 2020 to approximately RMB7.1 million in 2021.

On 7 January 2020, Jianzhong Construction Technology, an indirect wholly-owned subsidiary of the Company, obtained the state-level approval for its application of High-tech Enterprise qualification and was granted the qualification with effect from 2 December 2019. In accordance with the CIT Law, the High-tech Enterprise qualification will be valid for a period of three years from 2019 to 2021 and entitles Jianzhong Construction Technology to a reduced tax rate at 15% during this period.

In December 2020, Jianzhong Yantu, another indirect wholly-owned subsidiary of the Company, obtained the state-level approval for its application of High-tech Enterprise qualification and was granted the qualification with effect from 1 December 2020. In accordance with the CIT Law, the High-tech Enterprise qualification will be valid for a period of three years from 2020 to 2022 and entitles Jianzhong Yantu to a reduced tax rate at 15% during this period.

The Group's other subsidiaries in the PRC is subject to PRC statutory corporate income tax of 25%.

Profit for the period and earnings per share

As a result of the foregoing, the net profit for the period of the Group decreased by approximately RMB8.3 million, or approximately 15.8%, from approximately RMB52.5 million for the six months ended 30 June 2020 to approximately RMB44.2 million for the six months ended 30 June 2021.

Basic and diluted earnings per share for the six months ended 30 June 2021 were RMB0.07 (30 June 2020: RMB0.09).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The shares of the Company were listed on the Stock Exchange on 18 March 2020 (the "**Listing Date**").

The Group maintained a solid financial position as at 30 June 2021. During the six months ended 30 June 2021, the Group's operation and capital requirements were financed principally through a combination of cash flows generated from the operating activities and bank and other borrowings. As at 30 June 2021, the Group had cash and cash equivalent of approximately RMB143.5 million (31 December 2020: approximately RMB200.9 million) in which approximately RMB1.5 million (31 December 2020: RMB14.8 million) equivalent cash were denominated in Hong Kong dollar. The remaining balance of cash and cash equivalent were denominated in Renminbi. As at 30 June 2021, the Group had net current asset of approximately RMB653.5 million, representing an decrease of approximately RMB18.2 million as compared to that of approximately RMB671.7 million as at 31 December 2020.

As at 30 June 2021, the gearing ratio of the Group, calculated based on the net debts (including interest-bearing loans and borrowings, and payables for acquisition of equipment by instalments, less cash and cash equivalents) divided by the equity as at the end of reporting period and multiplied by 100%, was approximately 31.2% (31 December 2020: approximately 23.4%).

All the Group's loans and borrowings were denominated in Renminbi. As of 30 June 2021, included in loans and borrowings and other payables of approximately RMB249.0 million were fixed rate borrowings (31 December 2020: approximately RMB321.1 million). Particulars of loans and borrowings of the Group are set out in note 12 to this results announcement.

CAPITAL COMMITMENTS

In order to balance the source of revenue, the Group has acquired more construction machinery, equipment and tools to expand the leasing business during the six months ended 30 June 2021. As a result, the Group had capital commitments in respect of purchase of property, plant and equipment, which had been contracted but not provided for in the financial statements, in the total amount of approximately RMB125.5 million as at 30 June 2021 (31 December 2020: approximately RMB10.0 million). The capital commitment as at 30 June 2021 shall be paid by instalments for a term of 3 to 4 years pursuant to relevant acquisition contracts.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group has a total of 733 full-time employees (31 December 2020: 554). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as performance, qualification, responsibilities of each individual, market conditions, etc. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits including provident fund contributions, medical insurance coverage, annual leave and options which may be granted under the share option scheme adopted by the Company on 18 February 2020. The total staff costs (excluding Directors' remuneration) incurred by the Group during the six months ended 30 June 2021 was approximately RMB42.9 million (six months ended 30 June 2020: approximately RMB22.8 million).

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2021 and 2020, the Group had a minimal exposure to foreign currency risk as most of its business transactions were conducted in the PRC in RMB. Moreover, the Group's assets and liabilities are principally denominated in RMB. As such, the Directors believe that the Group's risk in foreign exchange is insignificant.

PLEDGE OF ASSETS

As at 30 June 2021, the carrying amounts of the machinery and equipment pledged for the sale and leaseback transactions were RMB141.2 million (31 December 2020: RMB92.6 million); machinery and equipment of RMB105.0 million (31 December 2020: 71.6 million) was pledged as security of certain bank borrowings; and bank deposits of RMB20.6 million (31 December 2020: RMB17.0 million) were pledged to banks as security for bills payable.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

There were no significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

DIVIDEND

The Board does not recommend any payment of dividend for the six months ended 30 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standard of corporate governance as the Board recognises the importance of corporate governance to the long-term development of the Group. The corporate governance principles of the Group emphasis transparency, accountability and independence. The Board commits to continuously review and enhance the Group's corporate governance practices and procedures for the best interest of the Company's shareholders.

During the six months ended 30 June 2021, save as disclosed below in relation to Code Provision A.2.1 that the roles of Chairman and chief executive officer should be separate and should not be perform by the same individual, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**").

Chairman and Chief Executive Officer

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xun Minghong ("**Mr. Xun MH**") currently holds both positions. Mr. Xun MH is the founder of the Group. He has diversified knowledge and experience in the construction industry as well as a variety of business connection with a network of reputable construction enterprises and contractors in Fujian. The Board believes that vesting the roles of both Chairman of the Board and chief executive officer in the same person will provide strong and consistent leadership to the Company and allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans that are in the best interests of the Company.

In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries to each of the Director and all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

REVIEW BY THE AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Board (the "**Audit Committee**") comprises all the independent non-executive Directors, namely Mr. Sze Irons, Mr. Wong Kun Kau and Mr. Zhu Diwu. Mr. Wong Kun Kau currently serves as the chairman of the Audit Committee.

The interim results of the Group for the six months ended 30 June 2021 and this results announcement have been reviewed and approved by the Audit Committee. In addition, the interim financial report for the six months ended 30 June 2021 is unaudited, but has been reviewed by KPMG, the Company's auditor, 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 HKICPA.

USE OF PROCEEDS

The shares of the Company were listed on the Stock Exchange on 18 March 2020. The net proceeds from the listing, after deducting the listing-related expenses, were RMB182.7 million (the "**Net Proceeds**"). The table below sets out the progress of the actual use of the Net Proceeds from the Listing Date to 30 June 2021:

	Planned use of Net Proceeds *RMB'000*	Actual use of Net Proceeds from the Listing Date to 30 June 2021 *RMB'000*	Remaining balance of Net Proceeds *RMB'000*
1) to fund construction projects	**127,892**	**(127,892)**	—
2) to expand fleet of construction machinery and equipment	**36,541**	**(36,541)**	—
3) for working capital and general corporate purposes	**18,270**	**(18,270)**	—
	182,703	**(182,703)**	—

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange and the Company. The interim report of the Company for the six months ended 30 June 2021 will be dispatched to the shareholders and published on the above websites in due course.

By order of the Board
Jianzhong Construction Development Limited
Mr. Xun Minghong
Chairman and Chief Executive Officer

Hong Kong, 27 August 2021

As at the date of this announcement, the board of Directors of the Company comprises Mr. Xun Minghong, Mr. He Wenlin and Ms. Zheng Ping as Executive Directors; Mr. Yang Kaifa, Mr. Wang Wei and Mr. Xun Liangbao as Non-executive Directors; and Mr. Sze Irons, Mr. Wong Kun Kau and Mr. Zhu Diwu as Independent Non-executive Directors.