巨匠建设
JUJIANG CONSTRUCTION GROUP

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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2022	2021	**Change**
	RMB'000	RMB'000	%
Revenue	**8,551,596**	10,047,929	(14.89)
Gross profit	**363,631**	471,082	(22.81)
Gross profit margin	***4.25%***	*4.69%*	*(0.44)*
Profit for the year	**55,795**	93,430	(40.28)
Net profit margin	***0.65%***	*0.93%*	*(0.28)*
Basic and diluted earnings per share (RMB)	**0.10**	0.18	

The Board recommends the payment of a final dividend of 4.0 HK cents (before tax) per share for the year ended 31 December 2022 (31 December 2021: 4.0 HK cents).

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Jujiang Construction Group Co., Ltd. (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022, together with the comparative figures for the previous year as follows:

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	**2022 RMB'000**	2021 RMB'000
Revenue	5	**8,551,596**	10,047,929
Cost of sales	7	**(8,187,965)**	(9,576,847)
Gross profit		**363,631**	471,082
Other income and gains	5	**30,075**	28,111
Administrative expenses		**(172,719)**	(160,511)
Impairment losses on financial and contract assets, net		**(91,975)**	(106,525)
Other expenses		**(30,143)**	(65,611)
Finance costs	6	**(43,794)**	(59,789)
PROFIT BEFORE TAX	7	**55,075**	106,757
Income tax credit/(expense)	8	**720**	(13,327)
PROFIT FOR THE YEAR		**55,795**	93,430
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**55,795**	93,430
Profit attributable to:			
Owners of the parent		**54,865**	93,821
Non-controlling interests		**930**	(391)
		55,795	93,430
Total comprehensive income attributable to:			
Owners of the parent		**54,865**	93,821
Non-controlling interests		**930**	(391)
		55,795	93,430
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	10	**0.10**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**188,233**	174,606
Investment properties		**15,060**	15,628
Right-of-use assets		**27,049**	22,418
Goodwill		**1,162**	1,162
Other intangible assets		**88,195**	95,758
Deferred tax assets		**66,038**	47,146
Long term receivables		**119,420**	127,693
Total non-current assets		**505,157**	484,411
CURRENT ASSETS			
Inventories		**26,351**	24,169
Non-current assets due within one year		**8,274**	7,791
Trade and bills receivables	11	**2,060,624**	2,578,408
Contract assets	12	**2,770,952**	2,062,956
Prepayments, other receivables and other assets		**655,007**	623,264
Financial assets at fair value through profit or loss		**10,535**	10,291
Pledged deposits		**238,151**	123,239
Cash and cash equivalents		**221,145**	248,167
Total current assets		**5,991,039**	5,678,285
CURRENT LIABILITIES			
Trade and bills payables	13	**3,438,205**	3,173,687
Other payables and accruals		**512,644**	483,496
Interest-bearing bank and other borrowings		**516,895**	507,529
Tax payable		**224,995**	218,029
Total current liabilities		**4,692,739**	4,382,741
NET CURRENT ASSETS		**1,298,300**	1,295,544
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,803,457**	1,779,955
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**159,152**	171,983
Total non-current liabilities		**159,152**	171,983
Net assets		**1,644,305**	1,607,972
EQUITY			
Equity attributable to owners of the parent			
Share capital		**533,360**	533,360
Reserves		**1,084,427**	1,048,354
		1,617,787	1,581,714
Non-controlling interests		**26,518**	26,258
Total equity		**1,644,305**	1,607,972

1. CORPORATE AND GROUP INFORMATION

The Company, formerly known as Qitang Commune Construction Agency, was established in the People's Republic of China (the **"PRC"**) on 25 October 1965 as a collective economy agency (集體經濟社). In July 1996, the Company was converted into a company with limited liability. The Company became a joint stock company with limited liability on 29 December 2014 and changed its name to Jujiang Construction Group Co., Ltd. The registered office address of the Company is No. 669 Qingfeng South Road (South), Tongxiang City, Zhejiang Province, the PRC. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) on 12 January 2016.

During the year , the Group's principal activities were as follows:

- Construction contracting

- Others – design, survey, consultancy and other businesses

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Zhejiang Jujiang Holdings Group Co., Ltd.*(浙江巨匠控股集團有限公司), which is incorporated in the PRC.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for bills receivable and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards *2018-2020*	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

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

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to IFRS 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2024
[3] No mandatory effective date yet determined but available for adoption
[4] As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.
[5] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
[6] An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

The Group will adopt the above new standards and amendments to existing standards and interpretation as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) Construction contracting – provision of construction services;

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is measured consistently with the Group's profit before tax.

Segment assets and segment liabilities include all assets and liabilities in the consolidated statement of financial position.

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.

Year ended 31 December 2022	**Construction contracting**	**Others**	**Eliminations**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Segment revenue (note 5):				
Sales to external customers	**8,447,943**	**103,653**	**-**	**8,551,596**
Intersegment sales	**-**	**24,711**	**(24,711)**	**-**
Total revenue	**8,447,943**	**128,364**	**(24,711)**	**8,551,596**
Profit before tax	**64,331**	**(4,485)**	**(4,771)**	**55,075**
Income tax expense	**864**	**(144)**	**-**	**720**
Segment results	**65,195**	**(4,629)**	**(4,771)**	**55,795**
Segment assets	**6,330,199**	**388,394**	**(222,397)**	**6,496,196**
Segment liabilities	**4,721,368**	**263,103**	**(132,580)**	**4,851,891**
Other segment information:				
Interest income	**2,053**	**9,642**	**-**	**11,695**
Finance costs	**33,428**	**10,366**	**-**	**43,794**
Depreciation	**12,486**	**5,217**	**-**	**17,703**
Amortisation	**695**	**7,666**	**-**	**8,361**
Impairment losses on financial and contract assets, net	**92,371**	**(396)**	**-**	**91,975**
Capital expenditure*	**25,565**	**3,873**	**-**	**29,438**

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

Year ended 31 December 2021	Construction contracting	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue (note 5):				
Sales to external customers	9,957,106	90,823	-	10,047,929
Intersegment sales	-	28,000	(28,000)	-
Total revenue	9,957,106	118,823	(28,000)	10,047,929
Profit before tax	96,074	12,013	(1,330)	106,757
Income tax expense	(10,353)	(2,974)	-	(13,327)
Segment results	85,721	9,039	(1,330)	93,430
Segment assets	5,947,503	370,842	(155,649)	6,162,696
Segment liabilities	4,371,544	270,814	(87,634)	4,554,724
Other segment information:				
Interest income	1,435	8,660	-	10,095
Finance costs	48,625	11,164	-	59,789
Depreciation	11,921	3,374	-	15,295
Amortisation	694	6,383	-	7,077
Impairment losses on financial and contract assets, net	105,679	846	-	106,525
Capital expenditure*	44,668	2,787	-	47,455

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

Geographical information

All the Group's non-current assets (excluding financial instrument and deferred tax assets) were located in Mainland China and almost all the Group's activities were carried out in Mainland China during the year. Accordingly, no analysis by the geographical basis is presented.

Information about major customers

Revenue of approximately RMB866,556,000 for the year was derived from the construction contracting segment to a single customer, including sales to a group of entities which are known to be under common control with that customer. (2021: No revenue from the provision of services or sales to a single customer accounted for 10% or more.)

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers	**8,551,596**	10,047,929

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Construction contracting	Others	Total
	RMB'000	RMB'000	RMB'000
Type of goods or service			
Construction contracting	**8,447,943**	**-**	**8,447,943**
Design, survey and consultancy	**-**	**67,379**	**67,379**
Sale of construction materials and civil defence products	**-**	**36,274**	**36,274**
Total revenue from contracts with customers	**8,447,943**	**103,653**	**8,551,596**
Geographical market			
Mainland China	**8,447,943**	**103,653**	**8,551,596**
Total revenue from contracts with customers	**8,447,943**	**103,653**	**8,551,596**
Timing of revenue recognition			
Services transferred over time	**8,447,943**	**21,961**	**8,469,904**
Goods and services transferred at a point in time	**-**	**81,692**	**81,692**
Total revenue from contracts with customers	**8,447,943**	**103,653**	**8,551,596**

For the year ended 31 December 2021

Segments	Construction contracting	Others	Total
	RMB'000	RMB'000	RMB'000
Type of goods or service			
Construction contracting	9,957,106	-	9,957,106
Design, survey and consultancy	-	45,849	45,849
Sale of construction materials and civil defence products	-	44,974	44,974
Total revenue from contracts with customers	9,957,106	90,823	10,047,929
Geographical market			
Mainland China	9,957,106	90,823	10,047,929
Total revenue from contracts with customers	9,957,106	90,823	10,047,929
Timing of revenue recognition			
Services transferred over time	9,957,106	22,523	9,979,629
Goods and services transferred at a point in time	-	68,300	68,300
Total revenue from contracts with customers	9,957,106	90,823	10,047,929

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

For the year ended 31 December 2022

	Construction contracting	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Revenue from contracts with customers			
Sales to external customers	**8,447,943**	**103,653**	**8,551,596**
Intersegment sales	**-**	**24,711**	**24,711**
	8,447,943	**128,364**	**8,576,307**
Intersegment adjustments and eliminations	**-**	**(24,711)**	**(24,711)**
Total revenue from contracts with customers	**8,447,943**	**103,653**	**8,551,596**

For the year ended 31 December 2021

	Construction contracting	Others	Total
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Sales to external customers	9,957,106	90,823	10,047,929
Intersegment sales	-	28,000	28,000
	9,957,106	118,823	10,075,929
Intersegment adjustments and eliminations	-	(28,000)	(28,000)
Total revenue from contracts with customers	9,957,106	90,823	10,047,929

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022	2021
	RMB'000	RMB'000
Construction services	**40,007**	71,798
Sale of goods	**21,111**	23,256
Design, survey and consultancy	**4,191**	3,936
	65,309	98,990

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction contracting

The performance obligation is satisfied over time as construction services are rendered and payment is generally due within 1 to 3 months from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Design, survey and consultancy

The performance obligation is satisfied over time as services are rendered or at the point upon completion of services. The payment is generally due within 1 to 3 months from the date of billing. A deposit is received upon signing such contract and the remainder of the contract value in instalment payments is due upon achieving key milestones stipulated in the contract. In some cases, a certain percentage of payment is retained by the customer until after final acceptance of the construction project to which the Group provides design, survey and consultancy services, with the retention period ranging one to three years.

Sale of construction materials and civil defence products

The performance obligation is satisfied upon delivery of the construction materials and civil defence products and payment is generally due within 1 to 3 months from delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	2021
	RMB'000	RMB'000
Total remaining performance obligations	**18,736,795**	18,762,904

Based on the information available to the Group at the end of the reporting period, the management of the Company expects the transaction prices allocated to the contracts for projects under construction as at 31 December 2022 amounting to RMB14,821,740,000 will be recognised as revenue in the next six months to three years.

The transaction prices allocated to the contracts which are signed but have not yet commenced as at 31 December 2022 totalling to RMB3,915,055,000 are expected to be recognised as revenue in six months to three years once the construction permits are obtained by the customers. The amounts disclosed above do not include variable consideration which is constrained.

	2022	2021
	RMB'000	RMB'000
Other income		
Interest income	**11,335**	9,473
Government grants*	**16,842**	14,572
Gross rental income from investment property operating leases	**599**	790
Other interest income from financial assets at fair value through profit or loss	**360**	622
Others	**-**	1,675
	29,136	27,132
Gains		
Others	**939**	979
	30,075	28,111

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

6. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on bank loans and other borrowings	**36,036**	33,365
Factoring expense	**5,530**	22,394
Discount expense on bills receivable	**1,341**	3,919
Interest on lease liabilities	**887**	756
	43,794	60,434
Less: Interest capitalised	**-**	645
	43,794	59,789

7. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of construction contracting (including depreciation and research and development costs)		**8,139,378**	9,532,698
Cost of others		**48,587**	44,149
Total cost of sales		**8,187,965**	9,576,847
Depreciation of property, plant and equipment		**14,091**	12,122
Depreciation of investment properties		**568**	568
Depreciation of right-of-use assets		**3,044**	2,605
Amortization of other intangible assets		**8,361**	7,077
Total depreciation and amortization		**26,064**	22,372
Research and development costs:			
Current year expenditure		**240,634**	312,553
		240,634	312,553
Impairment of financial and contract assets, net:			
Impairment of trade receivables	**11**	**39,345**	66,115
Impairment of financial assets included in prepayments, other receivables and other assets		**10,528**	2,128
Impairment of contract assets	**12**	**42,102**	38,282
Total impairment losses, net		**91,975**	106,525
Lease payments not included in the measurement of lease liabilities		**60**	98
Auditors' remuneration		**2,267**	2,193
Employee benefit expenses (including directors' and supervisors' remuneration):		**102,320**	98,425
- Wages, salaries and allowances		**79,649**	74,508
- Social insurance		**20,738**	22,062
- Welfare and other expenses		**1,933**	1,855
Interest income		**(11,695)**	(10,095)
Loss on disposal of items of property, plant and equipment, net		**399**	1
Fair value losses, net:			
bills receivable		**29,412**	63,593
Foreign exchange differences, net		**(443)**	33

8. INCOME TAX EXPENSE

Most of the companies of the Group are subject to PRC Corporation Income Tax Law, which have been provided based on the statutory rate of 25% (2021: 25%) of the assessable profits of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC entities of the Company, which were taxed at 15%.

	2022	2021
	RMB'000	RMB'000
Current income tax – Mainland China		
- Charge for the year	**19,312**	31,433
- Overprovision in prior years	**(1,140)**	(4,223)
Deferred income tax	**(18,892)**	(13,883)
Tax charge for the year	**(720)**	13,327

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the year is as follows:

	2022	2021
	RMB'000	RMB'000
Profit before tax	**55,075**	106,757
Income tax charge at the statutory income tax rate	**13,768**	26,822
Lower tax rate enacted by local authority	**(4,936)**	(9,982)
Effect on opening deferred tax of decrease in rates	**-**	12,697
Adjustments in respect of current tax of previous periods	**(1,140)**	(4,223)
Income not subject to tax	**(34)**	-
Expenses not deductible for tax purposes	**516**	578
Additional tax concession on research and development costs	**(8,861)**	(13,880)
Tax losses utilised from previous periods	**(155)**	-
Tax losses not recognised	**122**	1,315
Tax charge for the year at the effective rate	**(720)**	13,327

9. DIVIDENDS

	2022	2021
	RMB'000	RMB'000
Proposed final – RMB3.50 cents (2021: RMB3.25 cents) per ordinary share*	**18,685**	17,343
	18,685	17,343

* The Board recommends the payment of a final dividend of HK$4.00 cents (before tax) per share. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of HK$ against RMB as published by the People's Bank of China at 28 March 2023.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements have not reflected this proposed final dividend.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year ended 31 December 2022.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	2022	2021
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**54,865**	93,821

	2022	2021
	'000	'000
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**533,360**	533,360

11. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Trade receivables at amortised cost	**1,699,734**	1,848,242
Provision for impairment	**(174,658)**	(135,313)
Trade receivables, net	**1,525,076**	1,712,929
Bills receivables at fair value	**535,548**	865,479
	2,060,624	2,578,408

The majority of the Group's revenue are generated through construction services, and the settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period offered by the Group is one to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As at 31 December 2022, the Group did not pledge any trade receivables to secure the Group's bank loans (2021: RMB 58.3 million).

At the end of the reporting period, the amounts of retentions held by customers for contract works included in trade receivables for the Group are as follows:

	2022 RMB'000	2021 RMB'000
Retentions in trade receivables	**68,075**	58,216
Provision for impairment	**(18,364)**	(11,576)
Retentions in trade receivables, net	**49,711**	46,640

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

	2022 RMB'000	2021 RMB'000
Within 3 months	**656,916**	997,961
3 months to 6 months	**160,121**	113,836
6 months to 1 year	**315,793**	265,793
1 to 2 years	**303,046**	283,011
2 to 3 years	**74,002**	33,032
3 to 4 years	**8,889**	15,962
4 to 5 years	**6,309**	3,334
	1,525,076	1,712,929

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**135,313**	69,198
Impairment losses, net (note 7)	**39,345**	66,115
At end of year	**174,658**	135,313

The increase in the loss allowance was due to an increase in trade receivables which were past due for more than 4 years and the individual loss allowance in the following paragraph.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Included in the following provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowance. As at 31 December 2022, the accumulated individual loss allowance was RMB46,018,000 (2021: RMB19,553,000) with a carrying amount before loss allowance of RMB223,828,000 (2021: RMB110,897,000), which was the total exposure of account receivables from certain property developers and their affiliated companies.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Expected credit loss rate	**Gross carrying amount**	**Expected credit losses**
		RMB'000	**RMB'000**
Current and within 1 year	**0.44%**	**1,063,691**	**4,673**
More than 1 year but within 2 years	**9.60%**	**238,629**	**22,919**
More than 2 years but within 3 years	**23.54%**	**74,995**	**17,656**
More than 3 years but within 4 years	**49.04%**	**17,446**	**8,556**
More than 4 years but within 5 years	**74.39%**	**24,637**	**18,328**
More than 5 years	**100.00%**	**56,508**	**56,508**
		1,475,906	**128,640**
Apparently impaired item	**20.56%**	**223,828**	**46,018**
Total		**1,699,734**	**174,658**

As at 31 December 2021

	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Current and within 1 year	0.37%	1,311,837	4,821
More than 1 year but within 2 years	10.26%	292,232	29,991
More than 2 years but within 3 years	24.16%	43,554	10,522
More than 3 years but within 4 years	49.09%	31,353	15,391
More than 4 years but within 5 years	76.70%	14,310	10,976
More than 5 years	100.00%	44,059	44,059
		1,737,345	115,760
Apparently impaired item	17.63%	110,897	19,553
Total		1,848,242	135,313

Transferred financial assets that are not derecognised in their entirety

At 31 December 2022, the Group endorsed and discounted certain bills receivable (together, the "**Bills**") with a carrying amount of approximately RMB512,290,000 in total (2021: RMB856,574,000). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to above Bills, and accordingly, it continued to recognise the full carrying amounts of the Bills and the associated trade payables settled (for discounted bills, an equal amount of loan was recognised). Subsequent to the endorsement, the Group did not retain any rights on the use of the Bills, including the sale, transfer or pledge of the Bills to any other third parties. The aggregate carrying amount of the trade payables settled and loans recognised during the period to which the suppliers and financial institutions have recourse was approximately RMB512,290,000 (2021: RMB856,574,000) as at 31 December 2022.

Transferred financial assets that are derecognised in their entirety

(a) At 31 December 2022, the Group endorsed and discounted certain bills receivable (the "**Derecognised Bills**") with a carrying amount in aggregate of approximately RMB 106,742,000 (2021: RMB259,128,000). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

(b) As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "**Arrangement**") and transferred certain trade receivables to a financial institution. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. There was neither asset nor associated liabilities that the Group continued to recognise as at 31 December 2022 (2021: Nil).

During the reporting period, the Group has recognised RMB 1,341,000 (2021: RMB3,919,000) in finance costs (note 6) on the date of transfer of the discounted bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

12. CONTRACT ASSETS

	2022	2021
	RMB'000	RMB'000
Contract assets arising from:		
Construction services	**2,849,515**	2,099,416
Design, survey, training and consultancy	**6,554**	6,555
	2,856,069	2,105,971
Impairment	**(85,117)**	(43,015)
	2,770,952	2,062,956

Contract assets are initially recognised for revenue earned from construction, design, survey and consultancy services. Upon settlement with customers, the amounts recognised as contract assets are reclassified to trade receivables.

During the year ended 31 December 2022, RMB42,102,000 (2021: RMB38,282,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 11 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

Retention receivables

	2022	2021
	RMB'000	RMB'000
Within one year	**74,277**	21,089
After one year	**85,189**	111,760
	159,466	132,849

At 31 December 2022, the expected timing of recovery or settlement for the remaining contract assets was subject to the specific contracts terms and the progress of the performance obligations.

The movements in the loss allowance for impairment of contract assets are as follows:

	2022	2021
	RMB'000	RMB'000
At beginning of year	**43,015**	4,733
Impairment losses, net (note 7)	**42,102**	38,282
At end of year	**85,117**	43,015

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Included in the following provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowance. As at 31 December 2022, the accumulated individual loss allowance was RMB73,783,000 (2021: RMB35,813,000) with a carrying amount before loss allowance of RMB286,790,000 (2021: RMB103,356,000). The individual loss allowance was based on the total exposure of contract assets of certain property developers and their affiliated companies.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2022

	Expected credit loss rate	**Gross carrying amount**	**Expected credit losses**
		RMB'000	**RMB'000**
Carrying amount excluding apparently impaired item	**0.44%**	**2,569,279**	**11,334**
Apparently impaired item	**25.73%**	**286,790**	**73,783**
Total		**2,856,069**	**85,117**

As at 31 December 2021

	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Carrying amount excluding apparently impaired item	0.36%	2,002,615	7,202
Apparently impaired item	34.65%	103,356	35,813
Total		2,105,971	43,015

13. TRADE AND BILLS PAYABLES

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

	2022	2021
	RMB'000	RMB'000
Within 6 months	**2,496,681**	2,560,271
6 months to 1 year	**295,956**	265,793
1 to 2 years	**447,446**	241,724
2 to 3 years	**120,285**	69,923
Over 3 years	**77,837**	35,976
	3,438,205	3,173,687

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

14. COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2022, China's economy was confronted with the "triple pressures" of supply pressure, shrinking demand and falling expectations, coupled with multiple unfavorable factors such as debt crises of some property enterprises and the recurrence of the COVID-19 pandemic, resulting in a significant slowdown in economic growth. Despite the strong role played by infrastructure, facilitated by the policy to moderately advance investment, the shortage of capital and low consumer confidence have led to the slowdown in the overall development pace of the construction industry in 2022.

The real estate regulation continued the keynote of “houses are for inhabitation, not for speculation”. The real estate market has remained in a downturn since 2022, with significant decline on both the demand side and the development side. With the room for mortgage rate cuts and the continuous implementation of the "One City, One Policy" initiative, the efforts to maintain stability on the demand side continued to strengthen. In respect of infrastructure investment, the policy environment for infrastructure investment in 2022 continued to improve, with significant improvements on the funding side and project side, and there was a large room to increase the growth rate of infrastructure investment throughout the year, which in turn drove the construction industry. Meanwhile, the PPP model promotes the development of county-level economies and new-type urbanization in a market-oriented manner, and facilitates infrastructure construction. It is supported and promoted by Chinese government, and will continue to be a main driving force for macro-control in the future.

The government and local authorities have successively introduced a series of supporting and stimulating policies for the construction industry and its related upstream and downstream industries to promote its healthy development in the long run. In early 2022, the "14th Five-year Plan" Construction Industry Development Plan (「十四五」建築業發展規劃) issued by the Ministry of Housing and Urban-Rural Development sets out the strategic direction for the development of the construction industry and proposes a long-term goal for 2035. In addition, various regions adjusted their housing purchase policies. The Central Economic Work Conference emphasised the importance of real estate to economic recovery. The Conference proposed to adopt city-specific policies, support rigid and improved housing demands, solve the housing problems of new citizens and young people, and explore the construction of a long-term rental housing market. Since the release of the 20 measures to further optimise the prevention and control of the pandemic on 11 November 2022, many regions in China have adjusted their COVID-19-related prevention and control measures and gradually restored production and living order. The optimization of the pandemic prevention and control policy will help to accelerate the construction progress in the construction industry, and labor and logistics conditions are expected to recover in anticipation of a rebound in market demand.

According to the data of the National Bureau of Statistics of the People's Republic of China, for the year ended 31 December 2022, the total value of the PRC construction industry was approximately RMB31.2 trillion, representing a year-on-year growth of 6.5%; total construction area of buildings of the PRC construction industry was approximately 15.6 billion sq.m., representing a year-on-year decrease of 0.7%. National sales area of commercial property was approximately 1,360 million sq.m., representing a decrease of 24.3%; sales amount of commercial property was approximately RMB13.3 trillion, representing a decrease of 26.7%. In light of the above, despite pressure brought about by the pandemic, costs and slowdown of the real estate industry, the construction industry maintained a stable status as the backbone of the national economy. In the ongoing development of the construction industry, new opportunities are constantly arising. By keeping abreast of national policies, grasping the development of the times and actively engaging in learning about new things, only then can construction companies be able to identify and seise new industry opportunities.

BUSINESS REVIEW

Looking back into 2022, the Group earnestly implemented the development plan for the "14th Five-year Plan" period at all levels, adhered to the keynote of progressing in stability, and achieved good results despite the impact of various complex factors. The Group's revenue and net profit for the year ended 31 December 2022 were approximately RMB8,551.6 million and approximately RMB55.8 million, respectively, representing a decrease of approximately 14.9% and 40.3%, respectively, from the corresponding period of the previous year. The value of backlog decreased by approximately 0.1% to approximately RMB18,736.8 million as at 31 December 2022 as compared to that of approximately RMB18,762.9 million as at 31 December 2021.

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

	Year ended 31 December	
	2022	2021
	RMB'million	RMB'million
Opening value of backlog	**18,762.9**	17,048.4
Net value of new projects (Note 1)	**8,421.8**	11,671.6
Revenue recognised (Note 2)	**(8,447.9)**	(9,957.1)
Closing value of backlog (Note 3)	**18,736.8**	18,762.9

Notes:

(1) Net value of new contracts means the total contract value of new construction contracting contracts which were awarded to us during the relevant year indicated.

(2) Revenue recognised means the revenue that has been recognised during the relevant year indicated.

(3) Closing value of backlog means the total contract value for the remaining work of construction projects before the percentage of completion of such projects reach 100% as at the end of the relevant year indicated.

Optimizing business structure and enhancing market layout

Looking back into 2022, in the face of the extremely complex and volatile market condition, the Group adjusted its business strategies for the whole year in a timely manner by further reducing the amount of business undertaken from large real estate enterprises as they are facing credit crisis and focusing on projects through public tenders and strategic partnership projects, achieving the business target of the whole year against adverse conditions and realizing the net value of newly contracted projects of approximately RMB8,421.8 million.

In terms of major customer expansion, the newly signed-up contracts with major customers of the Group accounted for 61.0%, focusing on undertaking projects through public tenders and high-quality large-scale projects, of which the business undertaken by public tenders reached RMB 3.19 billion, with 14 high-quality large-scale projects with a contract sum over RMB100 million for a single project and 9 projects with a contract sum over RMB300 million.

With regards to the market layout, the Group made use of its local market advantage and further consolidated its market share in Tongxiang and Jiaxing. Newly contracted local businesses in Jiaxing City accounted for 52.4% of total amount of contracts, among which, newly contracted business in Tongxiang City accounted for 9.9%. The "market expansion" strategy is steadily implemented, with businesses outside Jiaxing City in Zhejiang Province and businesses outside Zhejiang Province accounted for 13.3% and 34.2%, respectively. Contracts newly signed up in the Jiangsu Province market amounted to nearly RMB1.4 billion, and new businesses in Anhui Province and Henan Province increased by almost RMB100 million.

With regards to overseas business, in June last year, the Group won the civil engineering project for the ferro-nickel production line and ancillary buildings of Zhenshi Group's new project in Indonesia, which marks a substantial breakthrough of the Group in overseas business operation. In December, the Group won the civil engineering works of the 3*250MW power plant of BP Indonesia Investment Limited, winning another overseas project and marking a milestone in the Group's overseas business expansion.

Promoting quality excellence for healthy and high-quality development

The Group adheres to a target-oriented approach and consistently emphasises project quality to strictly implement construction duration requirement and ensure smooth completion with high quality at a high standard and garner customers' recognition and praise through outstanding service and quality. In 2022, the Group strengthened the guarantee for production factors and established one national-level, six provincial-level and eight municipal-level standardised construction sites throughout the year.

In 2022, the quality excellence of projects was carried out in an orderly manner. The Tongxiang Tourism Square Project Phase I won the National Quality Project Award, which is another national quality award obtained by the Group following the award of the Luban Prize in 2021. In terms of project excellence cups, the Group obtained two provincial quality construction and three city-level quality constructions. During the year, the Group obtained honors and titles such as the First Batch of Model Commercial Buildings of "Strong Party Building, Robust Development" of Jiaxing, Advanced Construction Enterprise of Jiaxing, "Top 10 Accomplished Enterprise" of Tongxiang. Meanwhile, six projects undertaken by the Group were awarded the 2022 Excellent Site for Standardised Management of Construction Safety Production in Jiaxing. In the "National Top 500 Enterprises of Zhe Shang 2022" officially published by the Zhe Shang Magazine, the Group ranked 171st, improving by 12 places over last year.

Achieving digital transformation by enhancing scientific research and innovation

During the year, the Group continued to step up its efforts in scientific research and innovation. In 2022, the Yunjiang Research and Developments Institute was awarded national "High-tech Enterprise". Up to now, the Group has been awarded three "High-tech Enterprise" titles and has received national tax and incentive grants. Throughout the year, the Group implemented more than 60 enterprise science and technology projects, among which 6 projects were established at provincial and municipal levels, obtaining 2 provincial construction method, 1 national level and 2 provincial level quality control ("**QC**") achievements, and 4 authorised national patents. The Group has also passed the certification of intellectual property management system of Zhejiang, thereby enhancing the level of scientific and technological innovation work.

In terms of the application of BIM technology, the Group effectively expanded the application of BIM technology and implemented a total of 111 BIM technology service projects throughout the year, and obtained honors such as the first and third prizes in the Housing Construction General Group of Zhejiang Province and the Advanced Enterprise Award for Digital Transformation of Enterprises. The construction of intelligent construction sites was accelerated and a new system of intelligent construction sites was developed and upgraded. 87 projects were served throughout the year and a "zero breakthrough" was achieved in the standardization demonstrative projects of intelligent construction site in the province. The "1+3+9+N" intelligent construction site research and development framework was achieved the iteration of the version 2.0 of the Yunjiang Intelligent Construction Site system. In addition, the Group developed and launched version 1.0V of Tongxiang's "Construction Industry Intelligent Supervision Cloud Platform", which facilitated access to the supervisory data of 223 projects under construction in the city and achieved data interoperability among the projects, the enterprises and the government. The Group's subsidiaries demonstrate its achievements and applications at the "2022 World Internet Conference" under the theme of "Digital Construction".

For the year ended 31 December 2022, the construction contracting business contributed approximately 98.8% of the revenue (for the year ended 31 December 2021: approximately 99.1%). The following table sets forth a breakdown of our revenue by business and project type for the years indicated:

	Year ended 31 December			
	2022		2021	
	RMB'million	**%**	RMB'million	%
Construction contracting business				
Residential	**4,281.5**	**50.1**	5,369.1	53.4
Commercial	**774.4**	**9.1**	1,822.4	18.1
Industrial	**2,200.7**	**25.7**	2,046.4	20.4
Public works	**1,191.3**	**13.9**	719.2	7.2
	8,447.9	**98.8**	9,957.1	99.1
Other business	**103.7**	**1.2**	90.8	0.9
Total revenue	**8,551.6**	**100.0**	10,047.9	100.0

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue decreased by approximately 14.9% from approximately RMB10,047.9 million for the year ended 31 December 2021 to approximately RMB8,551.6 million for the year ended 31 December 2022, primarily because of a decrease in the construction contracting business amounting to approximately RMB1,509.2 million for the year ended 31 December 2022. Decrease in construction contracting business was primarily due to the progress of the construction projects being affected by the COVID-19-related prevention and control measures implemented at places where the construction projects were located during the year ended 31 December 2022, the downturn in property market in general and the decrease in the amounts of net values of new projects undertaken by the Group during the year ended 31 December 2022. The revenue from residential and commercial construction contracting business for the year ended 31 December 2022 were decreased by approximately RMB1,087.6 million and approximately RMB1,048.0 million, respectively, as compared with the corresponding period in last year. Such decrease was partly offset by an increase in public and industrial construction contracting business of approximately RMB472.1 million and approximately RMB154.3 million, respectively, for the year ended 31 December 2022 as compared with the corresponding period in last year. The Group increased its resources and focused in public and industrial construction contracting business to reduce its business risks and maintain the business growth. The decrease in revenue from residential and commercial construction contracting business was a result of the downturn in the real estate industry and impact of COVID-19 pandemic.

Gross profit decreased by approximately 22.8% from approximately RMB471.1 million for the year ended 31 December 2021 to approximately RMB363.6 million for the year ended 31 December 2022, which was in line with decrease in revenue. The gross profit margin decreased from approximately 4.7% for the year ended 31 December 2021 to approximately 4.3% for the year ended 31 December 2022, such decrease was mainly due to the decrease in gross profits margins of the construction contracting business, especially for the residential construction contracting business and public construction contracting business. The decrease in gross profits margins of the construction contracting business was a result of i) the further compressed pricing of the construction contracts as the PRC government sets a ceiling on the residential property markets, even the pricing policy, and ii) an increase in the raw material costs. The gross profit margin of the construction contracting business decreased from 4.26% for the year ended 31 December 2021 to 3.65% for the year ended 31 December 2022.

Other income and gains

Other income and gains increased by approximately RMB2.0 million from approximately RMB28.1 million for the year ended 31 December 2021 to approximately RMB30.1 million for the year ended 31 December 2022, primarily because of an increase in government grants of approximately RMB2.3 million in relation to the Group's contribution in local economy and construction services.

Administrative expenses

The administrative expenses increased by approximately 7.6% from approximately RMB160.5 million for the year ended 31 December 2021 to approximately RMB172.7 million for the year ended 31 December 2022 which was primarily due to the increase in salaries and employee benefits and depreciation and amortization expenses. For the year ended 31 December 2022, the Group continued to expand its workforces to supports its business, and as a result, the salaries and employee benefits increased by approximately RMB3.9 million as compared with last year. In addition, the depreciation and amortization expenses increased by approximately RMB4.1 million for the year ended 31 December 2022 as compared with the corresponding periods in last year, the depreciation expense increased due to the acquisition of fixed assets during the year.

Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, including trade receivables, other receivables and contract assets, decreased by approximately 13.6% from approximately RMB106.5 million for the year ended 31 December 2021 to approximately RMB92.0 million for the year ended 31 December 2022, primarily due to the significant amounts of a specific impairment loss on the trade receivables and contract assets from certain customers as at 31 December 2021. The management has further considered the credit crisis in real estate industry and the aging pattern of trade receivables, and, as a result, the Group made an impairment loss of approximately RMB92.0 million on the trade receivables, other receivables and contract assets for the year ended 31 December 2022.

Other expenses

Other expenses decreased by approximately RMB35.5 million from approximately RMB65.6 million for the year ended 31 December 2021 to approximately RMB30.1 million for the year ended 31 December 2022, primarily due to a decrease in fair value loss in relation of fair value assessments of the bills receivable. The Group reduced its acceptance of bills receivables as a settlement method due to the real estate developers are facing the credit crisis.

Finance costs

Finance costs decreased by approximately 26.8% from approximately RMB59.8 million for the year ended 31 December 2021 to approximately RMB 43.8 million for the year ended 31 December 2022. Such decrease was primarily due to a decrease in factoring activities and grant of discount on bills receivables.

Income tax expense

Income tax expenses changed from income tax expense of approximately RMB13.3 million for the year ended 31 December 2021 to income tax credit of approximately RMB0.7 million for the year ended 31 December 2022, such change was primarily because of a decrease in profit for the year and certain subsidiaries of the Group obtained approval from the relevant tax bureau to be taxed as an advanced and new technology enterprise for the calendar years from 2022 to 2024. Pursuant to the relevant tax regulations, the enterprise is entitled to a preferential tax rate of 15%. In addition to the preferential PRC Corporate Income Tax rate, the company is also entitled to an additional tax-deductible allowance calculated at 75% of its qualified research and development costs incurred. The effective tax rate decreased from approximately 12.5% for the year ended 31 December 2021 to -1.3% for the year ended 31 December 2022.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately 40.3% from approximately RMB93.4 million for the year ended 31 December 2021 to approximately RMB55.8 million for the year ended 31 December 2022. Net profit margin decreased from approximately 0.9% for the year ended 31 December 2021 to approximately 0.7% for the year ended 31 December 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from cash generated from operating activities and interest-bearing bank and other borrowings. As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB221.1 million (2021: approximately RMB248.2 million).

Treasury policies

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

Contract assets

The contract assets increased by approximately RMB708.0 million from approximately RMB2,063.0 million as at 31 December 2021 to approximately RMB2,771.0 million as at 31 December 2022, representing 36.3% and 46.3% of the total current assets as at the end of the corresponding years, respectively. The increase in contract assets was primarily attributable to the speed up of progress of the construction projects in 2nd half of 2022 and the influence on the relax of implement of COVID-19-related prevention and control measures before end of the year.

Trade and bills receivables

Trade and bills receivables decreased by approximately RMB517.8 million from approximately RMB2,578.4 million as at 31 December 2021 to approximately RMB2,060.6 million as at 31 December 2022. Such decrease was due to a decrease in the revenue of the Group as well as delay in issuance of the billings. The trade and bills receivables turnover days increased from approximately 89 days as at 31 December 2021 to approximately 99 days as at 31 December 2022.

Trade and bills payables

Trade and bills payables increased by approximately RMB264.5 million from approximately RMB3,173.7 million as at 31 December 2021 to approximately RMB3,438.2 million as at 31 December 2022. Such increase was primarily because of the increase in purchase of raw material due to the accelerated pace of progress in our construction projects in the second half of 2022, and the extension of settlement period of the purchase of raw material with our suppliers. The trade and bills payables turnover days increased from approximately 114 days as at 31 December 2021 to approximately 145 days as at 31 December 2022.

Borrowings and charge on assets

As at 31 December 2022, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB676.0 million (2021: approximately RMB679.5 million). As at 31 December 2022, the short-term interest-bearing borrowings amounting to approximately RMB516.9 million (2021: approximately RMB507.5 million) are repayable within 1 year and carried effective interest rate with a range from 4.35% to 7.12% per annum (2021: 4.00% to 12.0% per annum). As at 31 December 2022, the long-term interest-bearing borrowings amounting to approximately RMB159.2 million (2021: RMB172.0 million) are repayable from 2024 to 2032 and the interest rate is from 4.41% to 4.90%.

As at 31 December 2022, certain general banking facilities were secured by the buildings held by the Group of approximately RMB84.2 million (31 December 2021: approximately RMB86.4 million).

As at 31 December 2022, the Group did not pledge any trade receivables to secure the Group's bank loans (2021:RMB58.3 million).

Gearing ratio

The gearing ratio decreased from approximately 18.9% as at 31 December 2021 to approximately 13.2% as at 31 December 2022. The decrease was mainly attributable to an increase in the pledged deposits of approximately RMB114.9 million as at 31 December 2022.

Gearing ratio represents net debt divided by total equity as at the end of a year. Net debt is defined as all borrowings deducted by cash and bank balances and pledged deposits.

Capital expenditure

For the year ended 31 December 2022, the capital expenditures were approximately RMB29.4 million (2021: approximately RMB47.5 million). The capital expenditure incurred for the year ended 31 December 2022 was primarily related to the construction work and decoration of a new office building next to the headquarter of the Group.

Capital commitments

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

Contingent liabilities

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

Fluctuation of RMB exchange rate and foreign exchange risks

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2022.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had total of 1,147 employees (2021: 1,146 employees), of which 629 were based in Jiaxing City, and 518 were based in other areas of Zhejiang Province and in other provinces and regions of China. For the year ended 31 December 2022, the Group incurred total staff costs of approximately RMB102.3 million, representing an increase of approximately 4.0% as compared with corresponding period in 2021 (RMB98.4 million).

The Group believes that the long-term growth depends on the expertise, experience and development of the employees. The salaries and benefits of the employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve the employees' skills and technical expertise, the Group provides regular training to the employees.

FUTURE PROSPECTS

Entering 2023, the impact of the pandemic is fading gradually. Urbanization is entering into a new stage of comprehensive enhancement of development quality, and domestic demand pressure may be released. The the intrinsic momentum of economic growth is expected to improve with a more determined pace of high-quality development. Strengthening the coordination and planning of infrastructure projects and increasing infrastructure investment remain as the keynote for 2023 and the next three years. It is expected that a stronger demand for infrastructure investment will be released, and therefore, the scale of special bonds is expected to further expand, and capital support for infrastructure investment is expected to be strengthened continuously. In light of the keynote of stabilizing growth, the construction industry is likely to benefit from policy driven development opportunities.

The Group will fully implement the spirit of the 20th National Congress of the Communist Party and the Central Economic Work Conference, and focus on the Group's "14th Five-Year" development plan and various objectives and tasks. Adhering to the guiding principles of stable operation, high quality and safe development, the Group will accelerate the development pace of transformation, integrate quality resources, optimise market layout, coordinate development and safety, strike a balance between scale and efficiency in order to promote quality development comprehensively.

In terms of external planning 2023, the Group will strengthen the expansion of quality business and maintenance of major customers to enhance market recognition and customer satisfaction. In terms of internal business planing, the Group will consolidate its foundation, enhance internal control and risk prevention, further consolidate the foundation of development, improve the quality of development, and achieve a sound and sustainable development. It will enhance the value of BIM business applications and service capabilities by actively exploring the application and integration of BIM technology and construction robots to create a new construction model and empower the upgradation of the entire industrial chain. It will optimise and iterate functions of intelligent construction site system continuously, facilitating digital transformation and upgrading of the Company.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2022 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.

NON-COMPETITION AGREEMENT

To ensure that competition will not exist in the future, Mr. Lyu Yaoneng, Zhejiang Jujiang Holdings Group Co., Ltd.*(浙江巨匠控股集團有限公司) and Zhejiang Jujiang Equity Investment Management Co., Ltd.* (浙江巨匠股權投資管理股份有限公司) as controlling shareholders of the Company (the "**Controlling Shareholders**") have entered into non-competition agreement (the "**Non-Competition Agreement**") with the Company to the effect that each of them will not, and will procure their subsidiaries (other than the Group) and their close associate(s) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, the principal business and other businesses.

NON-COMPETITION

The Group entered into the Non-Competition Agreement with the Controlling Shareholders on 23 December 2015, under which the Controlling Shareholders agreed not to, and to procure their subsidiaries and respective close associate(s) (as appropriate) (other than the Group) not to, compete, either directly or indirectly, with the principal business and other businesses, namely the design, survey and consultancy business and civil defense products manufacturing business, and granted to the Group the option for new business opportunities, option for acquisitions and pre-emptive rights.

The Controlling Shareholders have further irrevocably undertaken in the Non-Competition Agreement that, during the term of the Non-Competition Agreement, they (as appropriate) will not, and will also procure their subsidiaries and respective close associate(s) (as appropriate) (other than the Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with the principal business and other businesses. The foregoing restrictions are subject to the fact that the Company may waive certain new business opportunities pursuant to the terms and conditions under the Non-Competition Agreement.

The foregoing restrictions do not apply to: (i) the purchase by the Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with the principal business and other businesses; or (ii) the holding by the Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) of not more than 10% equity interest in other companies whose business competes or is likely to compete with the principal business and other businesses, as a result of a debt restructuring of such companies (collectively referred to as "**Investment Companies**" for scenarios (i) and (ii)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which the Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interests of such Investment Companies are being held by the Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate).

Each of Mr. Lyu Yaoneng, Jujiang Holdings and Jujiang Equity Investment, as the Controlling Shareholders, has confirmed to the Company of his compliance with the Non-Competition Agreement for the year ended 31 December 2022.

The independent non-executive Directors of the Company had reviewed the status of compliance and received confirmation by each of the Controlling Shareholders and, on the basis of such confirmation, are of the view that, to the best of their knowledge, the Controlling Shareholders have complied with the Non-Competition Agreement and such Non-Competition Agreement has been enforced by the Company in accordance with its terms.

DIRECTORS' COMPETING INTERESTS

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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code ("**CG Code**") previously set out in Part 2 of Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2022 and up to the date of this announcement, the Company has fully complied with the Code Provisions and the CG Code for the year 2022.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules ("**Model Code**") as the Company's code of conduct regarding Directors' and supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the year ended 31 December 2022.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no major subsequent events to 31 December 2022 which would materially affect the Group's operating and financial performance as of the date of this announcement.

FINAL DIVIDEND

Proposal for profit distribution of 2022

Audited profit available for distribution to shareholders of the Company for the year 2022 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB789.8 million.

The Board of Directors of the Company has recommended profit distribution for 2022 of 4.00HK cents in cash (before tax) per share as the final dividend based on the number of shares held by H shareholders registered as at the close of business on the record date for profit distribution and dividend payment. The dividend will be denominated and declared in Hong Kong Dollars, and distributed to the domestic shareholders in RMB and to the overseas shareholders in Hong Kong Dollars. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of Hong Kong Dollar against RMB as published by the People's Bank of China one week preceding the date of the declaration of such dividend.

The Company expects to pay the dividend to shareholders on 30 June 2023.

In respect of the Company's distribution of final Dividend to Shareholders whose names appear on the H share register of the Company on the H Share Record Date, the Company will process income tax payable on dividends and profit distributions in accordance with relevant taxation laws and regulations of China. The details are as follow:

1. In connection with overseas non-resident corporate H shareholders, a 10% enterprise income tax to be withheld and paid on behalf of such shareholders by the Company shall apply in accordance with relevant provisions of the ''Notice of the State Administration of Taxation on issues concerning the withholding and payment of enterprise income tax on dividends paid by Chinese resident enterprises to overseas non-resident corporate H shareholders'' (Guo Shui Han 2008 No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》（國稅函2008897號)). Any H shares registered in the name of non-resident individual H shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organizations or groups, will be treated as shares being held by non-resident corporate H shareholders, and consequently will be subject to the withholding of the enterprise income tax.

2. Pursuant to relevant laws and regulations and regulatory documents such as the Individual Income Tax Law of the People's Republic of China 《(中華人民共和國個人所得稅法》), the Implementation Rules of the Individual Income Tax Law of the People's Republic of China 《(中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative) (Guo Shui Fa 2009 No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》 (國稅發2009124號)) and the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa 1993 No. 45 (Guo Shui Han 2011 No. 348) 《(國家稅務總局關於國稅發199345號文件廢止後有關個人所得稅徵管問題的通知》 (國稅函2011348號)), dividends received by overseas resident individual shareholders from the stocks issued by domestic nonforeign investment enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of the stocks issued by domestic nonforeign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). For individual holders of H shares, dividends payable to them are subject to the individual income tax withheld at a tax rate of 10% in general unless otherwise specified by the tax regulations and the relevant tax agreements.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "**AGM**") will be held on 15 May 2023. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 9 May 2023 to 15 May 2023, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 8 May 2023, being the business day before the first day of closure of the register of members.

For the purpose of ascertaining shareholders' entitlement to the final dividend, the register of members of the Company will be closed from 30 May 2023 to 2 June 2023, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to establish entitlements to the final dividend, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 29 May 2023, being the business day before the first day of closure of the register of members. The members of the H shares whose names appear on the H share register of members on 2 June 2023 will be entitled to receive the final dividend.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

AUDIT COMMITTEE

The Company has established an audit committee on 23 December 2015 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Wong Ka Wai, Mr. Yu Jingxuan and Mr. Ma Tao. Mr. Yu Jingxuan currently serves as the chairman of our audit committee.

The audit committee of the Company has reviewed, among other things, the financial statements of the Company for the year ended 31 December 2022, including the accounting principles and practices adopted by the Company, report prepared by the external auditors covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Company's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditors.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jujiang.cn). The 2022 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Jujiang Construction Group Co., Ltd
Mr. Lyu Yaoneng
Chairman

Zhejiang Province, the PRC, 28 March 2023

As of the date of this announcement, the Board comprises Mr. Lyu Yaoneng, Mr. Lyu Dazhong, Mr. Li Jinyan, Mr. Lu Zhicheng, Mr. Shen Haiquan and Mr. Zheng Gang, as executive Directors; and Mr. Yu Jingxuan, Mr. Wong Kai Wai and Mr. Ma Tao, as independent non-executive Directors.

** for identification purposes only*