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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 2019

FINANCIAL HIGHLIGHTS

| | Year ended 31 December | | Change % |
|--------------------------------------------|------------------------|-----------------|---------------|
| | 2019 RMB'000 | 2018 RMB'000 | |
| Revenue | 7,055,146 | 6,895,993 | 2.3 |
| Gross Profit | 371,464 | 378,319 | (1.8) |
| <i>Gross Profit Margin</i> | <i>5.27%</i> | <i>5.49%</i> | <i>(0.22)</i> |
| Profit for the year | 138,372 | 172,868 | (20.0) |
| <i>Net Profit Margin</i> | <i>1.96%</i> | <i>2.51%</i> | <i>(0.55)</i> |
| Basic and diluted earnings per share (RMB) | 0.25 | 0.32 | |

The Board recommends the payment of a final dividend of 4.0 HK cents (before tax) per share for the year ended 31 December 2019 (31 December 2018: 4.0 HK cents (before tax) per share).

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 2019, 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 2019

| | Notes | 2019 RMB'000 | 2018 RMB'000 |
|----------------------------------------------------------------------------------|-------|------------------------|--------------------|
| Revenue | 5 | 7,055,146 | 6,895,993 |
| Cost of sales | | <u>(6,683,682)</u> | <u>(6,517,674)</u> |
| Gross profit | | 371,464 | 378,319 |
| Other income and gains | 5 | 7,803 | 6,569 |
| Administrative expenses | | (113,577) | (86,653) |
| Impairment losses on financial and contract assets, net | | (18,807) | (13,645) |
| Other expenses | | (1,008) | (2,416) |
| Finance costs | 6 | <u>(64,196)</u> | <u>(59,126)</u> |
| PROFIT BEFORE TAX | 7 | 181,679 | 223,048 |
| Income tax expense | 8 | <u>(43,307)</u> | <u>(50,180)</u> |
| PROFIT FOR THE YEAR | | 138,372 | 172,868 |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>138,372</u> | <u>172,868</u> |
| Profit attributable to: | | | |
| Owners of the parent | | 133,714 | 171,096 |
| Non-controlling interests | | 4,658 | 1,772 |
| | | <u>138,372</u> | <u>172,868</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 133,714 | 171,096 |
| Non-controlling interests | | 4,658 | 1,772 |
| | | <u>138,372</u> | <u>172,868</u> |
| Earnings per share attributable to ordinary equity holders of the parent: | | | |
| Basic and diluted (expressed in RMB per share) | 10 | <u>0.25</u> | <u>0.32</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Notes | 2019 RMB'000 | 2018 RMB'000 |
|-------------------------------------------------|-------|------------------------|-----------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 135,201 | 221,202 |
| Right-of-use assets | | 8,705 | - |
| Prepaid land lease payments | | - | 8,706 |
| Goodwill | | 1,162 | 1,162 |
| Other intangible assets | | 66,207 | 2,803 |
| Deferred tax assets | | 24,277 | 20,197 |
| Prepayments, other receivables and other assets | | 11,685 | 26,224 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 247,237 | 280,294 |
| CURRENT ASSETS | | | |
| Prepaid land lease payments | | - | 291 |
| Inventories | | 37,515 | 17,209 |
| Contract assets | 12 | 2,564,120 | 3,077,317 |
| Trade and bills receivables | 11 | 1,774,881 | 1,470,703 |
| Prepayments, other receivables and other assets | | 506,964 | 466,489 |
| Pledged deposits | | 110,126 | 35,369 |
| Cash and cash equivalents | | 273,991 | 167,406 |
| | | <hr/> | <hr/> |
| Total current assets | | 5,267,597 | 5,234,784 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 13 | 2,836,562 | 3,159,517 |
| Other payables and accruals | | 486,314 | 439,085 |
| Interest-bearing bank and other borrowings | | 407,300 | 420,050 |
| Tax payable | | 207,456 | 182,390 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 3,937,632 | 4,201,042 |
| NET CURRENT ASSETS | | <hr/> 1,329,965 | <hr/> 1,033,742 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> 1,577,202 | <hr/> 1,314,036 |

| | Notes | 2019 RMB'000 | 2018 RMB'000 |
|----------------------------------------------------|-------|------------------|------------------|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | | <u>140,938</u> | <u>-</u> |
| Total non-current liabilities | | <u>140,938</u> | <u>-</u> |
| Net assets | | <u>1,436,264</u> | <u>1,314,036</u> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 533,360 | 533,360 |
| Reserves | | <u>876,726</u> | <u>761,570</u> |
| | | <u>1,410,086</u> | <u>1,294,930</u> |
| Non-controlling interests | | <u>26,178</u> | <u>19,106</u> |
| Total equity | | <u>1,436,264</u> | <u>1,314,036</u> |

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 (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 January 2016 (the "Listing Date").

During the year ended 31 December 2019, 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).

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 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 statements include the financial statements of the company and its subsidiaries for the year ended 31 December 2019. 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).

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 new and revised IFRSs for the first time for the current year's financial statements.

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

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and *Annual Improvements 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

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

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for items of property and other equipment used in its operations. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

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

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

| | Increase/(decrease) RMB'000 |
|-----------------------------------------|--------------------------------|
| Assets | |
| Increase in right-of-use assets | 8,997 |
| Decrease in prepaid land lease payments | (8,997) |
| Increase in total assets | <u>-</u> |

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

| | RMB'000 |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Operating lease commitments as at 31 December 2018 | 750 |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019 | <u>(750)</u> |
| Lease liabilities as at 1 January 2019 | <u>-</u> |

- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation 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 3 | <i>Definition of a Business</i> ¹ |
| Amendments to IFRS 9 IAS 39 and IFRS 7 | <i>Interest Rate Benchmark Reform</i> ¹ |
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³ |
| IFRS 17 | <i>Insurance Contracts</i> ² |
| Amendments to IAS 1 and IAS 8 | <i>Definition of Material</i> ¹ |

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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 – this segment engages in the provision of services relating to construction contracting in architecture;
- (b) Others – provision of services on designing, surveying and mapping, monitoring and consulting in the engineering of municipal management and construction, installation of lifting equipment, sale of construction materials and civil defence products and provision of services relating to construction contracting in architecture.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

| Year ended | Construction | Others | Eliminations | Total |
|----------------------------------------------------------------------|---------------------|----------------|---------------------|------------------|
| 31 December 2019 | contracting | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Segment revenue (note 5): | | | | |
| Sales to external customers | 6,961,555 | 93,591 | - | 7,055,146 |
| Intersegment sales | - | 12,642 | (12,642) | - |
| Total revenue | 6,961,555 | 106,233 | (12,642) | 7,055,146 |
| Segment results | 171,883 | 12,451 | (2,655) | 181,679 |
| Income tax expense | (41,191) | (2,116) | - | (43,307) |
| Profit for the year | 130,692 | 10,335 | (2,655) | 138,372 |
| Segment assets | 5,314,807 | 323,980 | (123,953) | 5,514,834 |
| Segment liabilities | 3,915,432 | 217,682 | (54,544) | 4,078,570 |
| Other segment information: | | | | |
| Interest income | 1,249 | 133 | - | 1,382 |
| Finance costs | 61,665 | 3,554 | (1,023) | 64,196 |
| Depreciation | 10,784 | 605 | - | 11,389 |
| Amortisation | 631 | 131 | - | 762 |
| Impairment losses recognised in the statement of profit or loss, net | 18,835 | (28) | - | 18,807 |
| Capital expenditure* | 10,502 | 29,865 | - | 40,367 |

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

| Year ended 31 December 2018 | Construction contracting RMB'000 | Others RMB'000 | Eliminations RMB'000 | Total RMB'000 |
|-----------------------------------------------------------------------|----------------------------------------|-------------------|-------------------------|------------------|
| Segment revenue (note 5): | | | | |
| Sales to external customers | 6,824,733 | 71,260 | - | 6,895,993 |
| Intersegment sales | - | 11,159 | (11,159) | - |
| Total revenue | 6,824,733 | 82,419 | (11,159) | 6,895,993 |
| Segment results | 219,887 | 5,061 | (1,900) | 223,048 |
| Income tax expense | (48,002) | (2,178) | - | (50,180) |
| Profit for the year | 171,885 | 2,883 | (1,900) | 172,868 |
| Segment assets | 5,508,908 | 236,463 | (230,293) | 5,515,078 |
| Segment liabilities | 4,158,465 | 129,683 | (87,106) | 4,201,042 |
| Other segment information: | | | | |
| Interest income | 413 | 63 | - | 476 |
| Finance costs | 56,350 | 2,776 | - | 59,126 |
| Depreciation | 8,075 | 449 | - | 8,524 |
| Amortisation | 753 | 78 | - | 831 |
| Impairment losses recognised in the statement of profit or loss | 12,897 | 748 | - | 13,645 |
| Capital expenditure* | 12,605 | 86,277 | - | 98,882 |

* Capital expenditure consists of additions to property, plant and equipment and intangible assets, including assets from the acquisition of a subsidiary.

Geographical information

All the Group's long-lived assets are located in the mainland China and all the Group's revenue and operating profits are derived from the mainland China during the year.

Information about a major customer

During the year ended 31 December 2019, there was no customer, including a group of entities which are known to be under common control with that customer, from which the revenue derived amounted to 10% or more of the Group's revenue. (During the year ended 31 December 2018: RMB711,011,000).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2019 RMB'000 | 2018 RMB'000 |
|---------------------------------------|------------------|------------------|
| Revenue from contracts with customers | <u>7,055,146</u> | <u>6,895,993</u> |

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

| Segments | Construction contracting RMB'000 | Others RMB'000 | Total RMB'000 |
|--------------------------------------------------------------|----------------------------------------|----------------------|-------------------------|
| Type of goods or service | | | |
| Construction contracting | 6,961,555 | - | 6,961,555 |
| Designing services | - | 26,303 | 26,303 |
| Sale of construction materials and civil defense products | - | 67,288 | 67,288 |
| Total revenue from contracts with customers | <u>6,961,555</u> | <u>93,591</u> | <u>7,055,146</u> |
| Geographical markets | | | |
| Mainland China | 6,961,555 | 93,591 | 7,055,146 |
| Total revenue from contracts with customers | <u>6,961,555</u> | <u>93,591</u> | <u>7,055,146</u> |
| Timing of revenue recognition | | | |
| Services transferred over time | 6,961,555 | 26,303 | 6,987,858 |
| Goods transferred at a point in time | - | 67,288 | 67,288 |
| Total revenue from contracts with customers | <u>6,961,555</u> | <u>93,591</u> | <u>7,055,146</u> |

For the year ended 31 December 2018

| Segments | Construction contracting RMB'000 | Others RMB'000 | Total RMB'000 |
|--------------------------------------------------------------|----------------------------------------|----------------------|-------------------------|
| Type of goods or service | | | |
| Construction contracting | 6,824,733 | - | 6,824,733 |
| Designing services | - | 27,382 | 27,382 |
| Sale of construction materials and civil defense products | - | 43,878 | 43,878 |
| Total revenue from contracts with customers | <u>6,824,733</u> | <u>71,260</u> | <u>6,895,993</u> |
| Geographical markets | | | |
| Mainland China | 6,824,733 | 71,260 | 6,895,993 |
| Total revenue from contracts with customers | <u>6,824,733</u> | <u>71,260</u> | <u>6,895,993</u> |
| Timing of revenue recognition | | | |
| Services transferred over time | 6,824,733 | 27,382 | 6,852,115 |
| Goods transferred at a point in time | - | 43,878 | 43,878 |
| Total revenue from contracts with customers | <u>6,824,733</u> | <u>71,260</u> | <u>6,895,993</u> |

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 2019

| | Construction contracting RMB'000 | Others RMB'000 | Total RMB'000 |
|--------------------------------------------------------|----------------------------------------|----------------------|-------------------------|
| Revenue from contracts with customers | | | |
| Sales to external customers | 6,961,555 | 93,591 | 7,055,146 |
| Intersegment sales | - | 12,642 | 12,642 |
| | <u>6,961,555</u> | <u>106,233</u> | <u>7,067,788</u> |
| Intersegment adjustments and eliminations | - | (12,642) | (12,642) |
| Total revenue from contracts with customers | <u>6,961,555</u> | <u>93,591</u> | <u>7,055,146</u> |

For the year ended 31 December 2018

| | Construction contracting RMB'000 | Others RMB'000 | Total RMB'000 |
|--------------------------------------------------------|----------------------------------------|----------------------|-------------------------|
| Revenue from contracts with customers | | | |
| Sales to external customers | 6,824,733 | 71,260 | 6,895,993 |
| Intersegment sales | - | 11,159 | 11,159 |
| | <u>6,824,733</u> | <u>82,419</u> | <u>6,907,152</u> |
| Intersegment adjustments and eliminations | - | (11,159) | (11,159) |
| Total revenue from contracts with customers | <u>6,824,733</u> | <u>71,260</u> | <u>6,895,993</u> |

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:

| | 2019 RMB'000 | 2018 RMB'000 |
|-----------------------|------------------------|-----------------|
| Construction services | 132,436 | 132,308 |
| Sale of goods | 6,676 | 11,820 |
| Design services | 1,217 | 387 |
| | <u>140,329</u> | <u>144,515</u> |

(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 design, survey and consultancy services are rendered and 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 that are due upon achieving key milestones stipulated in the contract. In some cases, a certain percentage of payment is retained by customers until after final acceptance of the construction project to which we provided design, survey and consultancy services, ranging one to three years in length.

Sale of construction materials and civil defense products

The performance obligation is satisfied upon delivery of the construction materials and civil defense products and payment is generally due within 1 to 3 months from delivery, where payment in advance is normally required.

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

| | 2019 | 2018 |
|-----------------------------------------|--------------------------|-------------------|
| | RMB'000 | RMB'000 |
| Total remaining performance obligations | <u>14,432,840</u> | <u>11,239,230</u> |

Based on the information available to the Group at the end of each reporting period, the management of the Company expects the transaction price allocated to the contracts under construction as at 31 December 2019 will be recognised as revenue in the period of next six months to three years, amounting to RMB9,355,070,000.

The amounts of transaction prices allocated to the contracts which are signed but not yet commenced as at 31 December 2019 totalled to RMB5,077,770,000. They will normally be recognised as revenue in six months to three years once the construction permits are obtained by the customers.

| | 2019 | 2018 |
|----------------------------|---------------------|--------------|
| | RMB'000 | RMB'000 |
| <u>Other income</u> | | |
| Interest income | 1,382 | 476 |
| Government grants* | 5,668 | 5,276 |
| | <u>7,050</u> | <u>5,752</u> |
| <u>Gains</u> | | |
| Others | 753 | 817 |
| | <u>7,803</u> | <u>6,569</u> |

* Government grants consisted primarily of incentive fund received from bureau of housing and urban-rural development in support of construction service.

6. FINANCE COSTS

| | 2019 | 2018 |
|---------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Interest on bank loans and other borrowings | 24,280 | 26,542 |
| Factoring expense | 35,060 | 27,998 |
| Interest on discounted bills receivable | 4,856 | 4,586 |
| | 64,196 | 59,126 |

7. PROFIT BEFORE TAX

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

| | 2019 | 2018 |
|--------------------------------------------------------------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Cost of construction contracting (including depreciation) | 6,620,397 | 6,462,700 |
| Cost of others | 63,285 | 54,974 |
| Total cost of sales | 6,683,682 | 6,517,674 |
| Depreciation of items of property, plant and equipment | 11,097 | 8,524 |
| Depreciation of right-use-assets (2018: amortisation of prepaid land lease payments) | 292 | 291 |
| Amortisation of intangible assets | 762 | 540 |
| Total depreciation and amortisation | 12,151 | 9,355 |
| Research and development costs: | | |
| Current year expenditure | 4,065 | - |
| | 4,065 | - |
| Impairment of financial and contract assets, net: | | |
| Impairment of trade receivables | 16,790 | 4,923 |
| Impairment of financial assets included in prepayments, other receivables | 1,500 | 4,994 |
| Impairment of contract assets | 517 | 3,728 |
| Total impairment losses, net | 18,807 | 13,645 |
| Minimum lease payments under operating leases | - | 1,215 |
| Lease payments not included in the measurement of lease liabilities | 1,634 | - |
| Auditors' remuneration | 2,206 | 2,328 |
| Employee benefit expenses (including directors' and supervisors' remuneration): | 65,956 | 51,082 |
| - Wages, salaries and allowances | 52,478 | 39,714 |
| - Social insurance | 11,566 | 9,338 |
| - Welfare and other expense | 1,912 | 2,030 |
| Interest income | (1,382) | (476) |
| Loss/(gain) on disposal of items of property, plant and equipment, net | 10 | (316) |
| Foreign exchange differences, net | 97 | - |

8. INCOME TAX EXPENSE

Provision for Mainland China current income tax is based on the statutory rate of 25% on the assessable profits of the PRC entities of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008.

| | 2019 | 2018 |
|-------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Current income tax – Mainland China | | |
| - Charge for the year | 52,253 | 60,657 |
| - Over provision in prior years | (4,866) | (7,393) |
| Deferred income tax | (4,080) | (3,084) |
| | <hr/> | <hr/> |
| Tax charge for the year | 43,307 | 50,180 |

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

| | 2019 | 2018 |
|-----------------------------------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Profit before tax | 181,679 | 223,048 |
| Income tax charge at the statutory income tax rate | 45,420 | 55,762 |
| Lower tax rate enacted by local authority | (1,819) | (84) |
| Effect on opening deferred tax of decrease in rates | 47 | - |
| Adjustments in respect of current tax of previous years | (4,866) | (7,393) |
| Expenses not deductible for tax | 2,302 | 1,094 |
| Deductible temporary difference not recognised | (148) | 148 |
| Additional deductible allowance for research and development expenses | (438) | - |
| Tax losses not recognised | 2,809 | 653 |
| | <hr/> | <hr/> |
| Tax charge for the year at the effective rate | 43,307 | 50,180 |

9. DIVIDENDS

| | 2019 | 2018 |
|-----------------------------------------------------------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Proposed final – RMB3.63 cents (2018: RMB3.43 cents) per ordinary share [*] | 19,380 | 18,300 |
| | <hr/> | <hr/> |
| | 19,380 | 18,300 |

* The Board recommends the payment of a final dividend of HK4.00 cents (before tax) per share. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of HKD against RMB as published by the People's Bank of China at 27 March 2020.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 2019.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

| | 2019 RMB'000 | 2018 RMB'000 |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------|
| Earnings: | | |
| Profit for the year attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | <u>133,714</u> | <u>171,096</u> |
| | 2019 '000 | 2018 '000 |
| Number of shares: | | |
| Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation | <u>533,360</u> | <u>533,360</u> |

11. TRADE AND BILLS RECEIVABLES

| | 2019 RMB'000 | 2018 RMB'000 |
|-------------------------------------|-------------------------------|------------------|
| Trade receivables at amortised cost | 1,346,529 | 1,083,475 |
| Provision for impairment | <u>(52,371)</u> | <u>(35,581)</u> |
| Trade receivables, net | 1,294,158 | 1,047,894 |
| Bills receivable | 480,723 | 422,809 |
| | <u>1,774,881</u> | <u>1,470,703</u> |

Trade receivables represented receivables for contract works. The payment terms of contract work receivables are stipulated in relevant contracts. 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. A Group has pledged trade receivables of approximately RMB30,000,000 (2018: nil) for the Group's bank loans. Except for the pledged balance, the Group does not hold any other collateral or credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

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 approximately as follows:

| | 2019 | 2018 |
|--------------------------------------|----------------------|---------------|
| | RMB'000 | RMB'000 |
| Retentions in trade receivables | 31,680 | 63,444 |
| Provision for impairment | (2,147) | (800) |
| Retentions in trade receivables, net | <u>29,533</u> | <u>62,644</u> |

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:

| | 2019 | 2018 |
|----------------------|-------------------------|------------------|
| | RMB'000 | RMB'000 |
| Within 3 months | 828,577 | 533,645 |
| 3 months to 6 months | 140,195 | 96,859 |
| 6 months to 1 year | 145,632 | 240,397 |
| 1 to 2 years | 110,558 | 79,647 |
| 2 to 3 years | 32,581 | 78,317 |
| 3 to 4 years | 34,210 | 8,574 |
| 4 to 5 years | 2,405 | 1,506 |
| Over 5 years | - | 8,949 |
| | <u>1,294,158</u> | <u>1,047,894</u> |

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

| | 2019 | 2018 |
|---------------------------------|----------------------|---------------|
| | RMB'000 | RMB'000 |
| At beginning of the year | 35,581 | 30,658 |
| Impairment losses, net (note 7) | 16,790 | 4,923 |
| At end of the year | <u>52,371</u> | <u>35,581</u> |

The increase in the loss allowance was due to the following significant changes in the gross carrying amount:

Increase in the loss allowance of RMB14,502,000 as a result of an increase in trade receivables which were past due for more than 3 years but within 4 years.

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. Generally, trade receivables are written off if past due for more than five years and are not subject to enforcement activity.

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 2019

| | Expected credit loss rate | Gross carrying amount RMB'000 | Expected credit losses RMB'000 |
|--------------------------------------|------------------------------|-------------------------------------|--------------------------------------|
| Current and within 1 year | 0.17% | 1,116,352 | 1,948 |
| More than 1 year but within 2 years | 6.59% | 118,363 | 7,805 |
| More than 2 years but within 3 years | 16.13% | 38,847 | 6,266 |
| More than 3 years but within 4 years | 33.04% | 51,087 | 16,877 |
| More than 4 years but within 5 years | 63.11% | 6,520 | 4,115 |
| More than 5 years | 100.00% | 15,360 | 15,360 |
| | | 1,346,529 | 52,371 |

As at 31 December 2018

| | Expected credit loss rate | Gross carrying amount RMB'000 | Expected credit losses RMB'000 |
|--------------------------------------|------------------------------|-------------------------------------|--------------------------------------|
| Current and within 1 year | 0.12% | 887,493 | 1,048 |
| More than 1 year but within 2 years | 5.68% | 89,435 | 5,076 |
| More than 2 years but within 3 years | 14.75% | 80,778 | 11,915 |
| More than 3 years but within 4 years | 24.42% | 9,726 | 2,375 |
| More than 4 years but within 5 years | 66.17% | 2,590 | 1,714 |
| More than 5 years | 100.00% | 13,453 | 13,453 |
| | | 1,083,475 | 35,581 |

Transferred financial assets that are not derecognised in their entirety

The Group endorsed and discounted certain bills receivable accepted by banks in Mainland China (the “**Endorsed Bills**”) with a carrying amount of approximately RMB391,295,000 (2018: RMB352,892,000) as at 31 December 2019, to certain of its suppliers in order to settle the trade payables due to such suppliers (the “**Endorsement**”). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was approximately RMB391,295,000 (2018: RMB352,892,000) as at 31 December 2019.

Transferred financial assets that are derecognised in their entirety

The Group endorsed and discounted certain bills receivable accepted by banks in the Mainland China (the “**Derecognised Bills**”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB972,575,000 (2018: RMB537,826,000) as at 31 December 2019. 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.

During the reporting period, the Group has recognised RMB4,856,000 in finance costs (note 6) on the date of transfer of the Derecognised 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

| | 31 December 2019 RMB'000 | 1 January 2019 RMB'000 | 31 December 2018 RMB'000 |
|--------------------------------|-----------------------------------------|------------------------------|--------------------------------|
| Contract assets arising from: | | | |
| Construction services | 2,555,463 | 3,066,983 | 3,084,495 |
| Design, survey and consultancy | 12,902 | 14,062 | - |
| | <u>2,568,365</u> | <u>3,081,045</u> | <u>3,084,495</u> |
| Impairment | (4,245) | (3,728) | - |
| | <u>2,564,120</u> | <u>3,077,317</u> | <u>3,084,495</u> |

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2019 was the result of early settlement at the end of the year. The increase in contract assets in 2018 was the result of the increase in the provision of construction services at the end of the year. During the year ended 31 December 2019, RMB517,000 (2018: RMB3,728,000) 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

| | 2019 RMB'000 | 2018 RMB'000 |
|-----------------|-------------------------|-----------------|
| Within one year | 24,982 | 15,143 |
| After one year | 81,856 | 26,056 |
| | <u>106,838</u> | <u>41,199</u> |

The remaining contract assets of RMB2,461,527,000 are expected to be recovered or settled within 3 years upon completion of services and acceptance by the customers.

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---------------------------------|-------------------------|-----------------|
| At beginning of year | 3,728 | - |
| Impairment losses, net (note 7) | 517 | 3,728 |
| At end of year | <u>4,245</u> | <u>3,728</u> |

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.

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

| | 2019 | 2018 |
|----------------------------------|------------------|-----------|
| Expected credit loss rate | 0.17% | 0.12% |
| Gross carrying amount (RMB'000) | 2,568,365 | 3,081,045 |
| Expected credit losses (RMB'000) | 4,245 | 3,728 |

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:

| | 2019 | 2018 |
|--------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Within 6 months | 2,329,209 | 2,515,938 |
| 6 months to 1 year | 164,292 | 119,275 |
| 1 to 2 years | 168,791 | 284,268 |
| 2 to 3 years | 62,171 | 95,754 |
| Over 3 years | 112,099 | 144,282 |
| | 2,836,562 | 3,159,517 |

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

14. COMMITMENTS

- (a) At the end of the reporting period, the Group did not have any significant commitments.
- (b) Operating lease commitments as at 31 December 2018

The Group leased certain of items of property and other equipment under operating lease arrangements.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 2018 |
|-----------------|------------|
| | RMB'000 |
| Within one year | 750 |
| After one year | - |
| | <u>750</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, China's real estate regulatory policy sharpened the efforts on urban renewal and transformation and upgrade of housing stock in hope of renovating old urban residential areas and promoting leased housing under the overarching theme of "houses are used for accommodation rather than for speculation". It also reiterated importance of upholding the principle of "houses are used for accommodation rather than for speculation" for full implementation of a long-standing management and control mechanism that stabilizes land prices, housing prices, and expectations in accordance with city-specific policies and category based guidance to promote steady and healthy development of the real estate market. According to the statistics of the National Bureau of Statistics of the People's Republic of China, for the year ended 31 December 2019, i) total housing construction area in China was approximately 14.42 billion sq.m. (2018: approximately 14.09 billion sq.m.), representing an increase of approximately 2.3% from the corresponding period of 2018; ii) total newly commenced construction area in China was approximately 5.15 billion sq.m. (2018: approximately 5.59 billion sq.m.), representing a decrease of approximately 7.8% from the corresponding period of 2018; and iii) total contract amount of PRC construction enterprises was approximately RMB54.50 trillion (2018: approximately RMB49.44 trillion), representing an increase of approximately 10.2% from the corresponding period of 2018. Moreover, total value of the PRC construction industry was approximately RMB24.84 trillion for the year ended 31 December 2019 (2018: approximately RMB23.51 trillion), representing an increase of approximately 5.7% as compared with corresponding period of 2018. Despite the new challenges arising from regulatory policies, the improvement of various indicators reflected the strong momentum for the construction sector and the demand for the industry is expected to remain on the rise.

BUSINESS REVIEW

In 2019, apart from extending the three main strategies of "major customers", "going out" and "quality business", the Group focused on the three aspects of "making the principal business prominent, excelling in professionalism and expanding into new areas" at the very core of its business. During the year, the net value of new projects remained stable at approximately RMB10.16 billion as compared with the same period of last year. As at 31 December 2019, the outstanding backlog in terms of contract value was approximately to RMB14.43 billion.

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

| | Year ended 31 December | |
|------------------------------------------|------------------------|-----------------|
| | 2019 | 2018 |
| | RMB'million | RMB'million |
| Opening value of backlog | 11,239.2 | 7,976.8 |
| Net value of new projects ⁽¹⁾ | 10,155.2 | 10,087.1 |
| Revenue recognized ⁽²⁾ | (6,961.6) | (6,824.7) |
| Closing value of backlog ⁽³⁾ | <u>14,432.8</u> | <u>11,239.2</u> |

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 recognized means the revenue that has been recognized 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.

Making the principal business prominent

In 2019, the Company consolidated the market share of approximately 34.8% in Tongxiang by making use of its strength in brand, management and qualified personnel. In addition to the Tongxiang market, the Group was implementing its “going out” development plan rapidly and steadily as boosted by its “major customers” strategy. The business outside Tongxiang accounted for approximately 75.6% for the year, while the net value of new projects was approximately RMB7.68 billion, of which the net value of new projects outside Zhejiang Province was approximately RMB5.55 billion, accounting for approximately 54.6%. Especially in Henan Province, the value of new contracts signed up with the Company was approximately RMB3.79 billion for the year as the Company deepened the strategic collaboration with local top real estate companies, and participated in local government’s investment projects to consolidate the regional market presence. The Company began to bear fruit from the market expansion in Anhui as it undertook approximately RMB450 million worth of business.

The following table sets forth a breakdown of new contract amounts by region for the years indicated:

| | Year ended 31 December | | | | Change % |
|--------------------------------------------|------------------------|--------------|---------------------|--------------|-------------|
| | 2019 RMB'million | (%) | 2018 RMB'million | (%) | |
| Jiaxing City | 2,478.2 | 24.4 | 6,015.4 | 59.6 | (58.8) |
| Zhejiang Province (except Jiaxing City) | 2,131.8 | 21.0 | 1,360.7 | 13.5 | 56.7 |
| Other areas (except Zhejiang Province) | 5,545.2 | 54.6 | 2,711.0 | 26.9 | 104.5 |
| Total | <u>10,155.2</u> | <u>100.0</u> | <u>10,087.1</u> | <u>100.0</u> | 0.7 |

The Group was trying to undertake more large-scale projects. While aiming at quality rather than quantity as its operating policy, it further optimized its business portfolio, and increased the proportion of the large project business so that the project business with a value of over RMB100 million amounted to nearly RMB7.72 billion, accounting for over 76.0%. The Group was proceeding with its large customer strategy in a solid way as well so that the proportion of new contracts signed up with large customers for the year accounted for more than 43.0%. The Group maintained good collaboration with top real estate companies and quality customers as new signed-up residential and commercial housing projects amounted to approximately RMB7.07 billion for the year, accounting for approximately 69.6%; industrial projects amounted to approximately RMB1.31 billion, accounting for approximately 12.9%; and public facility construction projects amounted to approximately RMB1.78 billion, accounting for approximately 17.5%.

Excelling in professionalism

In addition to making the principal business prominent in 2019, the Group also stepped up the resources committed to the development of various specialized sectors such as building, finishing, decoration, municipal services, foundations and groundwork, and enhanced the professional capabilities of these sectors in order to expand the engineering services of these sectors. Meanwhile, the Group was further extending to the upstream and downstream of the industrial chain to enhance complementary advantages between various specialized sectors and the principal business so as to contribute more projects and income to each business segment. During the year, business growth in various specialized sectors was boosted by the contracting of engineering, procurement and construction. In particular, the business of construction, finishing and decoration companies amounted to approximately RMB245 million, new contracts signed up with municipal companies amounted to approximately RMB243 million, and the foundation and groundwork sector amounted to approximately RMB103 million.

The Group conducted a scientific research on industries at the post-doctoral workstations together with the academician workstations and other platforms so as to accelerate the development and application of new technologies and craftsmanship. It carried out a technical research on the deepened design of prefabricated construction and concrete prefabricated parts (“**PC**”) as well as on the prefabricated installation of electromechanical pipelines. As a result, it obtained two provincial construction methods, one national quality control (“**QC**”) achievement, two provincial QC achievements, 24 accepted national patents and three licences for the year. By way of the QC achievements, construction methods and patent applications, it stepped up the summarization, upgrade, promotion and application of the existing technological achievements. While proceeding with the development and utilization of corporate patents and proprietary technologies, and making breakthroughs in key technologies, it has also reserved technical professionals for the expansion into new fields.

During the year, the Group accelerated the promotion and application of Building Information Model (“**BIM**”) technology by serving more than 30 projects under construction with this technology. The service scope covered various key sectors such as project construction cost, output value, materials, subcontracting settlement and project settlement so as to further explore the value of applying BIM technology. Throughout the year, it won one national first prize, one second prize and two third prizes as well as the Zhejiang Corporate Award, one second prize, two third prizes, etc., thus enhancing the core competitiveness and industry influence of BIM technology application. The Group carried out information technology build-up by upgrading to the I8 system from the I6 system so that business management and control were significantly enhanced, and by further increasing the coverage of project information management to improve the project information management system. By means of information technology build-up, the Group carried out vertical pull and horizontal integration of its management work to accelerate the process of standardized management.

Expanding into new areas

Engineering, procurement and construction (“**EPC**”) projects and public-private partnership (“**PPP**”) projects have become both the trend in the development of the construction industry over the past several years, and the new area that the Group has been exploring and growing. In October 2017, the Group began to proceed with the EPC projects in a solid way. By carrying out the operation and construction of the two EPC projects involving “Wutongshu +” project in Wuzhen and the primary school on Kangmin Road, the Group built the management capability of the direct project team, toughened the design coordination capability of the design team and raised the overall operation level of the general contracting of projects. During the year, the contract value of new signed-up EPC projects was approximately RMB260.6 million.

In April 2019, the Group signed up a PPP project – a practice base for quality youth education in Tongxiang City. According to the provisions of the PPP contracts, the total investment of the PPP projects is expected to be approximately RMB263.1 million, involving the construction and operation of an educational practice base in Tongxiang City, Zhejiang Province, the PRC, and carrying a total area of approximately 100,000 sq.m. and a gross floor area of 53,235.94 sq.m.. The PPP project will be carried out in four phases, i.e. the pre-construction phase, the two-year construction phase, the thirteen-year operation phase and the handover phase. The return on investment of this PPP project is approximately 6.62%.

For the year ended 31 December 2019, approximately 98.7% of the revenue was contributed by the construction contracting business. The Group recorded revenue of approximately RMB7,055.1 million for the year ended 31 December 2019, representing an increase of approximately 2.3% year-by-year. The net profit for the year ended 31 December 2019 as compared to that for the year ended 31 December 2018 decreased by approximately 20.0% to approximately RMB138.4 million. The following table sets forth a breakdown of our revenue by business and project type for the years indicated:

| | Year ended 31 December | | | |
|------------------------------------------|------------------------|--------------|----------------|--------------|
| | 2019 | | 2018 | |
| | RMB'million | % | RMB'million | % |
| Construction contracting business | | | | |
| Residential | 3,711.4 | 52.6 | 3,329.3 | 48.3 |
| Commercial | 912.2 | 12.9 | 1,012.8 | 14.7 |
| Industrial | 1,642.2 | 23.3 | 1,898.9 | 27.5 |
| Public works | 695.7 | 9.9 | 583.7 | 8.5 |
| | <u>6,961.5</u> | <u>98.7</u> | <u>6,824.7</u> | <u>99.0</u> |
| Other business | 93.6 | 1.3 | 71.3 | 1.0 |
| Total revenue | <u>7,055.1</u> | <u>100.0</u> | <u>6,896.0</u> | <u>100.0</u> |

FINANCIAL REVIEW

Revenue and gross profit margin

The revenue remained stable at approximately RMB6,896.0 million and RMB7,055.1 million for the years ended 31 December 2018 and 2019, respectively. As compared with the year ended 31 December 2018, the revenue from residential construction projects was increased by approximately RMB382.1 million for the year ended 31 December 2019, which partially offset by a decrease in revenue from the commercial construction projects and industrial construction projects of approximately RMB100.6 million and RMB256.7 million, respectively, for the year ended 31 December 2019. Increase in revenue from residential construction projects was a result of benefits of our business strategies ‘major customers’ and ‘going out’, the Group co-operated with mega property developers and developers outside Jiaying City which stimulated our revenue. However, as the economy is uncertain in the PRC, the numbers and sizes of the commercial and industrial projects were reduced.

Gross profit decreased by approximately 1.8% from approximately RMB378.3 million for the year ended 31 December 2018 to approximately RMB371.5 million for the year ended 31 December 2019. The gross profit margin decreased from approximately 5.49% for the year ended 31 December 2018 to approximately 5.27% for the year ended 31 December 2019, such decrease was mainly due to the worsened economic environments. The profit margin of new projects was decreased, especially for the commercial construction project. The gross profit margin of the commercial construction projects decreased from approximately 5.26% for the year ended 31 December 2018 to approximately 4.17% for the year ended 31 December 2019.

Other income and gains

Other income and gains increased by approximately RMB1.2 million from approximately RMB6.6 million for the year ended 31 December 2018 to approximately RMB7.8 million for the year ended 31 December 2019 primarily because of an increase in interest income as the average bank balance increased during the year as compared with the corresponding year in 2018.

Administrative expenses

The administrative expenses increased by approximately 31.1% from approximately RMB86.7 million for the year ended 31 December 2018 to approximately RMB113.6 million for the year ended 31 December 2019 which primarily was due to an increase in salaries and employee benefits of approximately RMB17.7 million as the Group has recruited a total of 133 new employees, including senior technology professionals, first class constructors and second class constructors, to meet its fast growing business.

Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, increased by approximately 37.8% from approximately RMB13.6 million for the year ended 31 December 2018 to approximately RMB18.8 million for the year ended 31 December 2019, primarily due to increase in impairments of trade receivable as the receivable balance aged over one year were increased. The impairments of trade receivables increased from approximately RMB4.9 million for the year ended 31 December 2018 to approximately RMB16.8 million for the year ended 31 December 2019.

Finance costs

The finance costs increased by approximately 8.6% from approximately RMB59.1 million for the year ended 31 December 2018 to approximately RMB64.2 million for the year ended 31 December 2019, primarily due to the increase of the Group in using receivable factoring and discounting bills for financing. The interest expenses in relation to the receivable factoring and discounting bills increased from approximately RMB32.6 million for the year ended 31 December 2018 to approximately RMB39.9 million for the year ended 31 December 2019.

Income tax expense

Income tax expenses decreased by 13.7% from approximately RMB50.2 million for the year ended 31 December 2018 to approximately RMB43.3 million for the year ended 31 December 2019 primarily because of an decrease in profits from the operation. The effective tax rate increased from approximately 22.5% for the year ended 31 December 2018 to 23.8% for the year ended 31 December 2019 primarily due to an increase in non-deductible expenses and deferred tax in relation to tax losses incurred by some subsidiaries were not recognized.

Profit for the year

Profit for the year decreased by approximately 20.0% from approximately RMB172.9 million for the year ended 31 December 2018 to approximately RMB138.4 million for the year ended 31 December 2019. Net profit margin decreased from approximately 2.51% for the year ended 31 December 2018 to approximately 1.96% for the year ended 31 December 2019, primarily due to a decrease in gross profit margin and an increase in administrative expenses for the year ended 31 December 2019.

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 of 31 December 2019 and 31 December 2018, the Group had cash and cash equivalents of approximately RMB274.0 million and approximately RMB167.4 million, respectively.

Treasury Policies

The Group monitors the cash flows and cash balance on a regular basis and seek to maintain 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 borrowings. Other than normal bank borrowings that the Group obtains from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

Contract assets

The contract assets decreased from approximately RMB3,077.3 million as of 31 December 2018 to approximately RMB2,564.1 million as of 31 December 2019, representing 58.8% and 48.7% of the total current assets as of the corresponding period. Decrease in the proportion of the contract assets to the total assets and absolute amounts of contract assets was primarily a result of the Group actively issued bills to the customers.

Trade and bills receivables

Trade and bills receivables increased by approximately 20.7% from approximately RMB1,470.7 million as at 31 December 2018 to approximately RMB1,774.9 million as at 31 December 2019. Such increase was due to the Group's active issuance of bills to customers for settlements as the Lunar New Year in 2019 is earlier than that in 2018. The trade and bills receivables turnover days increased from approximately 63 days as at 31 December 2018 to approximately 84 days as at 31 December 2019, and such increase was a result of the increase in receivable balance aged over one year.

Trade and bills payables

Trade and bills payables decreased from approximately RMB3,159.5 million as at 31 December 2018 to approximately RMB2,836.6 million as at 31 December 2019 as the early settlement in 2019. The trade and bills payables turnover days slightly increased from approximately 161 days as at 31 December 2018 to approximately 164 days as at 31 December 2019.

Borrowings and charge on assets

As of 31 December 2019, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB548.2 million (31 December 2018: approximately RMB420.1 million). The short-term interest bearing borrowings amounting to approximately RMB407.3 million (31 December 2018: approximately RMB420.1 million) are repayable within one year and carried effective interest rate with a range from 2.88% to 15.0% per annum (31 December 2018: 3.9% to 6.5% per annum). A long-term interest-bearing borrowings amounting to approximately RMB140.9 million (31 December 2018: nil) are repayable from 2021 to 2028 and the interest rate is 10% lower than the base rate announced by the People's Bank of China.

As at 31 December 2019, certain general banking facilities were secured by the land use rights and buildings and trade receivables of approximately RMB91.0 million and RMB30.0 million, respectively (31 December 2018: approximately RMB93.2 million and nil).

Gearing ratio

The gearing ratio decreased from 16.5% as at 31 December 2018 to approximately 11.4% as at 31 December 2019. The decrease was mainly attributable to an increase in pledged deposits of approximately RMB74.8 million and an increase in cash and cash equivalents of approximately RMB106.6 million which offset by an increased of long-term interest-bearing borrowings of approximately RMB140.9 million.

Gearing ratio represents net debt divided by total equity as of 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 2019, the capital expenditures were approximately RMB40.4 million (2018: approximately RMB98.9 million) . The capital expenditure incurred for the year ended 31 December 2019 primarily related to the concession right of the Tongxiang City youth quality education complex project.

Capital Commitments

As at 31 December 2019, the Group did not have any significant commitments.

Contingent liabilities

As at 31 December 2019, the Group had no material contingent liabilities.

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 2019.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had total of 983 employees (31 December 2018: 851 employees), of which 676 were based in Jiaxing City, and 307 were based in other areas of Zhejiang Province and in other provinces and regions of China. For the year ended 31 December 2019, the Group incurred total staff costs of approximately RMB66.0 million, representing an increase of approximately 29.1% as compared with corresponding period in 2018, mainly attributable to increase in headcount and salary incremental.

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

FUTURE PROSPECTS

The pace of development in the construction industry in the PRC is obviously being hit by the slowdown in GDP growth, while the growth rate of infrastructure investment has declined as compared with the previous double-digit growth as well. However, since the level of infrastructure development is relatively lagging behind in the western part of China, the implementation of the integration of the Yangtze River Delta will help keep the growth rate of infrastructure investment increasing, thus continuing to offer an ample room for improvement in the construction industry and infrastructure investment in future. In the coming year, the Group will lay a solid foundation for itself with a target for overall quality development, while looking for more suitable markets and regions, and delivering quality services with every effort.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2019 and up to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

NON-COMPETITION AGREEMENT

To ensure that competition will not exist in the future, the 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).

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**”) set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2019 and up to the date of this announcement, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below.

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

Save as disclosed above, the Company has complied with the CG Code for the year 2019. The Directors will review the corporate governance policies and compliance with the CG Code each financial year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (“**Model Code**”) as the Company’s code of conduct regarding Directors’ and supervisors’ securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from 1 January 2019 to 31 December 2019.

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 2019 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 2019

Audited profit available for distribution to shareholders of the Company for the year 2019 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB600,695,000.

The Board of Directors of the Company has recommended profit distribution for 2019 of 4.0 HK 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 Dollar, and distributed to the domestic shareholders in RMB and to the overseas shareholders in Hong Kong Dollar. 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 24 July 2020.

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 organisations 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.

- 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.

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 12 May 2020 to 12 June 2020, 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, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 11 May 2020, 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 19 June 2020 to 24 June 2020, 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, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 18 June 2020, 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 24 June 2020 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 2019 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.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2019 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) and the 2019 Annual Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting (the “AGM”) will be held on 12 June 2020. 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.

AUDIT COMMITTEE

The audit committee of the Company has reviewed together with the management and external auditor of the Company has reviewed the accounting principles and policies adopted by the Group and discussed the internal control and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2019.

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

Zhejiang Province, the PRC, 27 March 2020

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. Lin Tao, and Mr. Wong Kai Wai, as independent non-executive Directors.

** for identification purposes only*