巨匠建設

JUJIANG CONSTRUCTION GROUP

Jujiang Construction Group Co., Ltd.
巨 匠 建 設 集 團 股 份 有 限 公 司

(A joint stock limited company established in the People's Republic of China)

(Stock Code: 1459)

ANNUAL REPORT
2021

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lyu Yaoneng *(Chairman)*
Mr. Lyu Dazhong
Mr. Li Jinyan
Mr. Lu Zhicheng
Mr. Shen Haiquan
Mr. Zheng Gang

Independent non-executive Directors

Mr. Yu Jingxuan
Mr. Wong Ka Wai
Mr. Ma Tao (appointed on 31 May 2021)
Mr. Lin Tao (retired on 31 May 2021)

SUPERVISORS

Mr. Zou Jiangtao
Mr. Chen Xiangjiang
Mr. Lyu Xingliang
Mr. Zhu Jialian

AUDIT COMMITTEE

Mr. Yu Jingxuan *(Chairman)*
Mr. Wong Ka Wai
Mr. Ma Tao (appointed on 31 May 2021)
Mr. Lin Tao (retired on 31 May 2021)

NOMINATION COMMITTEE

Mr. Ma Tao *(Chairman)* (appointed on 31 May 2021)
Mr. Lyu Yaoneng
Mr. Yu Jingxuan
Mr. Lin Tao (retired on 31 May 2021)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wong Ka Wai *(Chairman)*
Mr. Lyu Yaoneng
Mr. Ma Tao (appointed on 31 May 2021)
Mr. Lin Tao (retired on 31 May 2021)

STRATEGIC COMMITTEE

Mr. Lyu Yaoneng *(Chairman)*
Mr. Zheng Gang
Mr. Ma Tao (appointed on 31 May 2021)
Mr. Lin Tao (retired on 31 May 2021)

COMPANY SECRETARY

Mr. Jin Shuigen

AUTHORISED REPRESENTATIVES

Mr. Lyu Yaoneng
Mr. Jin Shuigen

LEGAL ADVISER

As to Hong Kong Law

Chungs Lawyers (in association with DeHeng Law Offices)

As to PRC Law

AllBright Law Offices

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation Tongxiang Branch
Industrial and Commercial Bank of China Limited Tongxiang Branch
Industrial Bank Co., Ltd Jiaxing Branch
Bank of Communications Co., Ltd Tongxiang Branch
China Merchants Bank Co., Ltd Jiaxing Tongxiang Branch

REGISTERED ADDRESS

No. 669 Qingfeng South Road (South)
Tongxiang City
Zhejiang Province
PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. 669 Qingfeng South Road (South)
Tongxiang City
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F,
Henley Building,
5 Queen's Road Central,
Central,
Hong Kong

STOCK CODE

1459

WEBSITE

www.jujiang.cn

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December	**2021** **RMB'000**	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Major Items of Consolidated Statement of Profit or Loss and other Comprehensive Income					
Revenue	**10,047,929**	8,007,710	7,055,146	6,895,993	4,803,019
Gross profit	**471,082**	392,747	371,464	378,319	276,692
Gross profit margin	**4.69%**	4.90%	5.27%	5.5%	5.8%
Profit for the year	**93,430**	117,403	138,372	172,868	125,203
Net profit margin	**0.93%**	1.47%	1.96%	2.5%	2.6%

As at 31 December	**2021** **RMB'000**	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Major Items of Consolidated Statement of Financial Position					
Non-current assets	**484,411**	313,067	247,237	280,294	226,676
Current assets	**5,678,285**	5,473,032	5,267,597	5,234,784	4,563,540
Non-current liabilities	**171,983**	173,394	140,938	–	827
Current liabilities	**4,382,741**	4,079,420	3,937,632	4,201,042	3,659,330
Total equity	**1,607,972**	1,533,285	1,436,264	1,314,036	1,130,059
Gearing ratio(Note 1)	**18.9%**	24.6%	11.4%	16.5%	39.6%

Note:

(1) Gearing ratio represents net debt divided by total equity as of the end of a year. Net debt is defined as all interest-bearing bank and other borrowings deducted by cash and bank balances and pledged deposits

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Jujiang Construction Group Co., Ltd. ("Jujiang Construction" or the "Company", together with its subsidiaries, the "Group"), I hereby present the annual results of the Company for the year ended 31 December 2021.

For the year ended 31 December 2021, the Group's turnover and gross profit were approximately RMB10,047.9 million and RMB471.1 million respectively, representing an increase of 25.5% and 20.0% year-on-year, respectively.

In 2021, although the epidemic was under control in China, recurrent outbreaks were seen in some provinces, which affected the construction industry to varying degrees. In addition, an unprecedented debt crisis swept across China's real estate industry, affecting real estate companies, even those with a brilliant track record, more or less with occurrences of capital chain breakdowns. Given the tight connection between the real estate industry and the construction industry, the latter is the first to bear the brunt upon occurrence of a real estate industry crisis. During the second half of 2021, there were 2 Premium Class and 4 First Class construction companies applying for bankruptcy reorganization or liquidation, which serves as a warning bell for the whole construction industry. Facing the challenges brought by this industry situation, the Group strictly ensures as always that the operational risks of the projects are under control and the funds are coordinated in a smooth and orderly manner, which is also the cornerstone of the Group's ability to maintain a steady pace while achieving rapid development.

2021 marks the 20th anniversary of the Group's transformation from a collective enterprise to a private enterprise. During the past 20 years after the transformation, the Group has remained unchanged to our original aspiration and founding mission. Looking back on the past 20 years, the Group has made unremitting efforts without fear of hardships, and has followed a development path of keeping pace with the time and of pioneering and innovating. It has achieved rapid growth in total economic volume, increasing annual revenue from approximately RMB100 million to approximately RMB10 billion in 2021; and has advanced from a Third Class construction company to Premium Class and a listed company. During the past 20 years, the Group insisted on the scale-up development, combining external expansion and localization operation, forming a market layout with Tongxiang as the foundation, footholds in Yangtze River Delta and presence radiating nationwide, which established a strong regional competitive advantage. In October 2021, Jiaxing City Federation of Industry and Commerce ranked private enterprises based on three indicators, namely, the annual operating income, gross profits, and total amount of tax paid in 2020, and published three lists, namely, the 2020 Top 100 private enterprises in Jiaxing City in terms of business revenue (2020年度嘉興市民營企業營業收入100強), the 2020 Top 100 private enterprises in Jiaxing City in terms of profit (2020年度嘉興市民營企業利潤100強), and the 2020 Top 100 private enterprises in Jiaxing City in terms of paid taxes (2020年度嘉興市民營企業納稅100強). The Group was on all three lists, ranking 11th, 40th, and 10th, respectively, which fully demonstrated the Group's local contribution and power.

CHAIRMAN'S STATEMENT

Looking back, the Group can describe the year 2021 with three "extraordinary", namely, extraordinary situation, extraordinary management and extraordinary achievements. The three "extraordinary" fully embodies the Group's spirit of actively responding, braving hardships, fearless hassling and never quitting before reaching its goal in the face of new landscape, situation and challenges. The Group actively promoted its business strategy to further consolidate its market share in Tongxiang City and Jiaxing City, achieving both quantitative and qualitative growth in business expansion throughout the year. With solid and effective quality management, we won the "Luban Prize (魯班獎)" for engineering quality in China's construction industry, as well as the "Qianjiang Trophy (錢江杯)", "Shangding Trophy (商鼎杯)", with more than 20 projects recognized as city and county level creative and premium projects. The Group's excellent service and quality was recognized and praised by customers, in particular, the Group won the "Craftsmanship Quality Award (匠心品質獎)" of China Resources Land and the "Excellence New Talent Award (卓越新秀獎)" of East China Region in 2021, while the Shidai Tianyue project (時代天悦項目) constructed by the Group won the first prize in the third quarter unannounced inspection of Jinke Group in Shanghai and Zhejiang region, among other awards.

Year of 2021 is the first year of implementing the "14th Five-Year Plan". To reinforce the Group's competitiveness in the industry, we have focused on strengthening the following aspects: 1) Adjusting the business layout and deep ploughing the fundamental market; 2) Promoting intelligent and industrialized construction by utilizing BIM technology to accelerate the construction of intelligent construction sites; 3) Speeding up digital transformation and improving management efficiency; 4) Adapting to market changes, actively following new fields and formulating appropriate development strategies and positions.

Looking into the future, we will focus on the key points, demonstrating deep dedication while being attentive to details. In 2022, the Group will focus on the "14th Five-Year" development plan, adhere to the general keynote of prioritizing stability while pursuing progress, while taking the three major strategies of innovation, talent and brand as guidance. The Group will actively respond and take the initiative, making every effort to fight the three major battles of technological innovation, quality improvement and transformation and upgrading. The Group will accelerate the construction of digital management and intelligent construction sites, strengthen internal management, enhance project management, improve core competitiveness, promote transformation and upgrading, facilitate high-quality development, and create a new development landscape with improved efficiency and stability.

Finally, I would like to hereby extend my heartfelt gratitude to all of our Board members, our employees, shareholders and business partners for their ongoing support and trust. In 2022, the Group will make every effort to stabilize growth, make forward-looking deployment to adjust structure, reinforce the foundation to enhance quality, and guard the bottom lines to prevent risks, so as to support the steady corporate development through refined management.

Lyu Yaoneng
Chairman
29 March 2022

DIRECTORS

Executive Directors

Mr. Lyu Yaoneng (呂耀能), aged 62, has over 35 years of experience in construction engineering industry. Mr. Lyu has been the chairman of the Board and an executive Director of the Company since 17 July 1996, being the date of incorporation of the Company. He was also appointed as the president of the Company since December 2008. He was also the general manager of the Company from 17 July 1996 to 31 May 2021. He is primarily responsible for corporate strategic planning and overall business development, management of the Company and decision making. The spouse of Mr. Wang Shaolin (王少林), one of the vice presidents of the Company, is the sister of Mr. Lyu. From December 1976 to February 1987, Mr. Lyu worked at Qitang Commune Construction Agency* (騎塘公社建築社). From March 1987 to April 1991, he worked as Manager and person-in-charge for technical matters at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社). From May 1991 to June 1996, he worked as the vice chairman and general manager at Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司).

Mr. Lyu completed one-and-a-half-year's studies and obtained a professional certificate (專業證書) in industrial and civil construction (工業及民用建築) from Zhejiang University* (浙江大學) in China in January 1995. Mr. Lyu obtained a qualification certificate for senior economist (高級經濟師) issued by the Office of Personnel of Zhejiang Province* (浙江省人事廳) of the People's Republic of China (the "PRC") in December 2006. Mr. Lyu also obtained a qualification certificate for senior engineer in construction engineering management issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in March 2013.

Mr. Lyu Yaoneng held 204,000,000 domestic Shares of the Company, representing approximately 38.25% of the total number of issued shares of the Company.

Mr. Lyu Dazhong (呂達忠), aged 59, has over 35 years of experience in construction engineering industry. Mr. Lyu has been an executive Director since 17 July 1996, being the date of incorporation of the Company. He was also appointed as the vice president of the Company since September 2009. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. From September 1979 to December 1992, Mr. Lyu worked at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社). From January 1993 to July 1996, he worked as the deputy general manger of Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司).

Mr. Lyu Dazhong completed two years' part-time studies in industrial and civil construction (工業及民用建築) at Zhejiang University of Technology* (浙江工業大學) in China in June 2004. Mr. Lyu Dazhong obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in November 1994. He also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2010.

Mr. Li Jinyan (李錦燕), aged 45, has over 20 years of experience in construction engineering industry. He has been an executive Director since 6 September 2011. He was also appointed as the vice president of the Company since September 2009. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. From August 1994 to July 1995, he joined Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司) as a technician and worked as deputy chief of production technology department of the same company from July 1995 to July 1996.

Mr. Li completed five and a half years' studies in construction engineering at Tongji University* (同濟大學) in China in December 2000. Mr. Li also obtained a qualification certificate for senior engineer in construction engineering issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in February 2011.

Mr. Lu Zhicheng (陸志城), aged 53, has over 30 years of experience in construction engineering industry. Mr. Lu has been an executive Director since 6 September 2011. He joined our Group as construction worker in July 1996 and was also appointed as the project manager of the Company since May 1998. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company. From May 1987 to May 1995, he worked at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社), while from May 1995 to July 1996, he worked at Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司).

Mr. Lu completed two years' studies in civil engineering at China University of Petroleum* (中國石油大學) in China in July 2006. He also obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in September 2009.

Mr. Shen Haiquan (沈海泉), aged 48, has over 15 years of experience in construction engineering industry. He has been an executive Director since 6 September 2011. He joined our Group as construction worker in September 1999 and was also appointed as the project manager of the Company since July 2012. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company. From April 2003 to June 2006, Mr. Shen worked as the manager of engineering department of Zhejiang Jujiang Real Estate Group Co. , Ltd.* (浙江巨匠房地產集團有限公司).

Mr. Shen completed four years' studies in industrial and civil construction (工業及民用建築) at Jiaxing College* (嘉興學院) in China in June 2004. He also completed two and a half years' studies via online distant learning in civil engineering at Wuhan University of Technology (武漢理工大學) in PRC in July 2011. Mr. Shen obtained a qualification certificate for senior engineer in construction issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in March 2013.

Mr. Zheng Gang (鄭剛), aged 53, has over 30 years of experience in construction engineering industry. Mr. Zheng has been an executive Director since 6 September 2011. He joined our Group as director of technology centre in October 2008 and was also appointed as the vice president of the Company since July 2011. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. From September 1992 to December 1999, he worked as the director of testing room at Zhejiang Jiaxing Construction Installation Company Ltd.* (浙江嘉興建築安裝有限公司). From January 2001 to April 2003, he worked as director of testing centre at Zhejiang Zhongyuan Construction Company Ltd.* (浙江中元建設股份有限公司). From May 2003 to October 2006, he worked as the manager at Jiaxing City Zhongyuan Engineering Inspection Company Ltd.* (嘉興市中元工程檢驗有限責任公司). Mr. Zheng worked as the general manager of Jiaxing City Zhongxu Engineering Inspection Company Ltd.* (嘉興市中旭工程檢驗有限責任公司) and Jiaxing City Chunqiu Construction Engineering Inspection Company Ltd.* (嘉興市春秋建設工程檢測有限責任公司) from November 2006 to March 2008 and from April 2008 to September 2008, respectively.

Mr. Zheng completed two years' studies in materials science and engineering majoring in building materials at Tongji University* (同濟大學) in China in July 1988. He also completed five and a half years' studies in industrial and civil construction (工業與民用建築) at Tongji University* (同濟大學) in China in December 1999. Mr. Zheng obtained a qualification certificate for senior engineer of professor grade in construction (建築施工專業教授級高級工程師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in April 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Jingxuan (余景選), aged 50, has been an independent non-executive Director since 24 November 2016. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. He has obtained a master's degree in management majoring in accounting from Shanghai University of Finance and Economics in February 2001, and a doctor's degree in management majoring in agricultural economics management from Northwest A&F University in June 2011. Mr. Yu has been an associate professor at the School of Accounting in Zhejiang University of Finance and Economics (浙江財經大學會計學院) ("ZUFE") since November 2004. Since July 2017, he has been an independent director of Innovative Medical Management Co.,Ltd. (stock code: 002173.SZ). He is currently the secretary and deputy officer to the financial management department of Party Branch Committee. He served as a teaching assistant from August 1993 to March 1999, and a lecturer from March 1999 to November 2004 in ZUFE.

Mr. Wong Ka Wai (王加威), aged 42, has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. From February 2017 to June 2017, he was an independent non-executive director of Green International Holdings Limited (Stock code: 2700), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Wong has worked in various international accounting firms for over seven years. From January 2013 to March 2017, he is the chairman of Jai Dam Distribution (Hong Kong) Co. Ltd. . He is the chief financial officer and company secretary of the Ruifeng Power Group Company Limited (stock code: 2025) a company whose shares are listed on the Main Board of the Stock Exchange since May 2017. Mr. Wong obtained a bachelor's degree of business administration in accountancy from the City University of Hong Kong in November 2001. He was admitted as a member of the Association of Chartered Certified Accountants in 2009.

Mr. Ma Tao (馬濤) (formerly known as Ma Xin'ai (馬新愛)), aged 63, has obtained a professional master degree in history from Hebei Normal University in July 1985, a professional doctoral degree in philosophy from Fudan University in July 1996, and a professional postdoctoral degree in economics from Fudan University in November 1997. From December 1997 to March 2001, he served as a professor at the School of Economics and Management, Tongji University. Since April 2001, he has been a professor and doctoral tutor at the School of Economics, Fudan University. From September 1985 to August 1993, he served as a lecturer at Hebei Normal University. Since July 2016, Mr. Ma has been an independent director of Lushang Health Industry Development Co., Ltd. (stock code: 600223.SH).

BOARD OF SUPERVISORS

Mr. Lyu Xingliang (呂興良), aged 49, has joined our Company as a shareholder representative Supervisor since 20 August 2016. He has completed three years' studies in industrial and civil construction at Zhejiang Radio & Television University* (浙江廣播電視大學) in June 2001. He joined the Company as the deputy chief of the operation division in August 1996, and promoted to chief of the operation division in April 2001. He served as the manager of sales department of the Company from February 2006 to January 2014. He served as the standing deputy general manager of the sales centre of the Company from January 2014 to December 2016 and he is currently served as vice president. Previously, he served as a budget forecaster of Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司), the predecessor of the Company, from December 1991 to August 1996.

Mr. Zou Jiangtao (鄒江滔), aged 44, has joined the Company since November 2000 and is currently serving as the manager of the seventh branch offices of the Company. He was appointed as an employee representative Supervisor since 25 December 2014. Mr. Zou Jiangtao completed four years' studies in civil engineering at Zhuzhou Institute of Technology* (株洲工學院) in July 2000. Mr. Zou Jiangtao also obtained a qualification certificate for senior engineer in construction engineering issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in February 2011.

Mr. Chen Xiangjiang (陳祥江), aged 63, has joined our Company as a shareholder representative Supervisor since 19 August 2015. He was the head of factory of Zhejiang Longchang Leather Group Co. , Ltd* (浙江龍昌皮革集團有限責任公司) from January 1991 to October 1998. He is a general manager of Zhejiang Xianglong Leather Co. , Ltd. (浙江祥隆皮革有限公司) since October 1998. Mr. Chen completed secondary school at Nanri Secondary School* (南日中學) in PRC in 1975.

Mr. Zhu Jialian (朱家煉), aged 59, has joined our Company as a shareholder representative Supervisor since 24 November 2016. He has completed three years' studies in Mathematics at Zhejiang Institute of Education* (浙江教育學院) in July 1989. Mr. Zhu has been the general manager of Zhejiang Yonghe Adhesive Products Co. , Ltd* (浙江永和膠粘製品股份有限公司) since August 1998 and a director at Bank of Jiaxing since May 2007. Before that, he served as a biology teacher in Tongxiang City Gaoqiao Secondary School* (桐鄉市高橋中學) from July 1983 to June 1988 and the factory director of school- run factory of Tongxiang City Gaoqiao Secondary School* (桐鄉市高橋中學校辦廠) from June 1988 to August 1998.

SENIOR MANAGEMENT

Mr. Lyu Yuntao (呂雲濤), aged 35, Mr. Lyu has more than 10 years of experience in real estate development and operation, and has been appointed as the general manager of the Company since 31 May 2021. From July 2008 to December 2011, Mr. Lyu served as the deputy manager of the preliminary engineering department in Tongxiang Jujiang Real Estate Development Co., Ltd. He was promoted to manager in August 2010, responsible for investment and project management. From January 2012 to December 2019, Mr. Lyu served as assistant to the general manager of Zhejiang Jujiang Real Estate Group Co., Ltd., and was promoted to deputy general manager in January 2013, where he was responsible for real estate development and operation management. Mr. Lyu Yuntao is the son of Mr. Lyu Yaoneng who is the chairman of the Board, an executive Director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company.

Mr. Lyu Dazhong (呂達忠) and Mr. Li Jinyan (李錦燕), aged 59 and 45 respectively, have been appointed as the vice president of the Company since September 2009. For biographical details of Mr. Lyu and Mr. Li please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" in this report.

Mr. Zheng Gang (鄭剛), aged 53, has been appointed as the vice president of the Company since July 2011. For biographical details of Mr. Zheng please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" in this report.

Mr. Wang Shaolin (王少林), aged 59, joined the Company in July 1996 and has been our vice president since 15 September 2009. Mr. Wang completed two years' studies via online distant learning in civil engineering at China University of Geosciences* (中國地質大學) in China in January 2007. Mr. Wang obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in April 2004. Mr. Wang also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2011.

Mr. Jin Shuigen (金水根), aged 42, has been appointed as the joint company secretary of the Company since 31 August 2016, and has been redesignated as the sole company secretary of the Company since 19 July 2020. He has also been appointed as the vice president of the Company since January 2018, mainly responsible for the strategic planning and operation management of enterprise development. He completed master's degree studies in construction and civil engineering at Tongji University* (同濟大學) in July 2016 and obtained a bachelor's degree from East China Jiaotong University in civil engineering majoring in water supply and sewerage engineering in July 2003. He joined our Company and served as the deputy general manager of the enterprise development centre from July 2010 to June 2013. He served as the deputy general manager of Zhejiang Jujiang Real Estate Group Co. , Ltd.* (浙江巨匠房地產集團有限公司) from July 2013 to January 2015. He served as the standing deputy general manager of the enterprise development centre of the Company from January 2015 to December 2018, and served as the standing general manager of the integrated management center of the Company since January 2019 and also as the assistant to president of the Company from January 2016 to December 2017, which he is mainly responsible for the strategic planning and operation management of the enterprise development. Previously, he worked as a technician in Shanghai branch of China Railway Construction Engineering Group Co. , Ltd.* (中鐵建工集團有限公司上海分公司) from July 2003 to June 2005 and served as an engineer and a senior manager in Shanghai Merchant Property Co. , Ltd.* (上海招商置業有限公司) from June 2005 to June 2010.

Mr. Zhong Zhihua (鍾志華), aged 44, has been our Chief Financial Officer since 2017. He is primarily responsible for the Company's financial management and business development operation. Mr. Zhong has over 20 years of experience in the construction industry. He joined the Company in September 2000 as the Office Manager, handling administrative matters. From February 2008, he became manager of the finance department and was responsible for the financial management work. Starting from January 2014 to December 2017, he has been the executive vice general manager of the integrated management center and served as the executive general manager of the integrated management centre and concurrently served as the joint company secretary from August 2015 to August 2016 and the president's assistant from 2015 to 2017, and has served as vice president since 2018 and general manager of the financial management center since January 2019. Mr. Zhong completed a two-year specialty course majoring in modern secretarial training at the Zhejiang Radio & Television University* (浙江廣播電視大學) in June 1999. He also completed a two and a half year's online course majoring in accountancy at the East China University of Science and Technology* (華東理工大學) in January 2011. In July 2006, he completed a two-year online course majoring in administrative management at the East China University of Science and Technology* (華東理工大學). He also obtained a qualification certificate for assistant economist (助理經濟師) issued by Jiaxing City Personnel Bureau* (嘉興市人事局) in January 2005. In September 2009, he obtained a qualification certificate for engineer issued by Jiaxing City Personnel Bureau* (嘉興市人事局).

Mr. Cao Lijun (曹立峻), aged 50, is mainly responsible for the Company's project company. Mr. Cao has over 19 years of experience in the real estate development industry. He worked as a project manager in Zhejiang Zhingfang Real Estate Co. , Ltd.* (浙江中房置業股份有限公司) from June 1998 to March 2004. From April 2004 to November 2016, he was the deputy general manager of Zhejiang Zhongcheng Industrial Co. , Ltd.* (浙江中成實業有限公司), from December 2016 to December 2020, he served as general manager of the market expansion center of the Company and from December 2016 to present, he served as vice president of the Company.

COMPANY SECRETARY

Mr. Jin Shuigen (金水根), aged 42, has been our joint company secretary since 31 August 2016, and has been redesignated as the sole company secretary of the Company since 19 July 2020. For biographical details of Mr. Jin, please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Senior Management" in this report .

OVERVIEW

Established in 1965, Jujiang Construction Group Co., Ltd. ("Jujiang Construction" or the "Company", together with its subsidiaries, the "Group") is one of the earliest construction companies in Jiaxing, a city which is home to about 5.50 million with well-developed commercial and light industries. With more than 50 years of experience in the industry and proven track record, the Company has outperformed other construction group companies in Jiaxing.

The Company successfully obtained the Premium Class Certificate for General Building Construction Contracting Work ("Premium Class Certificate") and the Grade A Engineering Design (Construction Industry) Certificate ("Engineering Design Certificate") on 28 January 2015 after undergoing a stringent review process. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. As the holder of these two key certificates as well as the holder of other certificates, the Group is able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide.

MARKET REVIEW

Year of 2021 is the first year of implementing the "14th Five-Year Plan", and is also a critical year for China's economy to get back on track after the epidemic. The construction industry has always been the backbone of the country's rapid economic development and is now facing a more complex business climate under the keynote of "stabilized growth". Since 2021, under the influence of the regulation and control policies of the real estate industry, the number of bond defaults of Chinese real estate enterprises has increased, with the defaulted enterprises being more large-scale, while the impact has been more widespread. As one of the upstream of the real estate industry, the construction industry is also affected to a certain extent, with increasingly intense market competition and accelerated industry consolidation and restructuring.

In October 2021, The Central Committee of the Communist Party of China and the State Council issued the "Opinions on Promoting Green Development of Urban and Rural Construction (關於推動城鄉建設綠色發展的意見)", which blew the trumpet of the industry to completely bid farewell to the crude development mode, heralding a healthier and greener trend in the construction industry. Strengthening the foundation, replenishing the shortfalls, and "two major and one new project" are the important investment directions during the 14th Five-Year Plan period. The new and traditional infrastructure sectors are working together to promote the development of green construction, industry digital transformation and the application of Internet of everything, etc., all of which create broad market and growth space for the construction industry.

Benefited from China's effective epidemic control and economic restoration policies, the construction industry remained resilient to some extent in 2021. According to the statistics of the National Bureau of Statistics of the People's Republic of China, for the year ended 31 December 2021, i) the total construction area of buildings was approximately 15.75 billion sq.m. (2020: approximately 14.95 billion sq.m.), representing an increase of approximately 5.4% as compared to the corresponding period in 2020; ii) total newly commenced construction area was approximately 4.92 billion sq.m. (2020: approximately 5.12 billion sq.m.), representing a decrease of approximately 3.9% as compared to the corresponding period in 2020; and iii) total contract amount of construction enterprises was approximately RMB65.69 trillion (2020: approximately RMB59.55 trillion), representing an increase of approximately 10.3% as compared to the corresponding period in 2020. Moreover, for the year ended 31 December 2021, the total value of the PRC construction industry was approximately RMB29.3 trillion (2020: approximately RMB26.39 trillion), representing a growth rate of approximately 11.0% as compared to the corresponding period in 2020. The growth of various data showed that the construction industry is actively implementing transformation and upgrading under the 14th Five-Year Plan, developing green construction while keeping pace with the 14th Five-Year Plan and seizing opportunities, which will make the construction industry remain the leader in driving China's economic development in the future.

BUSINESS REVIEW

Looking back at 2021, the Group deeply promoted its three business strategies of "major customers, quality business and market expansion" and achieved quantitative and qualitative growth in business expansion throughout the year. During the year, the Group's revenue and net profit were approximately RMB10,047.9 million and approximately RMB93.4 million respectively, representing an increase of approximately 25.5% and a decrease of approximately 20.4%, respectively, as compared with the corresponding period of last year. Compared with approximately RMB17,048.4 million as at 31 December 2020, the backlog value increased by approximately 10.1% to approximately RMB18,762.9 million as at 31 December 2021.

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

	Year ended 31 December	
	2021	2020
	RMB'million	RMB'million
Opening value of backlog	**17,048.4**	14,432.8
Net value of new projects (Note 1)	**11,671.6**	10,531.9
Revenue recognized (Note 2)	**(9,957.1)**	(7,916.3)
Closing value of backlog (Note 3)	**18,762.9**	17,048.4

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.

Optimizing the main business: steadily improving business quality

The Group continues to improve its business structure, optimize its market layout and maintain steady business development by leveraging on its strong competitiveness and outstanding business quality. The net value of the newly signed-up projects amounted to approximately RMB11.672 billion. With regards to the market layout, the Group further consolidates its share of the local market. The newly signed-up projects of the year accounted for 36.5% and 9.3% of Tongxiang city and Jiaxing city, respectively. Construction businesses undertaken in Jiaxing city exceeded RMB7.595 billion, accounting for 65.1% of the total amount of contracts of the Group. The "market expansion" strategy has been steadily implemented, with focus on undertaking large-scale and influential projects. Businesses undertaken by the Group in cities in Zhejiang province except Jiaxing City accounted for 7.1%, while businesses outside the province accounted for 27.8%.

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

	Year ended 31 December				
	2021		2020		Change
	RMB'million	**(%)**	RMB'million	(%)	%
Jiaxing City	**7,594.5**	**65.1**	5,851.2	55.6	29.8
Zhejiang Province (except Jiaxing City)	**825.1**	**7.1**	1,564.3	14.8	(47.3)
Other areas (except Zhejiang Province)	**3,252.0**	**27.8**	3,116.4	29.6	4.4
Total	**11,671.6**	**100.0**	10,531.9	100.0	10.8

With regards to business structure, the Group actively undertook and targeted large-scale projects, maintaining project quality to ensure the growth of operating business and enhancement of brand effect. By maintaining good cooperation with top real estate companies and quality customers, the Group's newly signed-up contracts with large customers for the year accounted for 39.0%, with 41 projects valued over RMB100.0 million and 9 projects valued over RMB300 million. Residential and commercial housing projects accounted for 42.9% of the total amount of contracts. In an effort to effectively distribute risk and reduce the reliance on real estate companies, the Group increased investments on industrial projects and public facility construction projects, accounting for 25.2% and 17.6% of the total amount of newly signed business respectively, both rising significantly compared with last year. Among these, the projects of large and quality local enterprises accounted for 22.5%. In terms of undertaking business, the Group also made effective breakthroughs in acquiring business through public tenders during the year and secured businesses amounting to RMB3,707.0 million, with the quality of contracts improved significantly.

Excelling in quality: remarkable results in project performance

The Group has always attached great importance to project quality and has achieved remarkable project performance, which has been highly recognized by customers and the market on many occasions. During the year, Zhenshi Technology Center project constructed by the Group won the "Luban Prize", the highest honor for engineering quality in China's construction industry. At the same time, the Group also received the "Qianjiang Trophy", "Shangding Trophy", and had more than 20 projects recognized as premium projects at city and country level. The Group's excellent service and quality have been recognized and praised by customers, in particular, the Group won the "Craftsmanship Quality Award" of China Resources Land and the "Excellence New Talent Award" of East China Region in 2021, while the ShidaiTianyue project constructed by the Group won the first prize in the third quarter unannounced inspection of Jinke Group in Shanghai and Zhejiang region, among other awards.

Safety standard creation was carried out solidly, with 1 national standard site, 8 provincial standard sites and 32 city and county level standard sites obtained. In particular, the first "Xunhui Transparent Factory" in Henan Province of ShiaiTianji project constructed by the Group won the "Excellence and Standard Creation Award" of Xunhui Group. The key projects under construction throughout the year basically met the required progress milestones, and 57 projects already passed the inspection of completion.

Excelling in professionalism: deepening scientific innovation

In 2021, in addition to promoting the business quality of the principal business, the Group has also enhanced the professional abilities, expanded business in various specialized fields such as decorative foundation, municipal and fire protection, etc., through extending to upstream and downstream of the industrial chain, while continuously releasing potential in other industries. During the year, driven by the contracting business of engineering, procurement and construction, various specialized sectors achieved steady business growth. In particular, the new contracts signed up of decorative foundations, municipal and fire protection amounted to approximately RMB160.1 million, RMB271.9 million and RMB61.9 million, respectively.

By leveraging its role as a provincial enterprise center and relying on the "industry-university-research" cooperation platforms of universities and institutions, the Group accelerated the renovation and application of technologies and gained fruitful innovative technology results. The Group was recognized as a "National High-tech Enterprise" and was qualified in the evaluation of the Enterprise Technology Center of Zhejiang Province. Throughout the year, more than 60 enterprise science and technology projects were implemented, among which 6 projects were established at provincial and municipal levels, obtaining 1 provincial construction method, 1 national quality inspection achievement, 3 provincial quality inspection achievements, 5 municipal quality inspection achievements, and 11 authorized national patents. Scientific and technological innovation can effectively enhance the core competitiveness of enterprises and promote enterprises to achieve better and faster development.

In 2021, the Group enhanced the depth and breadth of its Building Information Modelling ("BIM") technology services, further promoting in civil engineering, installation engineering, business applications and other aspects, while revising modeling and application standards. Throughout the year, 30 civil construction projects and 24 installation projects were implemented by BIM, with the split production value implemented in 22 projects, carrying out the research and application of business applications. A breakthrough was also made in the construction of intelligent construction sites, as the Group developed the Jujiang Smart Construction Site 1.0 version platform and conducted a pilot project in the relocation of Tongxiang City Hospital of Traditional Chinese Medicine. The Group actively expanded the education and training business of the Research Institute, established cooperation intentions with various institutions of higher education and organized 2 external training classes.

For the year ended 31 December 2021, the construction contracting business contributed approximately 99.1% of the revenue (for the year ended 31 December 2020: approximately 98.8%). The following table sets forth a breakdown of our revenue by business and project type for the years indicated:

	Year ended 31 December			
	2021		2020	
	RMB'million	**%**	RMB'million	%
Construction contracting business				
Residential	**5,369.1**	**53.4**	4,529.6	56.6
Commercial	**1,822.4**	**18.1**	1,028.4	12.8
Industrial	**2,046.4**	**20.4**	1,498.5	18.7
Public works	**719.2**	**7.2**	859.8	10.7
	9,957.1	**99.1**	7,916.3	98.8
Other business	**90.8**	**0.9**	91.4	1.2
Total revenue	**10,047.9**	**100.0**	8,007.7	100.0

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 25.5% from approximately RMB8,007.7 million for the year ended 31 December 2020 to approximately RMB10,047.9 million for the year ended 31 December 2021, primarily because of an increase in the construction contracting business amounting to approximately RMB2,040.2 million for the year ended 31 December 2021. Increase in construction contracting business was primarily due to an increase in revenue from residential construction contracting business, commercial construction contracting business and industrial construction contracting business amounting to approximately RMB839.5 million, RMB794.0 million and RMB547.9 million, respectively. Increase in revenue from residential construction contracting business for the year ended 31 December 2021 was a result of the PRC government has planned to increase the supply of affordable housing, especially for second and third-tier cities, in order to promote the construction of new urbanization. Many large-scale residential projects have been signed during the year ended 31 December 2021 and last year. In addition, the economy is recovered after the COVID-19 pandemic, the commercial activities rebounded, property developers increased their investments in commercial properties, such as shopping malls and commercial buildings, and enterprises increased their capital investments.

Gross profit increased by approximately 20.0% from approximately RMB392.7 million for the year ended 31 December 2020 to approximately RMB471.1 million for the year ended 31 December 2021, which was in line with increase in revenue. However, the gross profit margin decreased from approximately 4.9% for the year ended 31 December 2020 to approximately 4.7% for the year ended 31 December 2021, such decrease was mainly due to the decrease in gross profits margins of the construction contracting business, especially for the residential construction contracting business. The PRC government set a ceiling on the residential property markets, even the pricing policy, as a result, the pricing of the construction contracts was further compressed. In addition, the material costs sharply increased. The gross profit margin of the construction contracting business decreased from approximately 4.7% for the year ended 31 December 2020 to approximately 4.3% for the year ended 31 December 2021.

Other income and gains

Other income and gains increased by approximately RMB19.6 million from approximately RMB8.5 million for the year ended 31 December 2020 to approximately RMB28.1 million for the year ended 31 December 2021, primarily because of an increase in interest income of approximately RMB8.9 million and an increase in government grants of approximately RMB7.9 million in relation to the Group's contribution in local economy.

Administrative expenses

The administrative expenses increased by approximately 26.6% from approximately RMB126.8 million for the year ended 31 December 2020 to approximately RMB160.5 million for the year ended 31 December 2021 which was primarily due to an increase in salaries and employee benefits and depreciation and amortization expenses. For the year ended 31 December 2021, the Group continued to expand its workforces and improved their employee benefits in order to supports their business growth, and as a result, the salaries and employee benefits increased by approximately RMB18.6 million as compared with last year. In addition, the depreciation and amortization expenses increased by approximately RMB8.3 million for the year ended 31 December 2021 as compared with the corresponding periods in last year, primarily attributing to the "Build-Operate-Transfer" service concession arrangement have commenced its operation since 1 March 2021.

Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, including trade receivables and other receivables, increased significantly by approximately 587.1% from approximately RMB15.5 million for the year ended 31 December 2020 to approximately RMB106.5 million for the year ended 31 December 2021, primarily due to the Group made a specific impairment loss on the trade receivables and contract assets from a customer. The management was aware of a series of negative news and announcements over the financial conditions of a customer (the "Customer A") which is a real estate developer in Hebei Province. In these regards, and taking into account the recent repayment records and public information, the management considered the heightened credit risk of the Customer A and made individual loss allowance of approximately RMB43.1 million on the trade receivables, other receivables and contract assets of the construction projects related to the Customer A. In addition, the management further considered the credit crisis in real estate industry and more long-aged trade receivables, the Group increased the expected loss rate and made an impairment loss of approximately RMB63.4 million for the trade receivables, other receivables and contract assets in general for the year ended 31 December 2021.

Other expenses

Other expenses increased by approximately RMB38.3 million from approximately RMB27.3 million for the year ended 31 December 2020 to approximately RMB65.6 million for the year ended 31 December 2021, primarily due to an increase in fair value losses of approximately RMB43.1 million in relation to fair value assessments of the bill receivables, which was offset by an absence of a loss on disposal of a subsidiary for the year ended 31 December 2021 as a loss on disposal of a subsidiary amounting to RMB6.4 million was recorded for the year ended 31 December 2020. Increase in fair value loss in relation of fair value assessments of the bill receivables was mainly attributing to an increase in discount rate adopted in the fair value assessment from 2.5% for the year ended 31 December 2020 to 8.9% for the year ended 31 December 2021 as the default risk of the settlement of the bills receivables increased due to the real estate developers are facing the credit crisis.

Finance costs

Finance costs decreased by approximately 29.6% from approximately RMB84.9 million for the year ended 31 December 2020 to approximately RMB59.8 million for the year ended 31 December 2021. Such decrease was primarily due to a decrease in factoring expenses as factoring activities were reduced and discount expenses on bills receivables.

Income tax expense

Income tax expenses decreased by approximately 54.8% from approximately RMB29.4 million for the year ended 31 December 2020 to approximately RMB13.3 million for the year ended 31 December 2021 primarily because of a decrease in profits from the operation and the Company enjoyed the tax benefits. The effective tax rate decreased from approximately 20.0% for the year ended 31 December 2020 to 12.5% for the year ended 31 December 2021. The Company obtained approval from the relevant tax bureau to be taxed as an advanced and new technology enterprise for the calendar years from 2021 to 2023. Pursuant to the relevant tax regulations, the Company is entitled to a preferential tax rate of 15%. In addition to the preferential PRC Corporate Income Tax rate, the Company is also entitled to an additional tax deductible allowance calculated at 75% of its qualified research and development costs incurred, as a result, the effective tax rate decreased for the year ended 31 December 2021.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately 20.4% from approximately RMB117.4 million for the year ended 31 December 2020 to approximately RMB93.4 million for the year ended 31 December 2021. Net profit margin decreased from approximately 1.5% for the year ended 31 December 2020 to approximately 0.9% for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from cash generated from operating activities and interest-bearing bank and other borrowings. As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB248.2 million (2020: approximately RMB184.4 million).

Treasury policies

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

Contract assets

The contract assets decreased from approximately RMB2,267.6 million as at 31 December 2020 to approximately RMB2,063.0 million as at 31 December 2021, representing 41.4% and 36.3% of the total current assets as at the end of the corresponding years, respectively. The proportion of the contract assets to the total current assets and absolute amounts decreased, primarily attributing to the timely issuance of billing by the Group once the projects achieved the billing milestone.

Trade and bills receivables

Trade and bills receivables increased by approximately 12.0% from approximately RMB2,301.4 million as at 31 December 2020 to approximately RMB2,578.4 million as at 31 December 2021. Such increase was due to an increase in the turnover of the Group. The trade and bills receivables turnover days increased from approximately 84 days as at 31 December 2020 to approximately 89 days as at 31 December 2021.

Trade and bills payables

Trade and bills payables increased by approximately 9.4% from approximately RMB2,901.5 million as at 31 December 2020 to approximately RMB3,173.7 million as at 31 December 2021. Such increase was in line with business growth. The trade and bills payables turnover days decreased from approximately 138 days as at 31 December 2020 to approximately 114 days as at 31 December 2021.

Borrowings and charge on assets

As at 31 December 2021, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB679.5 million (2020: approximately RMB684.3 million). As at 31 December 2021, the short-term interest-bearing borrowings amounting to approximately RMB507.5 million (2020: approximately RMB510.9 million) are repayable within 1 year and carried effective interest rate with a range from 4.00% to 12.0% per annum (2020: 4.05% to 15.0% per annum). As at 31 December 2021, the long-term interest-bearing borrowings amounting to approximately RMB172.0 million (2020: RMB173.4 million) are repayable from 2023 to 2030 and the interest rate is 4.41%.

As at 31 December 2021, certain general banking facilities were secured by the buildings of approximately RMB86.4 million (31 December 2020: approximately RMB88.7 million).

Gearing ratio

The gearing ratio decreased from approximately 24.6% as at 31 December 2020 to approximately 18.9% as at 31 December 2021. The decrease was mainly attributable to improvement of cash management as net cash inflow from operating activities of approximately RMB199.4 million was recorded for the year ended 31 December 2021.

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

Capital expenditure

For the year ended 31 December 2021, the capital expenditures were approximately RMB47.5 million (2020: approximately RMB54.1 million). The capital expenditure incurred for the year ended 31 December 2021 was primarily related to the construction of a new office building next to the headquarter of the Group.

Capital commitments

As at 31 December 2021, the Group did not have any significant capital commitments (2020: nil).

Contingent liabilities

As at 31 December 2021, the Group had no material contingent liabilities (2020: nil).

Fluctuation of RMB exchange rate and foreign exchange risks

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2021.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had total of 1,146 employees (2020: 1,038 employees), of which 672 were based in Jiaxing City, and 474 were based in other areas of Zhejiang Province and in other provinces and regions of China. For the year ended 31 December 2021, the Group incurred total staff costs of approximately RMB98.4 million, representing an increase of approximately 23.2% as compared with corresponding period in 2020, mainly attributable to increase in headcount and salary increments.

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

In 2022, under the goal of stable economic growth, active fiscal policy and moderate advancement in infrastructure investment will have a pulling effect on infrastructure investment. Under the real estate regulatory policy, real estate development and investment will face pressure of growth. The restructuring of manufacture industry and the new urbanization construction will bring about the introduction of urban renewal, old city renovation and indemnificatory housing projects as well as medical and other infrastructure to make up for shortfalls, which will provide a certain degree of relief for the impact of real estate policy on the construction industry. Under the influence of the above factors, the construction industry is expected to maintain a growth trend in 2022.

The Group will take "increasing the total economic volume and improving the development quality" as the starting point to promote transformation through development. The Group will further optimize its business structure, strengthen its marketing strategies and improve the quality of its business. The key focus is on government investment projects for the purpose of promoting long-term development of high-quality business. The Group will actively seize the markets of Hubei, Sichuan and Fujian, etc., and make appropriate arrangements based on local conditions to establish a solid presence. The Group will further expand the engineering, procurement and construction ("EPC") business, and integrate design and construction resources, enhance the capacity of general contracting, with the aim to transform into an integrated design and construction service provider. The Group will also accelerate digital transformation, pursue informatization of the corporate management and realize data connection with intelligent construction site system as well as the application of Internet of Things and other technologies. We will speed up the construction of the intelligent command center and comprehensively improve the company's digital management level, and with the combination of the BIM technology, further upgrade the "intelligent construction site platform" functions, so as to promote transformation and upgrading of project management.

DIRECTORS' REPORT

The Directors hereby present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are construction contracting business and other business, namely our design, survey and consultancy business. The principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by segments is set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 and the financial information of the Group as at 31 December 2021 are set out in the audited financial statements of this report.

BUSINESS AND FINANCIAL REVIEW

The business and financial review of the Group for the year ended 31 December 2021 and a discussion on the Group's future development are set out in the section head "Management Discussion and Analysis" on pages 13 to 21 of this report.

KEY RISKS AND UNCERTAINTIES

Business and market

Demand for services and products of the Group is cyclical in nature and directly correlates with the level of real estate development and construction activities in China, especially in regions and provinces in which the Group operates, including Jiaxing, Zhejiang Province, where a majority of the construction projects awarded to the Group were located during the year. The real estate industry and the construction industry are sensitive to economic fluctuations and market uncertainty, and are closely controlled and monitored by the PRC Government through policymaking. The PRC financial market has experienced significant fluctuations in recent months. We cannot assure that such fluctuations will not negatively affect the overall economic condition in China or the real estate or construction industry in China. Revenue from the real estate industry and the construction industry may be adversely affected if the growth of the PRC economy slows down or enters into recession, or if fixed capital investment is reduced, including any reduction in infrastructure investment by the PRC Government. The ongoing projects, in which the Group has invested significant resources and capital, may be put on hold or stopped if economic conditions deteriorate, and the Group may be unable to collect payments and recover our costs.

In addition, the Group is susceptible to the adverse changes in national or local policies related to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing, foreign investment and taxation. During the year, the PRC Government implemented various regulations and policies aimed to cool down the real estate market and the inflation of property prices. Various property price control policies have been implemented in recent years, including but not limited to limitations on the individuals to purchase property outside the province of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions. More recently, the PRC Government lowered interest rates to stimulate the slowing real estate industry and associated industries, including the construction industry. These policies may affect the level of activity in the PRC real estate industry, and in turn affect the number of construction projects available to the Group. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Financial

The major financial risks faced by the Group are interest risk, credit risk and liquidity risk. Management of the Group meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. The financial risk management objectives and policies are set out in the note 35 to the consolidated financial statement.

Management of the Group will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Tax relief and exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company's securities.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2021 as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL PROTECTION

The Group upholds the concept of sustainable development, focuses attention on the design of research and development, operation environment, social and governance risks, strive to achieve sustainable growth.

The Company considers the staff, shareholders and potential investors, government authorities, and suppliers as the key stakeholders, and values highly the expectations and opinions of the stakeholders on us with respect to environment, society and governance. The Company has commenced multi-dimensional risk analysis, identified issues on the environment, society and importance of governance which are the concerns in our own development and of the relevant stakeholders, and an environmental, social and governance report has been published.

For further relevant information regarding our performance on environment, society and governance during the current financial year, please refer to the section headed "Environmental, Social and Governance" on pages 49 to 63 in this report for details.

The Company has formulated the compliance procedures to ensure compliance with, in particular, the applicable laws, rules and regulations having material effect on us. The relevant employees and the relevant operating entities will be informed of any changes in the applicable laws, rules and regulations from time to time.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors and management team, comprising experienced professionals that possess extensive technical and industry experience, have a proven record of successfully operating and expanding the business. Therefore, the Group ensures the remuneration package of Directors and management are reasonable and competitive in the market and also continue to improve and regularly review and update its policies on remuneration and benefits. The Directors also believe that our long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of our employees depend primarily on their type of work, position, length of service with us and local market conditions.

Through the efforts of sales and marketing team, the Group has established solid relationships with many of our long-term customers for periods ranging from three to ten years. During the year, most of our major customers were located in Jiaxing. We continue to maintain such relationships by conducting periodic visits to understand the construction needs of our customers and learn about their new projects.

The Group is in good relationship with its suppliers. The procurement department maintains a list of qualified suppliers, from which project management department procures on an as-needed basis. The qualified suppliers are selected based on various criteria, including price, quality, record of timely delivery, location, supply capacity, credit terms, environment protection assessment and customer service. The procurement department is responsible for reviewing and updating the list of qualified suppliers annually. The Group have established long-term relationships with many suppliers for a period ranging from three to ten years.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2021 is as follows:

Class of shares	Number of shares	Approximate percentage of the total issued share capital
Domestic shares	400,000,000	75.0%
H shares	133,360,000	25.0%
Total	533,360,000	100.0%

FINAL DIVIDEND

Proposal for profit distribution of 2021

Audited profit available for distribution to shareholders of the Company for the year 2021 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB760.6 million.

The Board of Directors of the Company has recommended a profit distribution for 2021 of 4.00 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 26 July 2022.

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.

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

The Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") to allow shareholders of the Company (the "Shareholders") to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

Determination mechanism on dividend

Subject to the approval of the shareholders and requirement of the relevant laws, the Company shall pay annual dividends to the shareholders if i) the Group is profitable, ii) the operations environment is stable, and iii) there is no significant investment or commitment made by the Group. The Company has no fixed dividend policy specifying a dividend payout ratio. The declaration, payment and amount of dividends will be subject to the discretion of the Board, taking into consideration the criteria described below. The remaining net profits will be used for Group's development and operations. This dividend policy allows the Company to declare special dividends from time to time in addition to the annual dividends. The Company's ability to pay dividends will depend upon, among other things, the Group's current and future operations, financial position, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company's subsidiaries and associates, as well as any other conditions or factors which the Board deems relevant and having regard to the directors' fiduciary duties.

Approval and payment procedures

Details of the procedures have been set out in Articles 227 of the Company's Articles of Association posted on the website of the Company.

Review and monitor of dividend policy

The form, frequency and amount of dividend payment by the Company are subject to restrictions under the PRC laws and the Company's Articles of Association. The Board reserves the right in its sole and absolute discretion to update, amend, modify the dividend policy at any time, and the existing dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

PUBLIC FLOAT

Based on the available public information of the Company, so far as the Directors are aware of, the Company has met the requirements of public float under the Rule 8.08 of the Listing Rules, during the year ended 31 December 2021 and thereafter up to the date of this report.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2021, the Group acquired additional property, plant and equipment of approximately RMB46.5 million. Details of the movements are set out in note 13 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

According to the laws of the PRC and the Articles of Association of the Company, there are no provisions on the pre-emptive rights to offer new Shares by the Company to its existing Shareholders on a pro rata basis.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2021 and up to the date of this annual report, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

DISTRIBUTABLE RESERVES

As at 31 December 2021, reserves available for distribution of the Company amounted to RMB760.4 million (2020: RMB697.3 million).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 31 December 2021 represented approximately 6.57% (2020: 8.48%) and 18.50% (2020: 20.73%), respectively, of the Group's total revenue from sales operations.

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 31 December 2021 represented approximately 3.11% (2020: 2.36%) and 7.38% (2020: 7.49%), respectively, of the Group's total cost.

To the best of the Directors' knowledge, none of the Directors or their respective close associates, and none of the existing shareholders who owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Lyu Yaoneng *(Chairman)*
Mr. Lyu Dazhong
Mr. Li Jinyan
Mr. Lu Zhicheng
Mr. Shen Haiquan
Mr. Zheng Gang

Independent non-executive Directors

Mr. Yu Jingxuan
Mr. Wong Ka Wai
Mr. Ma Tao (appointed on 31 May 2021)
Mr. Lin Tao (retired on 31 May 2021)

BOARD OF SUPERVISORS

Mr. Zou Jiangtao
Mr. Chen Xiangjiang
Mr. Lyu Xingliang
Mr. Zhu Jialian

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 7 to 12 in this report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange are as follows:

The Company

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

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) Zhejiang Jujiang Holdings Group Co., Ltd (浙江巨匠控股集團有限公司) ("Jujiang Holdings") is held as to approximately 51.33% by Mr. Lyu Yaoneng. Mr. Lyu Yaoneng, an executive Director, controls more than one-third of the voting rights of Jujiang Holdings and are deemed to be interested in its interest in the Company by virtue of the SFO.

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

As at 31 December 2021, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of Part XV of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Shareholders	Nature of interest	Number of shares held[(1)]	Approximate percentage of shareholdings in the relevant class of shares[(2)]	Approximate percentage of shareholdings in total share capital of the Company shares[(3)]
Jujiang Holdings[(4)]	Beneficial Owner	204,000,000 Domestic Shares (L)	51%	38.25%
Ms. Shen Hongfen[(5)]	Interest of spouse	204,000,000 Domestic Shares (L)	51%	38.25%
Jujiang Equity Investment[(6)]	Beneficial Owner	196,000,000 Domestic Shares (L)	49%	36.75%
Chan Ka Wo	Beneficial Owner	9,480,000 H Share (L)	7.1%	1.78%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) The calculation is based on the percentage of shareholding in the Domestic Shares/H Shares.

(3) The calculation is based on the total number of 533,360,000 Shares in issue.

(4) Jujiang Holdings is directly interested in approximately 38.25% in the Company.

(5) Ms. Shen Hongfen (沈洪芬), the spouse of Mr. Lyu Yaoneng, is deemed to be interested in Mr. Lyu Yaoneng's interest in the Company by virtue of the SFO.

(6) Jujiang Equity Investment is directly interested in approximately 36.75% in the Company.

Save as disclosed above, as at 31 December 2021, so far as the Directors, Supervisors and the chief executive of the Company are aware of, no other persons have interests and/or short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2021, no claim has been made against the Directors and senior officers.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHTS IN THE SUBSCRIPTION OF SHARES AND DEBENTURES

During the year ended 31 December 2021, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that can be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors on one hand and members of the Group on the other.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangement or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, or its parent company was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the related party transactions disclosed in note 32 to the consolidated financial statements and in this report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders (as defined in below section) or their subsidiaries, during the year.

TRANSACTIONS WITH CONNECTED PERSON

Jujiang Holdings mainly engages in the business of, amongst other things, property development and investment holding and it is also the shareholder of various subsidiaries (including the Company). As at 31 December 2021, Jujiang Holdings was owned as to approximately 51.33% by Mr. Lyu Yaoneng and approximately 48.67% by eight other individual shareholders.

The Company is owned as to 38.25% by Jujiang Holdings, as such it is one of our controlling shareholders (as defined under the Listing Rules) and a connected person of the Company. Accordingly, the following transactions between Jujiang Holdings and the Group will constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Save as disclosed hereinbelow, the related party transactions as disclosed in note 32 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules, or, if they so constituted connected transactions or continuing connected transactions, are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of such connected transactions and/or continuing connected transactions.

Construction contracting service master agreement

The Group, as service provider, entered into a construction contracting service master agreement on 17 April 2019 ("2019 Master Agreement") with Jujiang Holdings, one of the controlling shareholders and a connected person (as defined under the Listing Rules) of the Company. For a term ending on 31 December 2021, pursuant to which Jujiang Holdings agreed to engage construction contracting services such as building construction, foundation work, curtain wall construction, building decoration and fire equipment installation from our Group. The annual caps for the transactions contemplated for the three years ended 31 December 2021 were RMB200 million, RMB200 million and RMB300 million, respectively. During the year ended 31 December 2021, a total of RMB66.1 million service fees was received from Jujiang Holdings Group under the 2019 Master Agreement.

The construction contracting service fees payable by Jujiang Holdings Group to our Group under the 2019 Master Agreement were determined after arm's length negotiation between Jujiang Holdings Group and our Group. In order to ensure that the service fees we received for our provision of construction contracting services were fair and reasonable and in line with market practices, we have kept ourselves abreast of the prevailing fee level in market and the market conditions.

Save as disclosed herein, there were no transactions required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

Confirmation from independent non-executive Directors and the auditor of the Company

Confirmation from Directors

The Directors (including the independent non-executive Directors) have reviewed and confirmed that for the year ended 31 December 2021, the above continuing connected transactions have been and were entered into in the ordinary and usual course of our Group's business and were based on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from auditor of the Company

Based on work performed, our independent auditor, has confirmed in a letter to the Board to the effect that nothing has come to its attention that causes it to believe that the above transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have exceeded the caps disclosed in the announcement dated 17 April 2019 and the circular dated 12 June 2019 made by the Company in respect of the disclosed continuing connected transactions.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, the Group entered into transactions with related parties set out in note 32 to the consolidated financial statements. Some of these related party transactions constituted connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules and the Company have complied with the disclosure requirement thereon.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and Supervisors of the Company and five highest paid individuals are set out in note 9 to the consolidated financial statements.

No retirement benefits were paid to or receivable by any Directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2020: Nil).

No payment was made or benefit provided to Directors as compensation for the early termination of the appointment or in respect of termination of the services of Directors during the year (2020: Nil).

No consideration was provided to or receivable by any third party for making available the services of a person as a director of a company, or in any other capacity while as a director (2020: Nil).

There were no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such directors during the year (2020: Nil).

REMUNERATION POLICY

The Group's Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company. The Group and Remuneration and Appraisal Committee regularly review and determine the remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of the Company.

NON-COMPETITION AGREEMENT

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

NON-COMPETITION

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

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

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

Each of Mr. Lyu Yaoneng, Jujiang Holdings and Jujiang Equity Investment, as the Controlling Shareholders, has confirmed to the Company of his compliance with the Non-Competition Agreement for the year ended 31 December 2021.

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

DONATIONS

During the year ended 31 December 2021, the Group had made charitable donation amounting to approximately RMB436,000.

COMPETING INTERESTS

Save and except for interests in the Group, 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 of the Group, which would require disclosure under Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "Code Provisions") of the Corporate Governance Code ("CG Code") previously set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2021 and up to the date of this report, the Company has fully complied with the Code Provisions and the CG Code for the year 2021, except for code provision A.2.1 of the CG Code as more particularly described in the section headed "Corporate Governance Report" in this report.

On 1 January 2022, the amendments to the Corporate Governance Code (the "New CG Code") came into effect and the requirements under the New CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this report, there are no major subsequent events to 31 December 2021 which would materially affect the Group's operating and financial performance as of the date of this report.

AUDITOR

There has been no change in the Group's auditors, Ernst & Young, since 12 January 2016, being the Listing Date.

Ernst & Young will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting ("AGM"). A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

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

Zhejiang Province, the PRC, 29 March 2022

2021 WORK REPORT OF THE BOARD OF SUPERVISORS

In 2021, all the members of the Board of Supervisors of Jujiang Construction Group Co., Ltd. (the "Company") discharged their duties cautiously and conscientiously as required by various regulations and requirements such as the Company Law of the PRC (the "Company Law"), the Articles of Association and the Rules of Procedure of the Board of Supervisors. They exercised powers independently in accordance with the law to ensure operational compliance of the Company and safeguard the interests of the Company and investors.

I. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Company convened three meetings in total:

1. The fifth meeting of the third session of the Board of Supervisors was convened on 31 March 2021, at which the following resolutions were considered and approved: (1) the "Resolution on the Audited Annual Report and Results Announcement of the Company for 2020" was considered; (2) the "Profit Distribution Resolution for 2020" was considered; (3) the "Resolution on the Re-appointment of Ernst & Young as Auditor of the Company for 2020" was considered; (4) the "Resolution on the Work Report of the Board of Supervisors of the Company for 2020" was considered; (5) the "Resolution on Election of Chen Xiangjiang as the Supervisor of the Third Session of the Board of Supervisors of Jujiang Construction Group Co., Ltd." was considered; (6) the "Resolution on Election of Zhu Jialian as the Supervisor of the Third Session of the Board of Supervisors of Jujiang Construction Group Co., Ltd." was considered;

2. The first meeting of the third session of the Board of Supervisors was convened on 31 May 2021, at which the "Resolution on the Election of the Chairman of the Third Session of the Board of Supervisors of Jujiang Construction Group Co., Ltd." was considered and approved, which agreed to elect Lyu Xingliang as the Chairman of third session of the Board of Supervisors of Jujiang Construction Group Co., Ltd..

3. The meeting of the session of the Board of Supervisors was convened on 30 August 2021, at which the "Resolution on the Unaudited Interim Results Announcement of the Company for the 2021" was considered and approved.

II. Supervisory Opinions of the Board of Supervisors on Relevant Matters of the Company for the year of 2021:

1. The Company's operations in accordance with the law

In 2021, the Board of Supervisors of the Company conscientiously discharged its supervisory duties in strict compliance with the Company Law, the Articles of Association, the Rules of Procedure of the Board of Supervisors and requirements under relevant laws and regulations, and considered that the Board of Directors conscientiously enforced the resolutions adopted at general meetings, and faithfully performed its obligation in good faith, without prejudicing the interests of the Company and its shareholders; that the management team of the Company was diligent and responsible, and conscientiously enforced all the resolutions of the Board of Directors, the senior management of the Company did not act in violation of laws, regulations and Articles of Association or in a manner damaging to the Company's interests during the performance of their duties for the Company..

2. The Company's financial position

The Board of Supervisors of the Company strengthened its supervision over the financial work of the Company based on the actual circumstances of the Company. The Board of Supervisors of the Company considered that the Company was able to strictly abide by the Accounting Law and relevant financial rules and regulations. In 2021, the Company and its subsidiaries had standardized financial management in place and their financial statements gave a true and accurate view of the actual situation of the Company and its subsidiaries. The Board of Supervisors is of the opinion that the accounting treatment of the Company, the preparation of financial reports and the accounting system implemented by the Company are in compliance with the requirements of the relevant systems, and there are no material omissions or false statements in the accounting records.

3. Implementation of the resolutions of general meetings

During the current reporting period, the Board of Supervisors of the Company supervised the implementation of the resolutions of general meetings. The Board of Supervisors was of the view that the Board of Directors of the Company had conscientiously fulfilled the relevant resolutions of general meetings and no acts detrimental to the interests of shareholders had occurred.

4. The Company's internal control

The Company has established a relatively comprehensive internal control system and organizational system. The Company has a complete organizational structure for internal control, with the internal audit department and staffing in place, which is in compliance with the requirements of relevant national laws and regulations and the actual needs of the Company for production, operation and management. The establishment of such system has played a better role in risk prevention and control across all aspects of the Company's operation and management.

III. The work plan of the Board of Supervisors for 2022

In 2022, we will closely focus on the strategic objectives of the Company's production and operation development, strengthen the implementation of our supervisory functions and conscientiously perform our duties. We will attend the Board meetings of the Company in accordance with the law and keep abreast of the legality of the Company's major decisions and various decision-making procedures, so as to better safeguard the interests of shareholders. The work plan of the Board of Supervisors for 2022 is as follows.

1. The Board of Supervisors will define its functional positioning for discharging its duties effectively.

The Board of Supervisors will continue to explore and improve its working mechanism and operation mechanism. The work of the Board of Supervisors will be integrated into the corporate governance structure of the Company to effectively play the role of checks and balances in corporate governance to make sure that the Company is operating pursuant to law, that the Company's assets and shareholders' rights and interests are free from infringement, that the Company's financial and accounting reports are true and legal, that the Company's directors and managers do not have any business acts that will jeopardize the Company's interests or violate the Company's Articles of Association, and that the resolutions made at shareholders' meetings are well implemented and executed.

2. *The Board of Supervisors will strengthen the formulation of rules and regulations to make sure it is operating in a regulated manner.*

   The Board of Supervisors will formulate and improve various rules and regulations governing the discussion of official business and its work, carefully formulate the annual work plan and continuously reinforce and improve the build-up of a supervisory regime to have its work regulated gradually. The Board of Supervisors will promote the continuous improvement and effective operation of the internal control system and various management systems of the Company. Through the participation of the management in strengthening the awareness of the improvement and implementation of internal control of the Company and combining the examination and supervision of internal audit, the implementation of the internal control management system will be promoted, which enables the Company to operate in a safer and more stable manner.

3. *Conduct in-depth research to improve the effectiveness of the work of the Board of Supervisors.*

   Firstly, all Supervisors attended the various meetings of the Board of Directors of the Company to understand the Company's major business decision-making process and to make recommendations on the work of the Board of Supervisors regarding major issues. Secondly, the Board of Supervisors understands the production and operation situation, and supervises the operation process in a focused manner according to the actual production and operation. Thirdly, the Board of Supervisors organized research and studies on production, finance and marketing, and conducted on-site inspections and serious analyses to plan for the healthy development of the Company.

4. *Strengthen the self-construction of the Board of Supervisors.*

   The Board of Supervisors reinforced its ideological, organizational and work-style build-up, and strived to improve its capability for discharging duties as well as its supervision and deliberation standards, increased its innovation capability of its work and enhanced the effectiveness of supervision and inspection for discharging the functions of the Board of Supervisors conscientiously.

The above report is hereby submitted to Supervisors for consideration.

Board of Supervisors of
Jujiang Construction Group Co., Ltd.
29 March 2022

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "Code Provisions") of the Corporate Governance Code ("CG Code") previously set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2021 and up to the date of this report, the Company has fully complied with the Code Provisions, except for 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, prior to the retirement of Mr. Lyu Yaoneng as the general manager of the Company on 31 May 2021, the Group did not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Lyu Yaoneng performed these two roles prior to his retirement. The Board believed that vesting the roles of both chairman and general manager in the same person had the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considered that the balance of power and authority for the then arrangement was not impaired and this structure enabled the Company to make and implement decisions promptly and effectively. Upon the retirement of Mr. Lyu Yaoneng, and the appointment of Mr. Lyu Yuntao, as the general manager of the Company on 31 May 2021, and the Company has since then re-complied with code provision A.2.1 of the CG Code.

Save as disclosed above, the Company has complied with the CG Code for the year 2021. On 1 January 2022, the amendments to the Corporate Governance Code (the "New CG Code") came into effect and the requirements under the New CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the audit committee (the "Audit Committee"), the remuneration and appraisal committee (the "Remuneration and Appraisal Committee"), the nomination committee (the "Nomination Committee"), and the strategic committee (the "Strategic Committee") (each a "Board Committee" and collectively the "Board Committees"), to oversee different areas of the Company's affairs. As of the date of this report, the composition of the Board is as follows:

Executive Directors:	Mr. Lyu Yaoneng *(Chairman)*
	Mr. Lyu Dazhong
	Mr. Li Jinyan
	Mr. Lu Zhicheng
	Mr. Shen Haiquan
	Mr. Zheng Gang
Independent non-executive Directors:	Mr. Yu Jingxuan
	Mr. Wong Ka Wai
	Mr. Ma Tao

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 7 to 12 in this report. A list of the Directors identifying their roles and functions is available on the Company's website.

Save as disclosed in this report, there are no financial, business or other material/relevant relationships among members of the Board.

The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each of our Directors has entered into a service contract with the Company. Each of the independent non-executive Directors has entered into service contracts or agreements with the Company for a specific term of three years and is subject to re-election.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

Accountability

The Directors acknowledge their responsibility to present a balanced, clear and understandable set of consolidated financial statements in each of the annual and interim reports. If the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Company. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of the Company and that he/she is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

During the year, the Company, together with its legal advisers, organized training sessions to each of the Directors in relation to continuous responsibilities of Hong Kong listed company and its directors before and after listing. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

Name of Director	Types of training Attending in-house training organized by professional organizations	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Lyu Yaoneng *(Chairman)*	✓	✓
Mr. Lyu Dazhong	✓	✓
Mr. Li Jinyan	✓	✓
Mr. Lu Zhicheng	✓	✓
Mr. Shen Haiquan	✓	✓
Mr. Zheng Gang	✓	✓
Independent non-executive Directors		
Mr. Yu Jingxuan	✓	✓
Mr. Wong Ka Wai	✓	✓
Mr. Ma Tao	✓	✓

Independence of Independent Non-executive Directors

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

They serve actively on the Board and Board Committees to provide their independent and objective views. In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing at least one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors were independent and met the independence guidelines set out in Rule 3.13 of the Listing Rules throughout the year ended 31 December 2021 and up to the date of this report.

Board Committees

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference of the Audit Committee, Nomination Committee and the Remuneration and Appraisal Committee are respectively available on the Company's website.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

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

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

Pursuant to the meeting of the Audit Committee on 29 March 2022, the Audit Committee has reviewed, among other things, the financial statements of the Company for the year ended 31 December 2021, including the accounting principles and practices adopted by the Company, report prepared by the external auditors covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Company's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditors. During the year, the Audit Committee held two meetings.

Remuneration and Appraisal Committee

The Company has established a remuneration and appraisal committee on 23 December 2015 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration and appraisal committee are to evaluate the performance and make recommendations on the remuneration of Directors and our senior management and to recommend members of the Board.

Our remuneration and appraisal committee consists of three members, being Mr. Lyu Yaoneng, Mr. Wang Ka Wai and Mr. Ma Tao. Mr. Wang Ka Wai currently serves as the chairman of our remuneration and appraisal committee.

Pursuant to the meeting of the Remuneration and Appraisal Committee on 29 March 2022, the Remuneration and Appraisal Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. During the year, the Remuneration and Appraisal committee held one meeting.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors and Supervisors for the year ended 31 December 2021 are set out in note 9 to the consolidated financial statements.

The biographies of the senior management are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this report. The remuneration by band of non-Director members of the senior management for the year ended 31 December 2021 is as follows:

Remuneration band (HK$)	Number of individuals
0 – 1,000,000	2
1,000,000 – 1,500,000	–
1,500,000	–

Nomination Committee

The Company has established a nomination committee ("the NC") on 23 December 2015 with its written terms of reference in compliance with paragraph A.5 of the Corporate Government Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our NC consists of three members, being Mr. Lyu Yaoneng, Mr. Yu Jingxuan and Mr. Ma Tao. Mr. Ma Tao currently serves as the chairman of our NC.

Pursuant to the meeting of the NC on 29 March 2022, the NC has reviewed the policy for the nomination of Directors, the structure, size and composition of the Board and assessed independence of the independent non-executive Directors and has recommended Mr. Yu Jingxuan to be a Director to the Board. During the year, the Nomination Committee held one meeting.

NOMINATION POLICY

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

1. Selection Criteria

(a) The NC is authorized by the Board to determine the nomination of directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer. Without prejudice to the NC exercising its powers and duties, the ultimate responsibility for selection and appointment of directors rests with the entire directors.

(b) In assessing the suitability of a proposed candidate, the NC may make reference, according to the Company's business model and specific needs, to certain criteria such as the Company's need, the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in construction contracting and/or other professional areas, the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities and, in case of independent non-executive director, the independence requirements set out in the Listing Rules (as amended from time to time), and seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

(c) Where necessary, the NC should seek independent professional advice to access a wider range of potential candidates.

(d) Proposed candidate will be asked to submit the necessary personal information, together with his/her written consent to be appointed as a director and to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director.

(e) Non-executive director will receive a formal letter of appointment on his/her appointment to the Board, setting out clearly the expectations of him/her in terms of time commitment, committee service and involvement outside board meetings.

2. Nomination Procedures

The secretary of the NC shall invite nominations of candidates from Board members if any, for consideration by the NC. The NC may also put forward candidates who are not nominated by Board members.

Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting, and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, in the case of the re-appointment of a director at the general meeting, the NC shall review the overall contribution of the directors to the Company and their services, their participation and performance within the board of directors, and whether such director still meets the above criteria.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board may revoke or terminate any of the appointment of a managing director, joint managing director or deputy managing director in accordance with Article 143 of the articles of association of the Company.

A shareholder of the Company can serve a notice to the Company within the lodgment period of its intention to propose a resolution to elect a certain person as a director. Details of the procedure has been set out in the "Procedure for Shareholders to Propose a Person for Election as a Director of the Company" posted on the website of the Company.

3. Review and Monitor of this Policy

(a) The NC shall review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

(b) The NC shall keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to complete effectively in the marketplace.

(c) The NC shall keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

Strategic Committee

The Company has established a strategic committee on 24 November 2016. The primary duties of the strategic committee are to the Company's long-term development strategy and major investment decision making research and make recommendation.

Our strategic committee consists of three members, being Mr. Lyu Yaoneng, Mr. Zheng Gang and Mr. Ma Tao. Mr. Lyu Yaoneng currently serves as the chairman of our strategic committee.

One meeting was held by the Strategic Committee during the year ended 31 December 2021.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board developed, reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors

The attendance record of each of the current Directors at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out in the table below. The Directors did not authorize any alternate Director to attend Board or Board Committee meetings.

	Attendance/number of Meetings					
Name of Directors	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategic Committee	General Meeting
Mr. Lyu Yaoneng	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Lyu Dazhong	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Li Jinyan	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Lu Zhicheng	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Shen Haiquan	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Zheng Gang	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Yu Jingxuan	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Lin Tao (retired on 31 May 2021)	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Wong Ka Wai	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Ma Tao (appointed on 31 May 2021)	2/2	2/2	1/1	1/1	1/1	N/A

Board Proceedings

Meetings of the Board of Directors shall be held regularly at least two times each year and shall be convened by the chairman of the Board of Directors. Directors shall be notified ten days before the date of the meeting. A quorum will be formed by more than half of the Directors (including the proxies) attending a Board meeting in person. If a Director is unable to attend a Board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization. Directors attending Board meetings on behalf of other directors shall exercise their power as directors within their scope of authorization. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have waived his rights to vote at that meeting. Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the Board of Directors must be passed by more than half of all the Directors. Where the numbers of votes cast for and against a resolution are equal, the chairman shall have the right to cast an additional vote.

During the year ended 31 December 2021, there were two Board meetings held and all Directors attended the meetings that they were required to attend.

Board Diversity Policy

The Board first adopted a board diversity policy (the "Board Diversity Policy") in 23 December 2015 in accordance with the requirements set out in the CG Code and the Board Diversity Policy had been amended on 1 January 2019. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted: selection of candidate will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

Board of Supervisors

The Board of Supervisors consists of four Supervisors, comprising two representatives of employees (namely Mr. Lyu Xingliang and Mr. Zhou Jiangtao) and two external supervisors (namely Mr. Zhu Jialian and Mr. Chen Xiangjiang). Except for the employee representative Supervisors elected by employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of the Board of Supervisors include reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the financial activities of the Company, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a written service contract with our Group.

Model code for securities transactions

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules ("Model Code") as the Company's code of conduct regarding Directors' and supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the year ended 31 December 2021.

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.

COMPANY SECRETARY

The Group has appointed Mr. JinShuigen (金水根) as our company secretary. For details of Mr. Jin, please see the section headed "Biographical Details of Directors, Supervisors and Senior Management – Company Secretary".

The Company confirms that Mr. Jin has for the year of 2021 complied with Rule 3.29 of the Listing Rules and attended no less than 15 hours of relevant professional training.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Company's financial statements which give a true and fair view of the Company's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Company has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this report.

Internal controls and risk management

The Board recognizes its responsibility to ensure the Group maintains a sound and effective internal control system and risk management and the Board has conducted a review of the effectiveness of the internal control system and risk management of the Group during the year. The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Company's internal control and risk management systems are reasonably implemented and considered them efficient and adequate.

External Auditor

Ernst & Young has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges performed by Ernst & Young and considered that such services have no adverse effect on the independence of the external auditor.

For the year ended 31 December 2021, the fees payable to Ernst & Young in respect of its annual audit services provided to the Company was RMB2.1 million.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

The Company did not change the auditor over the past three years.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an EGM.

Right to convene extraordinary general meeting

When requesting the convening of an extraordinary general meeting or a class meeting, it shall be handled according to the following procedures:

(1) Shareholder(s), individually or collectively holding 5% or more of the shares carrying the right to vote at the meeting shall sign one or more written requests of the same form stating the subject of the meeting and requesting that the Board of Directors convene an extraordinary general meeting or a class meeting thereof. The Board of Directors shall convene an extraordinary or a class general meeting responsively after receipt of such request. The aforesaid amount of shareholding is calculated as on the day when the Shareholders make the request in writing.

(2) If the Board of Directors fails to send notification of the meeting within 20 days from the date of the receipt of such request, requesting Shareholders may call the meeting within four months of the date of the receipt of such request by the Board of Directors, and the procedures for calling the meeting shall remain as same as possible when the Board of Directors would call the meeting.

Shareholders can make enquiries to the Board and submit their written requisition by mailing to the Board or the company secretary of the Company at the Company's principal place of business in Hong Kong at 28/F, Henley Building, 5 Queen's Road Central, Central, Hong Kong or by fax at +86 573 8088 0902.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the AGM, the annual and interim reports, notices, announcements and circulars and the Company's website at www.jujiang.cn.

Constitutional Documents

During the year, there has been no change to the Company's constitutional documents.

ABOUT THIS REPORT

This is the Environmental, Social and Governance ("ESG") Report (the "ESG Report") of the Group for the year ended 31 December 2021, which outlines the principles and sustainably philosophy of the Group in fulfilling its corporate social responsibility ("CSR") and illustrates the relationship between the Group and its major stakeholders with a vision and commitments for its CSR.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The management will regularly report the relevant state to the Board.

During the year ended 31 December 2021 (the "Reporting Period"), the Group continued to improve its performance in fulfilling its CSR through diversified measures. The ESG report provides details of the Company's policies and practices in two aspects namely environmental and social for the Reporting Period.

REPORTING PRINCIPLES

To respect to the reporting principles, the Group ensures that ESG issues discussed in this Report are sufficiently important and material to investors and stakeholders including but not limited to shareholders, governments, employees, clients, suppliers and communities. In this report, Key Performance Indicators ("KPI") required by the ESG reporting guide are measurable such that the effectiveness of our ESG policies and management systems can be evaluated and validated continuously. The Group regularly collects KPIs related to environmental, social and governance issues and follows up on the Group's performance in relevant aspects to optimize and improve the disclosure of KPIs. Where applicable, the Group compares data for each year and discusses relevant trends and impacts.

In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that the stakeholders concerned most. Therefore, the Group defines the stakeholders as people who affect our business or who are affected by our business. In the daily business, the Group actively exchanges information with the stakeholders through the transparent platform while the Group is devoted to continuous improvement of the communication system. In addition, the Group is committed to maintaining a longterm partnership with the stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. The Group is dedicated to create a sustainable growth for the benefits of all the stakeholders.

Unless otherwise indicated, this report presents a fair comparison of the Group's historical performance by adopting a methodology consistent with its previous reports.

SCOPE OF THE ESG REPORT

The Group's core business is engaged in the construction contracting, design, survey, consultancy and other businesses in the PRC. The data disclosed in the ESG Report was collected from the main office of the Group in the PRC. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the ESG Report.

REPORTING FRAMEWORK

The Group has prepared the ESG report pursuant to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules. The ESG Report adhere to the reporting principles of the ESG Reporting Guide, and complies with the "Comply or Explain" provisions therein.

ACCESS OF THE ESG REPORT

The ESG report is released in both printed and online versions. The online version is available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.jujiang.cn).

This report is released in both English and Chinese versions. Should there be any discrepancies between the two versions, the English version shall prevail.

CONTACT INFORMATION

We highly appreciate and welcome your feedback on the ESG Report so that we may meet the stakeholder's interests and for our sustainability initiatives. For any enquires or recommendations, please forward to us at our principal place of business in Hong Kong, 28/F, Henley Building, 5 Queen's Road Central, Central, Hong Kong.

STAKEHOLDER ENGAGEMENT

Communication with stakeholders is very important to the Group. The Group has identified the key stakeholders, including shareholders, government and regulatory authorities, employees, business partners, the public and the community. The table sets out the Communication Channels and expectations of the major stakeholders.

Major stakeholders	Communication Channels	Expectations
Shareholders	• Annual general meeting and other shareholder meetings • Annual report and interim report • Announcements and circulars • Company's website • Meeting with investors	• Return on investment • Information disclosure and transparency • Protection of shareholders' rights and fair treatment of shareholders
Government and regulatory authorities	• Policy guidance • Response to public consultation in writing • Meeting	• Compliance with laws and regulations • Implementation of relevant regulatory policies, such as production safety, environmental protection and social responsibility • Proper tax payment
Employees	• Regular meetings and training • Performance assessment • Staff newsletters and broadcasts • Labour union	• Salary and welfare • Safe working environment • Fair career development opportunities

Major stakeholders	Communication Channels	Expectations
Customers	• Regular meetings • Site visit • Exhibition • Email	• High quality products and services • Group reputation and brand image
Business partners	• Business partner meetings • Site visit • Email • Tendering process • Purchase review	• Long-term partnership • Win-win cooperation • Fair purchase • Timely payment
The public and the community	• Site visit • Email • public newsletters and broadcasts	• Volunteer • Community visit • Donate

ENVIRONMENTAL

In the construction contracting business, there are different type of environmental issues. In order to address such issues, the Group aims to minimize the environmental impact of our operating activities. The Group has established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure our compliance with ISO14001:2015 standards and the relevant PRC laws and regulations. We have adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control, air pollution control, as well as solid waste and waste water treatment. Set forth below is a summary of the standard environmental protection measures we have implemented:

Environmental matter	Measures
Noise control	Use low-noise equipment and machinery Inspect and maintain all equipment before use to comply with permitted noise level Undertake works in accordance with the permitted working hours as specified by PRC law
Air pollution control	Suppress dust particles on construction sites by use of water Install dust screens as necessary Lower dust and harmful particles generated on construction sites through use of construction techniques and equipment
Solid waste disposal	Transport solid waste to landfills designated by local governments
Waste water treatment	Use sedimentation tanks to reduce the suspended solids in the waste water before being discharged Discharge rain and waste water separately

In addition, the Group have communicated with the people involved in the works including our employees and subcontractors about the environmental policy and educates them to meet the legal,contractual and other environmental requirements. The Group has been conducting regular review and update annually to ensure the proper operation of our environmental management system.

As mention above, the Group generally bears a low impact on emission except electricity consumption which is our major source of greenhouse gas ("GHG") emission and energy footprint. Despite that, the Group has strived to achieve environmental sustainability and has formulated relevant rules and regulations for a sound and effective management of energy consumption, emission, and use of resources as well as discharge of domestic waste and sewage and other pollutants, as highlighted below:

- comply with applicable environmental protection laws and regulations;
- define appropriate goals, objectives and targets on a regular basis for our ESG management approach;
- improve continuously the ESG management system and maintain rigorous standards;
- promote environmental awareness among the workforce with regular communication; and
- communicate our environmental performance to stakeholders and seek their involvement wherever applicable.

During the year ended 31 December 2021, the Group complied with applicable environmental protection laws and regulations in relation to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

CLIMATE CHANGE

Climate change is not just a change in the global temperature, it is also a change in the weather. It becomes an important environmental issue in the world. The Group has realised to identify and evaluate the risks imposed by climate change and has been implementing possible measures. In addition, the Group have been consolidating resources to strengthen governance, developing long-term strategies and expanding our climate-risk management capabilities.

Among all the phenomena of climate change, the Group realized that the rainstorms, floods, heatwaves, high temperature and severe typhoons had adverse impacts on our operation. The Group has sets up preventive measure and standard operating procedures and educates to our employees and subcontractors to prevent losses and incidents under the extreme weather events.

ENERGY CONSERVATION AND EMISSION REDUCTION

Reducing energy consumption and improving energy efficiency are keys to slowing down global climate change, and therefore the Group strives to improve its energy saving performance on operation and project development.

POWER CONSUMPTION CONTROL

The headquarters and other offices of the Group all adhere to the principle of energy conservation and environmental protection. Each office of the Group has formulated a guideline on the use of air-conditioners, where heaters are allowed in winter only when the temperature is below 0ºC, and air-conditioning are allowed during summer when the temperature is above 30ºC.

WASTE MANAGEMENT

The Group strictly complied with the Law of the PRC on Solid Waste Pollution Prevention and Control, Regulations on the Administration of Hazardous Waste Transfers, National Hazardous Waste List, Green Construction Guidelines and other related laws and regulations. The Group has established waste management system to classifies and disposes of waste generated during the construction and operation process. In the meantime, the Group aims at reducing generation of waste from business operation gradually in the future.

In the construction contracting business, the Group does not produce any ignitable, corrosive, reactive, toxic, etc. hazardous waste which is harmful to the environment. We will pay special attention on the management and treatment of hazardous waste if our future operations produces any hazardous waste. During the construction process, the Group generates non-hazardous wastes, such as construction wastes and other general wastes. In order to achieve the non-hazardous waste reduction target, the Group works closely with our employees and sub-contractors to require them to better utilize the construction materials, where part of the construction waste will be recycled and reused as raw materials for foundation of buildings. The rest of the wastes will be disposed as urban wastes in accordance with the relevant laws and regulations. No data regarding hazardous and non-hazardous waste were recorded during the year ended 31 December 2020 and 2021. The Group will closely monitor the hazardous and non-hazardous waste data and disclose the date from time to time.

Greenhouse Gas ("GHG") Emissions

During the course of the Group's operations, GHG emissions are generated from the usage of electricity consumption. The following table set forth the summary of GHG emissions performance of the Group during the year ended 31 December 2021.

	Total emissions (tCO_2e)	Intensity(Note 2) (tCO_2e/employee)
Indirect GHG emissions		
Electricity consumption	67,795.2	90.5

Notes:

1. Combined margin emission factor of 0.792 $tCO_2eq.$/MWh was used for electricity consumed the PRC; and

2. As at 31 December 2021, the Group had 749 employees in total. The data is also used for calculating other intensity data

Environmental performance

For our general daily operation, the environmental performance of "Use of Resources" during the year ended 31 December 2021 are shown as below.

	Unit	Total	Intensity (per employee)
Direct consumption –			
Electricity	MWh	85,600.0	114.3
Water	ton	93,400	125.7

Economical Use of Resources

The Group strictly complies with the requirements of Energy Conservation Law of the People's Republic of China and has formulated rules in relation to i) integrated planning of usage of water and electricity during production, proper arrangement for preheating and energy-consuming procedures for production workshops, turning off no load current equipment and shutting off the electric power once production is finished in accordance with the characteristics of production procedures generally; and ii) fostering awareness of water and electricity conservation among all staff and turning off lights, faucets, air conditioners and computers, etc. when the use of them is unnecessary to reduce the consumption of energy. In addition, the Group only sources water from municipal supply. The Group regularly reminds the employees and the subcontractors not to waste water unnecessarily and monitor the usage of the water, no abnormalities were observed.

There were no cases of non-compliance in relation to emissions and the environment within the reporting scope during the Reporting Period Looking ahead, we will continuously assess its environment risks so as to formulate appropriate response measures and regularly review.

Packing materials

The Group does not use cartons, paper and plastics as packaging materials. Therefore, the Company does not consume packaging materials.

The Group will continue to closely monitor the utilisation of resources and conduct regular assessment to seek better ways for contributing to environmental protection.

Environmental Targets

The Group considers that it has reached an optimal point in relation to emission control and resources use. The Group targets to maintain emission control and use of resource by intensity or by revenue, in next five years. Upon new systems and another optimal point are seen to be achievable, the Group will set a reduction target and disclose such goal from time to time.

SOCIAL

Employees

The Group believe that our long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of our employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve our employees' skills and technical expertise, we provide regular training to our employees. Besides these, the Group has made detailed regulations in its employee manual with respect to promotion, dismissal, working hours, vacations and other aspects.

The Group strictly complies with the Labour Law of the People's Republic of China, the Employment Promotion Law of the PRC, Social Insurance Law of the PRC, Law of the PRC on the Prevention and Control of Occupational Diseases and other laws and regulations, regulates employment management and effectively protects the rights and interests of employees. During the year ended 31 December 2021, the Group is not aware of any non-compliance with relevant laws and regulations regarding employee matters.

The Group mainly recruits through recruitment fairs and on-campus recruitment. As at 31 December 2021, we had a total of 1,146 employees, of which 672, or 58.6%, were based in Jiaxing, and 474, or 41.3%, were based in other areas in Zhejiang Province and in other provinces and regions in China. The following table sets forth the number and breakdown of our full-time employees by function as at year ended 31 December 2021:

	Number of employees
Project management	572
Quality and safety	289
Administrative and management	121
Design, survey and consultancy	52
Sales and marketing	65
Finance	47
Total	1,146

Employment statistics by gender, age and education level training

	2021	2020
Total number of employees	**1,146**	1,038
By gender:		
Total number of male employees	**928**	845
Total number of female employees	**218**	193
By employment type:		
Total number of full-time employees	**1,146**	1038
Total number of part-time employees	**–**	0
By age group:		
Employees within the age group below 30	**311**	293
Employees within the age group of 30-45	**544**	463
Employees within the age group of 46-60	**272**	270
Employees within the age group above 60	**19**	12
By geographic region:		
PRC	**1,145**	1037
Hong Kong	**1**	1
By education level：		
Junior high school and below	**164**	156
Senior high school and vocational training	**149**	126
College	**360**	328
Undergraduate and above	**473**	428

Benefits

To attract, motivate and retain talents, the Group has set up a compensation and benefits management system, and regularly reviews the compensation and benefits packages of employees to ensure their competitiveness in the market. The employment benefits provided by the Group include pension, medical insurance, high temperature subsidy, labour protection and training subsidy.

	2021	2020
Turnover rate of employees		
By gender:		
Turnover rate of male employees	5.3%	5.2%
Turnover rate of female employees	5.5%	2.6%
By employment type:		
Turnover rate of full-time employee	5.3%	4.7%
Turnover rate of full-time employee	–	0
By age group:		
Turnover rate of employees within the age group below 30	10.0%	9.90%
Turnover rate of employees within the age group of 30-45	3.9%	3.02%
Turnover rate of employees within the age group of 46-60	3.3%	2.22%
Turnover rate of employees within the age group above 60	0.0%	0.00%
By geographic region:		
PRC	5.3%	4.7%
Hong Kong	–	–

The Group has a labor union that protects our employees' rights, assists us in attaining the economic objectives of the Company, encourages employees to participate in management decisions and assists us in mediating disputes with union members.

OCCUPATIONAL HEALTH AND SAFETY

Safety Management system

The Group has in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations. Our quality and safety department, which is based at our headquarters, is responsible for overseeing our compliance with relevant PRC laws and regulations, conducting regular reviews and inspections of our safety performance, conducting review of any material accidents, and ensuring that we maintain the necessary licenses, approvals and permits to operate. We maintain ISO45001: 2018 certificates for our construction contracting business and our civil defense products manufacturing business. Such certificates have a validity period of three years (From 26 April 2020 to 23 April 2023).

Pursuant to Provisions on the Administration of Construction Enterprises' Work Safety Permits, we are required to meet a number of requirements, including but not limited to: (i) management personnel and the operators shall accept work safety education training; (ii) ensure that office areas and living quarters of the construction site and the construction operation space, safety appliances, machinery and equipment, construction machinery, tools and fittings comply with the relevant laws, regulations, standards and rules concerning work safety; and (iii) implement prevention and monitoring measures and emergency safety plan for construction works that are more dangerous and where serious accidents are more likely to occur.

During the year ended 31 December 2021, the Group was granted 26 construction safety awards at provincial-level, municipal-level or county-level, including 8 Safe and Civilised Construction Demonstration Sites in Zhejiang Province and Henan Province accredited by the Zhejiang Provincial Department of Construction and Henan Provincial Department of Construction.

Accident Rate Analysis

For the years ended 31 December 2020 and 2021, the accident rate on the Group's construction projects was 0.36 and 0.38 workplace accidents for every 1,000 workers, respectively. The Group accident rate equals the number of workplace accidents (including fractures and other injuries) during the relevant year or period divided by the annual average number of workers on our construction projects (including our project management personnel and subcontracted workers). Moreover, a table showing the Group's lost time injuries frequency rates ("LTIFR(s)") (Note) is set out below:

For the years ended 31 December	
2019	Less than 0.01
2020	Less than 0.01
2021	Less than 0.01

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year to divide the number of recordable cases and multiply by 1,000,000. It is assumed that the working hours of each worker is 10 hours per day.

For the three years ended 31 December 2021, the number of workplace accidents (including fractures and other injuries) and work-related fatalities occurred on our construction sites were as follows:

For the year ended 31 December	Number of workplace accidents	Number of work-related fatalities
2019	4	–
2020	4	–
2021	5	–

Having considered the number of accidents and fatalities nationally and in Zhejiang Province during 2019, 2020 and 2021, the Directors believe that we did not have a high accident or fatality number during the year ended 31 December 2021.

Training

The Group provides different career development and training programs to all levels of staff. Continuous learning is one of our core values. Employees may be provided with in-house training sessions or may enrol in external training courses, such as seminars, workshops, visits and demonstrations, so as to upgrade their skills and strengthen their knowledge, thus enabling them to fulfil their duties more efficiently.

	2021	2020
Total number of employees received training	**1,146**	1,038
Total number of male employees received training	**928**	845
Total number of female employees received training	**218**	193
Total number of senior management received training	**18**	19
Total number of middle management received training	**149**	147
Total number of the rest of staffs received training	**979**	872
Average training hours for male employee	**9.5**	8.9
Average training hours for female employee	**12.6**	14.7
Average training hours for senior management	**19.9**	12.0
Average training hours for middle management	**31.1**	26.2
Average training hours for the rest of staffs	**6.7**	7.1

Fair recruitment

The Group recruits staff based on a fair, open and impartial principle to ensure the recruitment and selection process is objective and consistent. The Company only take into account an individual's competence, regardless of the age (no recruitment of minors under the age of 16), nationality, race, gender, religion, pregnancy or disability. This process avoids any employment discrimination and offers equal employment opportunities to all candidates.

Employment

The Company strictly followed Labour Law of the PRC, Law of the PRC on Employment Contracts and Provisions on the Prohibition of Using Child Labour to recruit and manage staff and expressly specified that the Group must follow the policies such as national labour law and forbid employing child labours younger than 16 years old, forbid forcing the staff to do the jobs at certain post or to work, and forbid all types of compulsory work. The Company also forbids taking punitive measures, management means and behaviours like abusing, corporal punishment, violence, spirit oppression, sexual harassment (including improper language, posture and body contact) or sexual abuse. In addition, the Company regularly provides the management with education training in terms of management ability and skills to further avoid the occurrence of events aforesaid. The Group has zero tolerance on any undesirable practices and takes responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions accordingly.

Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour in any form. New employees are required to provide true and accurate personal data when they are onboard. During the Reporting Period, the Group strictly complied with the relevant laws and regulations, in relation to the prevention of child labour or forced labour. No material non-compliance with the laws and regulations has been found by the Group.

Supply Chain Management

The Group recognises that supply chain management is essential in improving operational efficiency, and therefore we work closely with our suppliers and contractors to meet customers' needs in an effective and efficient manner, while emphasising responsible operating practices. The Group has implemented several measures to manage the environmental and social risks of the supply chain of the Group. In addition, the Group closely monitors the budget and materials used in order to avoid unnecessary waste and increase to use recyclable material in the projects.

We manage the procurement of principal raw materials separately from the procurement of other raw materials. The other raw materials are procured by the project management department upon receiving approval from the procurement department. As for principal raw materials, the procurement department maintains a list of qualified suppliers, from which the project management department procures on an as-needed basis. Qualified suppliers are selected based on various criteria, including pricing, quality, record of timely delivery, location, supply capacity, credit terms, environmental protection assessment and customer service. The list of qualified suppliers is reviewed annually by assessing assess their performance and inspecting the products quality during the course of project development. During the reporting period, all of our major suppliers were domestic companies, with whom we have established long-term relationships of three to ten years. We may procure principal raw materials from suppliers not on the list of qualified suppliers only in special circumstances and such procurement must be reviewed by the relevant project manager and approved by the procurement department. As of 31 December 2021, we had a total of 694 suppliers (2020: 880 suppliers with transactions amounts over RMB1.0 million, which include raw material suppliers and subcontractors.

The typical environmental and social issues associated with our operations include environmental pollution, hazards to occupational health and safety, impacts on communities and compliance with the environmental-related and social-related laws and regulations. The Group has requested our long term suppliers to use more environmental-friendly materials and to comply with all relevant laws and regulation, social and environmental requirements.

Most of our equipment and machinery are procured domestically from manufacturers in China, with whom we have established long-term relationships. We select our equipment and machinery suppliers based on numerous factors, including quality, pricing, reputation and aftersales services. We have in place a strict policy and approval system for the procurement of equipment and machinery.

QUALITY CONTROL AND MANAGEMENT

Stringent quality control is critical to the Group's reputation and success. As such, we adopt comprehensive quality control measures to ensure the high quality of our construction contracting services. Our quality and safety department is responsible for the adoption of quality control measures and periodic inspections of our operations. The following is a summary of the key quality control measures we implement:

- Inspection of raw materials. We inspect raw materials in accordance with our quality standards and the specifications of our customers. We are typically required to provide a product certificate and obtain our customer's approval before using such raw materials in our construction projects;

- Training. We provide training to our project management teams and our subcontracted workers to ensure their understanding of, and compliance with, our quality standards on a monthly basis. In addition, our project management team also holds daily assemblies with our subcontracted workers to review construction safety measures and precautions;

- Standardized construction. We implement standardized construction methods and technologies in all of our construction projects. For large-scale and complex construction projects, we may set up construction process demonstration areas on project sites, where key standardized construction methods and processes are exhibited or detailed to ensure our compliance with such methods and processes;

- Onsite inspections and rectification. We conduct periodic inspections and spot checks on our construction projects, and require our personnel to implement immediate rectification measures if any quality control issues are identified. Upon rectification, we re-inspect the quality control issues to ensure that such issues have been resolved. As required by our customers, independent surveyors will conduct periodic inspections and spot inspections of our construction projects. Inspection results will be documented in a monthly report, setting forth an assessment of construction quality, our construction progress and targets for construction progress and construction quality in the next month;

- Quality control review. After the completion of each project and at the end of each quarter, we conduct a comprehensive review and analysis of any quality control issues. In addition, we survey our customers for feedback on an annual basis and after completion of each project to improve the quality of our services and products;

- Subcontractors. We require our construction subcontractors to fully abide by our quality control measures when performing work for our construction projects.

During the years ended 31 December 2021 and 2020, the Group maintained ISO9001:2015 certificates for our construction contracting business. The construction works delivered by us to our customers had fulfilled the specifications and requirements under the contracts, applicable statutory and regulatory requirements. The Group did not experience any material quality issues or receive any material complaints about the quality of our construction projects.

The Group relies on a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property rights. As at 31 December 2021, the Group owned 88 trademarks, 67 patents and 6 domain names in China and 2 trademarks in Hong Kong (2020: 88 trademarks, 56 patents and 6 domain names in China and 2 trademarks in Hong Kong).

During the years ended 31 December 2021 and 2020, the Group was in compliance with the applicable rules and regulations governing health and safety, advertising, labelling and privacy matters relating to works and services provided.

Data Protection and Privacy Policies

The Company stringently complies with Tort Law of the People's Republic of China and all employees are prohibited from disclosing any confidential information under the Company's confidentiality policy. Data including project-related information and other sensitive information is subject to access control to ensure its security and prevent any abuse or misuse.

Bribery, corruption and other misconduct

In addition to strict compliance with the Criminal Law of the PRC and Anti-Corruption Law of the PRC, the Group has established employee handbook according to its features and circumstances, to regulate our employees' conduct with respect to conflicts of interest, bribery, corruption and other misconduct. We provide regular training for our employees to emphasize the importance of employees' conduct and refresh their knowledge on the reporting system on employees' misconduct. Moreover, training in connection with anti-bribery rules and regulations under the PRC laws from our PRC Legal Advisers will be arranged for our Board and senior management team to enhance their awareness of the effect and consequences of bribery. An effective whistle blowing policy is also in place to minimize the risk of fraudulent acts, criminal offences or wrongdoings occurring in the workplace and to allow our staff to report such matters in confidential manner. All reported cases will be investigated thoroughly and appropriate corrective, disciplinary or legal actions will be taken based on the findings. During the years ended 31 December 2021 and 2020, no cases of corruption, bribery and other misconduct were observed by the Group.

COMMUNITY INVOLVEMENT/CHARITABLE DONATIONS

The Group is committed to fulfilling its CSR and continues to dedicate its internal resources to charitable activities. During the year ended 31 December 2021, the Group donated a total of approximately RMB436,000 to the charities for sponsorship or in-kind sponsorship to voluntary service to the communities who in needs (2020: RMB457,000).

The Group also actively participated in community activities, such as engaging in voluntary community services, poverty alleviation and anti-epidemic activities.

FUTURE DIRECTION

The Group recognises the importance of CSR, and strives to improve its performance in this aspect going forward. As our businesses continue to expand, we will strive to promote our CSR initiatives to all operation units and communities where our businesses are located.

We will continue to work hard on various aspects to improve our performance in CSR, including:

- Continue to reinforce and comply with sustainable environmental practices;
- Continue to enhance the occupational health & safety standards; and
- Continue to ensure positive contribution to good CSR practices from the tendering stage of each project.

The Group will regularly review this CSR policy to ensure the CSR initiatives and performance address the needs of the society in this ever-changing environment.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Jujiang Construction Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Jujiang Construction Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 154, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in *the Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction contracts	
During the year ended 31 December 2021, the Group recognised revenue arising from construction services of approximately RMB9,957 million. Construction revenue is recognised by applying an input method based on the proportion of actual costs incurred relative to the estimated total costs in fulfilling the relevant performance obligations. The application of the input method involves the use of management's significant judgements and estimates, including estimates of total contract revenues, total contract costs, future completion costs and contract risks. The management of the Group continues to re-appraise total costs according to the scope of deliveries and services required. In addition, revenue, cost of sales and gross profit realised on such contracts can vary from the Group's original estimates because of changes in conditions. The Group's disclosures about revenue are included in notes 3.3, 4 and 6 to the consolidated financial statements.	We evaluated and tested the Group's controls over the budgeting process of contract costs including the assessment of the historical accuracy of the budget for completed projects, accounting process of contract revenues and the calculation of the progress towards completion of the construction service. We reviewed a number of significant construction contracts and checked the total contract value and key contract terms. We checked the contract costs incurred by reviewing the related documents such as documents of settlement and supplier invoices on a sample basis. We inspected selected construction work sites and discussed the progress with construction surveyors and the managers of the projects to assess the consistency between the construction status and the related progress calculated from the input method. We re-calculated the revenues recognised under the input method and performed analytical review procedures according to different types of construction contracts.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses ("ECL") of receivables and contract assets	
As at 31 December 2021, trade receivables, other receivables and contract assets, in aggregate, amounted to approximately RMB4,181 million, representing 68% of total assets. The impairment of trade receivables, other receivables and contract assets was assessed based on the allowance for expected credit losses ("ECL"). The management of the Group determines the ECL of trade receivables, other receivables and contract assets based on the historical collection trend, current economic and business conditions and forward-looking information. These assessments involved significant judgement from management including the judgement on the impact of COVID-19 on the customers' businesses. Accordingly, we determined this as a key audit matter. The Group's disclosures of the provision for expected credit losses of trade receivables, other receivables and contract assets are included in notes 3.3, 4, 20, 21 and 22 to the consolidated financial statements.	We evaluated and tested the Group's internal controls on assessing impairment of trade receivables, other receivables and contract assets. We tested and checked the accuracy of the ageing of receivable and contract asset balances. We evaluated management's judgement over the ECL and creditworthiness of the customers by assessing, on a sample basis, the available information, such as background information of the customers, the Group's actual loss experience by examining the customers' payment records during the current year and subsequent to the end of the reporting period, as well as the historical collection records, and forward-looking factors including the impact of COVID-19. We checked the arithmetic accuracy of the ECL calculated by management.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hsu Lung Wu.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	6	**10,047,929**	8,007,710
Cost of sales	8	**(9,576,847)**	(7,614,963)
Gross profit		**471,082**	392,747
Other income and gains	6	**28,111**	8,502
Administrative expenses		**(160,511)**	(126,773)
Impairment losses on financial and contract assets, net		**(106,525)**	(15,463)
Other expenses		**(65,611)**	(27,301)
Finance costs	7	**(59,789)**	(84,883)
PROFIT BEFORE TAX	8	**106,757**	146,829
Income tax expense	10	**(13,327)**	(29,426)
PROFIT FOR THE YEAR		**93,430**	117,403
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**93,430**	117,403
Profit attributable to:			
Owners of the parent		**93,821**	115,351
Non-controlling interests		**(391)**	2,052
		93,430	117,403
Total comprehensive income attributable to:			
Owners of the parent		**93,821**	115,351
Non-controlling interests		**(391)**	2,052
		93,430	117,403
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)	12	**0.18**	0.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**174,606**	140,431
Investment properties	14	**15,628**	16,196
Right-of-use assets	15(a)	**22,418**	19,287
Goodwill		**1,162**	1,162
Other intangible assets	16	**95,758**	102,728
Deferred tax assets	17	**47,146**	33,263
Long term receivables	19	**127,693**	–
Total non-current assets		**484,411**	313,067
CURRENT ASSETS			
Inventories	18	**24,169**	20,379
Non-current assets due within one year	19	**7,791**	–
Trade and bills receivables	20	**2,578,408**	2,301,446
Contract assets	22	**2,062,956**	2,267,566
Prepayments, other receivables and other assets	21	**623,264**	576,782
Financial assets at fair value through profit or loss	34	**10,291**	–
Pledged deposits	23	**123,239**	122,431
Cash and cash equivalents	23	**248,167**	184,428
Total current assets		**5,678,285**	5,473,032
CURRENT LIABILITIES			
Trade and bills payables	24	**3,173,687**	2,901,455
Other payables and accruals	25	**483,496**	446,511
Interest-bearing bank and other borrowings	26	**507,529**	510,891
Tax payable		**218,029**	220,563
Total current liabilities		**4,382,741**	4,079,420
NET CURRENT ASSETS		**1,295,544**	1,393,612
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,779,955**	1,706,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**171,983**	173,394
Total non-current liabilities		**171,983**	173,394
Net assets		**1,607,972**	1,533,285
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**533,360**	533,360
Reserves	28	**1,048,354**	972,606
		1,581,714	1,505,966
Non-controlling interests		**26,258**	27,319
Total equity		**1,607,972**	1,533,285

Lyu Yaoneng
Director

Lyu Dazhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to owners of the parent							
		Share capital	Capital reserve*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020		533,360	188,665	–	76,256	611,805	1,410,086	26,178	1,436,264
Profit for the year		–	–	–	–	115,351	115,351	2,052	117,403
Total comprehensive income for the year		–	–	–	–	115,351	115,351	2,052	117,403
Appropriation to statutory surplus reserve		–	–	–	14,490	(14,490)	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(911)	(911)
Transfer to special reserve	(i)	–	–	155,084	–	(155,084)	–	–	–
Utilisation of special reserve	(i)	–	–	(155,084)	–	155,084	–	–	–
Disposal of a subsidiary		–	–	–	(903)	903	–	–	–
Final 2019 dividend declared		–	–	–	–	(19,471)	(19,471)	–	(19,471)
As at 31 December 2020 and 1 January 2021		533,360	188,665	–	89,843	694,098	1,505,966	27,319	1,533,285
Profit for the year		**–**	**–**	**–**	**–**	**93,821**	**93,821**	**(391)**	**93,430**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**93,821**	**93,821**	**(391)**	**93,430**
Appropriation to statutory surplus reserve		**–**	**–**	**–**	**9,926**	**(9,926)**	**–**	**–**	**–**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**(670)**	**(670)**
Transfer to special reserve	(i)	**–**	**–**	**203,154**	**–**	**(203,154)**	**–**	**–**	**–**
Utilisation of special reserve	(i)	**–**	**–**	**(203,154)**	**–**	**203,154**	**–**	**–**	**–**
Final 2020 dividend declared		**–**	**–**	**–**	**–**	**(18,073)**	**(18,073)**	**–**	**(18,073)**
As at 31 December 2021		**533,360**	**188,665**	**–**	**99,769**	**759,920**	**1,581,714**	**26,258**	**1,607,972**

* As at 31 December 2021, these reserve accounts comprise the consolidated reserves of RMB1,048,354,000 (31 December 2020: RMB972,606,000) in the consolidated statement of financial position.

Note:

(i) Pursuant to the *Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation* (Cai Qi [2012] No.16) and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation*, issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from profit after tax an amount for a safety reserve at 1.5% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**106,757**	146,829
Adjustments for:			
Finance costs	7	**59,789**	84,883
Interest income	6,8	**(10,095)**	(1,188)
Loss on disposal of a subsidiary	8	**–**	6,385
Depreciation of items of property, plant and equipment	8	**12,122**	11,544
Depreciation of investment properties	8	**568**	283
Amortisation of other intangible assets	8	**7,077**	793
Depreciation of right-of-use assets	8	**2,605**	1,497
Impairment of trade receivables	8	**66,115**	17,176
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other asset	8	**2,128**	(2,236)
Impairment of contract assets	8	**38,282**	523
Loss/(gain) on disposal of items of property, plant and equipment, net	8	**1**	(3)
		285,349	266,486
(Increase)/decrease in inventories		**(3,790)**	17,136
Decrease in contract assets		**30,844**	284,808
Increase in trade and bills receivables		**(406,670)**	(584,902)
Increase in prepayments, other receivables and other assets		**(48,610)**	(59,144)
Decrease in financial assets at fair value through profit or loss		**53,302**	20,446
Decrease/(increase) in pledged deposits		**2,369**	(29,104)
Increase in trade and bills payables		**272,232**	69,087
Increase/(decrease) in other payables and accruals		**34,597**	(38,950)
Cash generated from/(used in) operations		**219,623**	(54,137)
Interest received		**9,473**	1,188
Income tax paid		**(29,744)**	(22,765)
Net cash flows from/(used in) operating activities		**199,352**	(75,714)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(46,539)**	(17,504)
Payments for acquisition of other intangible assets		**(107)**	(36,642)
Proceeds from disposal of items of property, plant and equipment		**241**	261
Other interest income from financial assets at fair value through profit or loss		**622**	–
Disposal of a subsidiary		**–**	2,534
Net cash flows used in investing activities		**(45,783)**	(51,351)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(33,476)**	(25,757)
Other finance costs paid		**(26,313)**	(59,126)
New bank loans		**887,130**	589,659
Repayment of bank loans		**(895,588)**	(464,726)
Deposits (paid)/received for bank loans		**(3,177)**	16,799
Dividends paid to shareholders		**(18,074)**	(19,471)
Dividends paid to non-controlling shareholders		**(670)**	(911)
Principal portion of lease payments		**(2,050)**	(965)
Repayment of loans from third parties		**(13,000)**	–
Loans from third parties		**15,388**	2,000
Net cash flows (used in)/from financing activities		**(89,830)**	37,502
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**63,739**	(89,563)
Cash and cash equivalents at beginning of year		**184,428**	273,991
CASH AND CASH EQUIVALENTS AT END OF YEAR		**248,167**	184,428
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**248,167**	184,428
Cash and cash equivalents as stated in the statement of financial position		**248,167**	184,428
Cash and cash equivalents as stated in the statement of cash flows		**248,167**	184,428

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was involved in the following principal activities:

- 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., which is incorporated in the PRC.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Notes	Place and date of incorporation/ registration and business	Share capital	Percentage of equity attributable to the Company Direct	Principal activities
Tongxiang City Jujiang Lifting Equipment Installation Co., Ltd. ("桐鄉市巨匠起重設備安裝有限公司")	(a)	The PRC/Mainland China May 2006	RMB1,600,000	100%	Installation, disassembly and rental of construction lifting equipment
Tongxiang City Jujiang Curtain Wall Installation Engineering Co., Ltd. ("桐鄉市巨匠建築幕牆安裝工程有限公司")	(a)	The PRC/Mainland China March 2009	RMB5,000,000	85%	Installation of architectural walls
Jiaxing Jujiang Defence Equipment Co., Ltd. ("嘉興巨匠防護設備有限公司")	(a)	The PRC/Mainland China April 2013	RMB15,800,000	66.5%	Civil defence products manufacturing business

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's subsidiaries are as follows: *(Continued)*

Name	Notes	Place and date of incorporation/ registration and business	Share capital	Percentage of equity attributable to the Company Direct	Principal activities
Tongxiang City Youth Quality Education Practice Base Co., Ltd. ("桐鄉市青少年素質教育實踐基地有限責任公司")	(a)	The PRC/ Mainland China November 2015	RMB60,000,000	80%	Building and operation of a quality education practice base for youth
Jujiang Construction (India) Private Limited ("巨匠建設(印度)私人有限公司")	(b)	The Republic of India August 2018	Rs6,704,500	100%	Construction contracting
Zhejiang Yunjiang Digital Construction Technology Research Institute Co., Ltd. ("浙江雲匠數字建造技術研究院有限公司")	(a)	The PRC/Mainland China June 2020	RMB10,000,000	100%	Technology consulting
Henan Jujiang Construction Engineering Co., Ltd. ("河南巨匠建築工程有限公司")	(a),(c)	The PRC/Mainland China March 2020	RMB40,000,000	100%	Construction contracting
Tongxiang City Jujiang Vocational Training School Co., Ltd. ("桐鄉市巨匠職業技能培訓學校有限公司")	(a),(d)	The PRC/Mainland China May 2021	RMB2,000,000	100%	Vocational training

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's subsidiaries are as follows: *(Continued)*

Notes:

(a) Registered as limited liability companies under PRC law.

(b) Registered as limited liability company under India law.

(c) On 11 November 2020, the Company acquired a 100% equity interest of Henan Shunpo Construction Engineering Co., Ltd. Shunpo was subsequently, in 2021, renamed to Henan Jujiang Construction Engineering Co., Ltd. ("Henan Jujiang").

(d) On 25 May 2021, the Company established Tongxiang City Jujiang Vocational Training School Co., Ltd. ("Training School"). The registered capital of Training School was RMB2,000,000, which was 100% owned by the Company.

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 financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. 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 period 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.

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9 IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions* beyond 30 June 2021 (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

(a) *(Continued)*

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate ("LPR") and benchmark interest rate for loans issued by the People's Bank of China as at 31 December 2021. The Group expects that LPR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's LPR-based borrowings. For the LPR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10, and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is 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 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 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 resulting from a downstream transaction 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 was removed by the IASB in December 2015 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 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its bills receivables at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that is previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	
Buildings	1.90% to 4.71%
Plant and machinery	4.75% to 19.00%
Leasehold improvements	18.33% to 20.00%
Office equipment and others	9.50% to 32.33%
Motor vehicles	19.00% to 23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less depreciation and impairment losses, if any.

Depreciation is calculated using a straight-line method write off the cost less accumulated loss of the asset over its estimated useful life. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Any gains or losses on the retirement or disposal of an investment property is recognised in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased computer software licence is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Concession

The Group is engaged in a certain service concession arrangement in which the Group carries out construction work in exchange a right to operate the asset concerned in accordance with IFRIC Interpretation 12 *Service Concession Arrangements* (IFRIC 12), the asset under the concession arrangement may be classified as an intangible asset or a financial asset.

The asset is classified as an intangible if the operator receives a right (a licence) to charge users of the public service or as a financial asset if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group classifies the non-current assets linked to the long-term investment in the concession arrangement as a "concession intangible asset" within intangible assets on the statement of financial position if the intangible asset model is adopted. Such concession assets represent the consideration received for its construction service rendered.

Once the underlying infrastructure of the concession arrangement is completed, the concession intangible asset is amortised over the term of the concession using the straight-line method under the intangible asset model.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Buildings	2 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption to leases of underlying assets with value, when new, below RMB30,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables and other payables, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(c) Provision of design and other services

Revenue from the provision of design and other services is recognised over time, using an input method to measure progress toward satisfaction of the service, because the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date; or at a point upon the completion of services.

(d) Principal versus agent

The Group determines whether it is a principal or an agent in the transactions by evaluating whether it controls each specified good or service before that good or service is transferred to the customer. The Group is a principal and recognises revenue in the gross amount of consideration received or receivable if it controls the specified good or service before that good or service is transferred to a customer. Otherwise, the Group is an agent and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party, or is determined by certain agreed amounts or proportions.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 4.41% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Social pension plans

The Group has social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Apart from those described above, the Group does not have any legal or constructive obligations over employee benefits.

Production safety expenses

The Group accrues for production safety expenses pursuant to the *Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation* (Cai Qi [2012] No.16) and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation,* issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided for as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when they are ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary which arises throughout the year are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Measurement of progress toward complete satisfaction of construction services

The Group uses the input method to measure the progress toward satisfaction of the performance obligations, and specifically, the proportion of actual construction costs incurred relative to the estimated total costs. Actual construction costs incurred include direct and indirect costs in the process of transferring goods from the Group to customers. The Group believes that the contract price is based on construction costs. Therefore, the proportion of actual construction costs incurred relative to the total expected costs can reflect the progress toward satisfaction of construction service. Since the duration of construction is relatively long and it may cover more than one accounting period, the Group will review and revise the budget as the contract carries forward, and adjust revenue accordingly.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Business model

The classification of financial assets upon initial recognition depends on the business model of the Group for managing financial assets. In judging the business model, the Group considers enterprise evaluation, the way of reporting the performance of financial assets to key management personnel, risks affecting the performance of financial assets and their management methods, as well as the way in which relevant business management personnel are paid, etc. In assessing whether to collect the contractual cash flows as the target, the Group needs to analyse and judge the reason, timing, frequency and amounts of the sale of financial assets before the maturity date.

Contractual cash flow characteristics

The classification of financial assets upon initial recognition depends on the contractual cash flow characteristics of financial assets. It is necessary to judge whether the contractual terms only give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, whether there are significant differences compared with the benchmark cash flows when evaluating the correction of the time value of money, and whether the fair value of the prepayment feature is insignificant for financial assets that include a prepayment feature, etc.

Determining whether an arrangement contains a lease

The Group has entered into general equipment lease arrangements in some construction projects. According to these lease arrangements, there is no identified asset or the supplier has substantive substitution rights for the general equipment. Thus, these general equipment lease arrangements do not contain a lease, the Group takes them as service acceptance.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Progress of completion of construction and service works

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts and is recognised using the input method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

Estimation of total budgeted costs and cost to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contracts for services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and service overheads. In estimating the total budgeted costs for construction contracting and contracts for services, management refers to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

Provision for expected credit losses on trade receivables, other receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables, other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables, other receivables and contract assets is disclosed in note 20, note 21 and note 22 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5. OPERATING SEGMENT INFORMATION

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

(a) Construction contracting – provision of construction services;

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

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

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

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

Year ended 31 December 2021

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Note:

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

Year ended 31 December 2020

	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 6)				
Sales to external customers	7,916,310	91,400	–	8,007,710
Intersegment sales	–	15,498	(15,498)	–
Total revenue	7,916,310	106,898	(15,498)	8,007,710
Profit before tax	150,582	2,508	(6,261)	146,829
Income tax expense	(28,482)	(944)	–	(29,426)
Segment results	122,100	1,564	(6,261)	117,403
Segment assets	5,551,350	383,092	(148,343)	5,786,099
Segment liabilities	4,044,428	288,915	(80,529)	4,252,814
Other segment information:				
Interest income	1,101	87	–	1,188
Finance costs	79,314	5,569	–	84,883
Depreciation	11,529	1,795	–	13,324
Amortisation	711	82	–	793
Impairment losses on financial and contract assets, net	15,206	257	–	15,463
Capital expenditure*	15,386	38,760	–	54,146

Note:

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

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

Information about major customers

No revenue was derived from the provision of services or sales to a single customer which accounted for 10% or more of the Group's revenue, including the provision of services or sales to a group of entities which are known to be under common control with any single customer during 2021 and 2020.

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers	**10,047,929**	8,007,710

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

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

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2020

Segments	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Types of goods or service			
Construction contracting	7,916,310	–	7,916,310
Design, survey and consultancy	–	36,564	36,564
Sale of construction materials and civil defence products	–	54,836	54,836
Total revenue from contracts with customers	7,916,310	91,400	8,007,710
Geographical market			
Mainland China	7,916,310	91,400	8,007,710
Total revenue from contracts with customers	7,916,310	91,400	8,007,710
Timing of revenue recognition			
Services transferred over time	7,916,310	12,873	7,929,183
Goods and services transferred at a point in time	–	78,527	78,527
Total revenue from contracts with customers	7,916,310	91,400	8,007,710

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information (Continued)

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 2021

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

For the year ended 31 December 2020

	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers			
Sales to external customers	7,916,310	91,400	8,007,710
Intersegment sales	–	15,498	15,498
	7,916,310	106,898	8,023,208
Intersegment adjustments and eliminations	–	(15,498)	(15,498)
Total revenue from contracts with customers	7,916,310	91,400	8,007,710

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information (Continued)

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:

	2021 RMB'000	2020 RMB'000
Construction services	71,798	220,306
Sale of goods	3,936	29,887
Design, survey and consultancy	23,256	1,940
	98,990	252,133

(ii) Performance obligations

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

Construction contracting

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

Design, survey and consultancy

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

Sale of construction materials and civil defence products

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

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations (Continued)

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

	2021	2020
	RMB'000	RMB'000
Total remaining performance obligations	**18,762,904**	17,048,372

Based on the information available to the Group at the end of the reporting period, the management of the Company expects the transaction prices allocated to the contracts for projects under construction as at 31 December 2021 amounting to RMB14,578,910,000 will be recognised as revenue in the next six months to three years.

The transaction prices allocated to the contracts which are signed but have not yet commenced as at 31 December 2021 totaling RMB4,186,015,000 are expected to be recognised as revenue in six months to three years once the construction permits are obtained by the customers. The amounts disclosed above do not include variable consideration which is constrained.

	2021	2020
	RMB'000	RMB'000
Other income		
Interest income	**9,473**	1,188
Government grants*	**14,572**	6,651
Gross rental income from investment property operating leases	**790**	–
Other interest income from financial assets at fair value through profit or loss	**622**	–
Others	**1,675**	–
	27,132	7,839
Gains		
Others	**979**	663
	28,111	8,502

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

7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank loans and other borrowings	**33,365**	28,472
Factoring expense	**22,394**	41,475
Discount expense on bills receivable	**3,919**	17,651
Interest on lease liabilities	**756**	592
	60,434	88,190
Less: Interest capitalised	**645**	3,307
	59,789	84,883

8. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of construction contracting (including depreciation)		**9,532,698**	7,546,216
Cost of others		**44,149**	68,747
Total cost of sales		**9,576,847**	7,614,963
Depreciation of items of property, plant and equipment	13	**12,122**	11,544
Depreciation of investment properties	14	**568**	283
Depreciation of right-of-use assets	15(a)	**2,605**	1,497
Amortisation of other intangible assets	16	**7,077**	793
Total depreciation and amortisation		**22,372**	14,117
Research and development costs:			
Current year expenditure		**312,553**	2,662
		312,553	2,662
Impairment of financial and contract assets, net:			
Impairment of trade receivables	20	**66,115**	17,176
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	21	**2,128**	(2,236)
Impairment of contract assets	22	**38,282**	523
Total impairment losses, net		**106,525**	15,463
Lease payments not included in the measurement of lease liabilities		**98**	313
Auditors' remuneration		**2,193**	2,227
Employee benefit expenses (including directors' and supervisors' remuneration) (note (a)):		**98,425**	79,896
– Wages, salaries and allowances		**74,508**	64,505
– Social insurance		**22,062**	13,262
– Welfare and other expenses		**1,855**	2,129
Interest income	6	**(10,095)**	(1,188)
Loss/(gain) on disposal of items of property, plant and equipment, net		**1**	(3)
Fair value losses, net: bills receivable		**63,593**	20,446
Losses on disposal of a subsidiary		**–**	6,385
Foreign exchange differences, net		**33**	(130)

8. PROFIT BEFORE TAX *(Continued)*

Note:

(a) Employee benefit expenses of approximately RMB98,425,000 (2020: RMB79,896,000) are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 **RMB'000**	2020 RMB'000
Fees	**223**	263
Others emoluments:		
– Salaries, allowances and benefits in kind	**2,369**	2,330
– Performance-related bonuses	**1,030**	540
– Pension schemes	**54**	53
	3,676	3,186

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' and supervisors' remuneration *(Continued)*

The names of the directors and supervisors and their remuneration for the reporting period are as follows:

Year ended 31 December 2021

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors					
Mr. Lyu Yaoneng (呂耀能)	–	416	350	–	766
Mr. Zheng Gang (鄭剛)	–	311	150	8	469
Mr. Li Jinyan (李錦燕)	–	295	150	8	453
Mr. Lu Zhicheng (陸志城)	–	241	–	7	248
Mr. Lyu Dazhong (呂達忠)	–	273	150	8	431
Mr. Shen Haiquan (沈海泉)	–	241	–	7	248
	–	1,777	800	38	2,615
Independent Non-executive Directors					
Mr. Wong Ka Wai (王加威)	101	–	–	–	101
Mr. Ma Tao (馬濤)	41	–	–	–	41
Mr. Yu Jingxuan (余景選)	81	–	–	–	81
	223	–	–	–	223
Supervisors					
Mr. Zou Jiangtao (鄒江滔)	–	230	80	8	318
Mr. Lyu Xingliang (呂興良)	–	240	150	8	398
Mr. Chen Xiangjiang (陳祥江)	–	61	–	–	61
Mr. Zhu Jialian (朱家煉)	–	61	–	–	61
	–	592	230	16	838
	223	2,369	1,030	54	3,676

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' and supervisors' remuneration *(Continued)*

Year ended 31 December 2020

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors					
Mr. Lyu Yaoneng (呂耀能)	–	406	125	9	540
Mr. Zheng Gang (鄭剛)	–	304	85	7	396
Mr. Li Jinyan (李錦燕)	–	299	105	7	411
Mr. Lu Zhicheng (陸志城)	–	241	5	5	251
Mr. Lyu Dazhong (呂達忠)	–	257	105	7	369
Mr. Shen Haiquan (沈海泉)	–	241	5	5	251
	–	1,748	430	40	2,218
Independent Non-executive Directors					
Mr. Wong Ka Wai (王加威)	101	–	–	–	101
Mr. Lin Tao (林濤)	81	–	–	–	81
Mr. Yu Jingxuan (余景選)	81	–	–	–	81
	263	–	–	–	263
Supervisors					
Mr. Zou Jiangtao (鄒江滔)	–	227	25	6	258
Mr. Lyu Xingliang (呂興良)	–	233	85	7	325
Mr. Chen Xiangjiang (陳祥江)	–	61	–	–	61
Mr. Zhu Jialian (朱家煉)	–	61	–	–	61
	–	582	110	13	705
	263	2,330	540	53	3,186

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' and supervisors' remuneration *(Continued)*

During the reporting period, there were no arrangements under which a director or a supervisor waived or agreed to waive any emoluments. In addition, no emoluments were paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the reporting period is as follows:

	2021	2020
Directors	**3**	3
Supervisors	**–**	–
Non-director and non-supervisor employees	**2**	2
	5	5

Details of the directors' and supervisors' remuneration are set out above.

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries, allowances and benefits in kind	**591**	589
Performance related bonuses	**370**	170
Pension schemes	**50**	50
	1,011	809

The number of non-director and non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

	2021	2020
Nil to HK$1,000,000	**2**	2

10. INCOME TAX EXPENSE

Most of the companies of the Group are subject to PRC Corporate Income Tax, which have been provided based on the statutory rate of 25% (2020: 25%) of the assessable profits of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company, which were taxed at 15%.

	2021 RMB'000	2020 RMB'000
Current income tax – Mainland China		
Charge for the year	31,433	47,388
Overprovision in prior years	(4,223)	(8,550)
Deferred income tax (note 17)	(13,883)	(9,412)
Tax charge for the year	13,327	29,426

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

	2021 RMB'000	2020 RMB'000
Profit before tax	106,757	146,829
Income tax charge at the statutory income tax rate	26,822	36,707
Lower tax rate enacted by local authority	(9,982)	(765)
Effect on opening deferred tax of decrease in rates	12,697	–
Adjustments in respect of current tax of previous periods	(4,223)	(8,550)
Expenses not deductible for tax	578	629
Additional tax concession on research and development costs	(13,880)	(300)
Tax losses not recognised	1,315	1,705
Tax charge for the year at the effective rate	13,327	29,426

11. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final		
– RMB3.25 cents (2020: RMB3.38 cents) per ordinary share*	**17,343**	18,031
	17,343	18,031

* The Board recommends the payment of a final dividend of HK$4.00 cents (before tax) per share. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of HK$ against RMB as published by the People's Bank of China at 29 March 2022.

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

12. 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 2021.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021 RMB'000	2020 RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**93,821**	115,351

	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**533,360**	533,360

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021							
At 31 December 2020 and at 1 January 2021:							
Cost	113,734	63,719	11,767	17,690	9,443	917	217,270
Accumulated depreciation	(25,022)	(32,473)	(8,002)	(11,281)	–	(61)	(76,839)
Net carrying amount	88,712	31,246	3,765	6,409	9,443	856	140,431
At 1 January 2021, net of accumulated depreciation	88,712	31,246	3,765	6,409	9,443	856	140,431
Additions	200	5,905	3,624	3,298	32,411	1,101	46,539
Disposals	–	(11)	(137)	(94)	–	–	(242)
Depreciation provided during the year	(2,282)	(5,316)	(1,693)	(2,446)	–	(385)	(12,122)
At 31 December 2021, net of accumulated depreciation	86,630	31,824	5,559	7,167	41,854	1,572	174,606
At 31 December 2021:							
Cost	113,934	69,588	12,843	20,779	41,854	2,018	261,016
Accumulated depreciation	(27,304)	(37,764)	(7,284)	(13,612)	–	(446)	(86,410)
Net carrying amount	86,630	31,824	5,559	7,167	41,854	1,572	174,606

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020							
At 31 December 2019 and at 1 January 2020:							
Cost	113,734	58,439	13,174	17,728	–	–	203,075
Accumulated depreciation	(22,751)	(26,872)	(7,378)	(10,873)	–	–	(67,874)
Net carrying amount	90,983	31,567	5,796	6,855	–	–	135,201
At 1 January 2020, net of accumulated depreciation	90,983	31,567	5,796	6,855	–	–	135,201
Additions	–	5,280	–	1,864	9,443	917	17,504
Disposals	–	–	(32)	(226)	–	–	(258)
Disposal of a subsidiary	–	–	(293)	(179)	–	–	(472)
Depreciation provided during the year	(2,271)	(5,601)	(1,706)	(1,905)	–	(61)	(11,544)
At 31 December 2020, net of accumulated depreciation	88,712	31,246	3,765	6,409	9,443	856	140,431
At 31 December 2020:							
Cost	113,734	63,719	11,767	17,690	9,443	917	217,270
Accumulated depreciation	(25,022)	(32,473)	(8,002)	(11,281)	–	(61)	(76,839)
Net carrying amount	88,712	31,246	3,765	6,409	9,443	856	140,431

Certain of the Group's buildings with a net carrying amount of approximately RMB86,444,000 (2020: RMB88,708,000) as at 31 December 2021 were pledged to secure general banking facilities granted to the Group (note 26).

14. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**16,196**	–
Additions	**–**	16,479
Depreciation provided during the year	**(568)**	(283)
Carrying amount at 31 December	**15,628**	16,196

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

As at 31 December 2021, the investment properties were valued by the market approach with reference to comparable market transactions. The fair value of these properties was RMB17,838,900, which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable prices in the market.

15. LEASES

The Group as a lessee

The Group has lease contracts for items of leasehold land and a building used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years and no ongoing payments will be made under the terms of the land lease. The lease term of the building is 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Building RMB'000	Total RMB'000
As at 1 January 2020	8,705	–	8,705
Additions	–	12,079	12,079
Depreciation charge	(292)	(1,205)	(1,497)
As at 31 December 2020 and 1 January 2021	**8,413**	**10,874**	**19,287**
Additions	**–**	**5,736**	**5,736**
Depreciation charge	**(291)**	**(2,314)**	**(2,605)**
As at 31 December 2021	**8,122**	**14,296**	**22,418**

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	11,114	–
New lease	5,736	12,079
Accretion of interest recognised during the year	756	592
Payments (note 29)	(2,807)	(1,557)
Carrying amount at 31 December	14,799	11,114
Analysed into:		
Current portion	2,716	1,012
Non-current portion	12,083	10,102

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	756	592
Depreciation charge of right-of-use assets	2,605	1,205
Expense relating to short-term leases	38	253
Expense relating to leases of low-value assets	60	60
Total amount recognised in profit or loss	3,459	2,110

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 29(b) and 31 to the financial statements.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Concession asset RMB'000	Total RMB'000
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	2,572	100,156	102,728
Additions	915	–	915
Reversal	–	(808)	(808)
Disposal	(61)	–	(61)
Amortisation provided during the year (note 8)	(709)	(6,368)	(7,077)
Write-off of amortisation during the year	61	–	61
At 31 December 2021	2,778	92,980	95,758
At 31 December 2021			
Cost	6,390	99,348	105,738
Accumulated amortisation	(3,612)	(6,368)	(9,980)
Net carrying amount	2,778	92,980	95,758

	Software RMB'000	Concession asset RMB'000	Total RMB'000
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	3,019	63,188	66,207
Additions	496	36,968	37,464
Disposal of a subsidiary	(150)	–	(150)
Amortisation provided during the year (note 8)	(793)	–	(793)
At 31 December 2020	2,572	100,156	102,728
At 31 December 2020			
Cost	5,536	100,156	105,692
Accumulated amortisation	(2,964)	–	(2,964)
Net carrying amount	2,572	100,156	102,728

As at 31 December 2021, a concession asset represents an asset under "Build-Operate-Transfer" service concession arrangements in Mainland China. The construction of the concession projects was completed on 28 February 2021.

17. DEFERRED TAX ASSETS

The movements in deferred tax assets during the reporting period are as follows:

	2021	2020
	RMB'000	RMB'000
Deferred tax assets:		
At beginning of the year	**33,263**	24,277
Disposal of a subsidiary	**–**	(426)
Deferred tax credited to profit or loss during the year (note 10)	**13,883**	9,412
At end of the year	**47,146**	33,263

The deferred tax assets are attributed to the following items:

	2021	2020
	RMB'000	RMB'000
Deferred tax assets:		
Impairment of financial and contract assets	**32,650**	26,820
Fair value adjustments of bills receivable	**12,606**	5,094
Accrued but not paid salaries, wages and benefits	**1,700**	1,349
Accumulated loss	**190**	–
	47,146	33,263

The Group has tax losses arising in Mainland China of RMB25,215,000 (2020: RMB20,127,000) that will be expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

18. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**17,379**	14,256
Goods in progress	**2,385**	2,588
Finished goods	**4,383**	3,512
Spare parts and consumables	**22**	23
	24,169	20,379

19. LONG-TERM RECEIVABLES

The Group's long-term receivables are mainly for the provision of build-operate-transfer, which aimed at providing place for quality-oriented education to adolescents. The amounts for the concession projects will be settled in installments before March 2034.

	2021 RMB'000
Receivables under concession projects	**135,484**
Less: Long-term receivables due within one year	**7,791**
	127,693

The aging of long-term receivables shall be calculated since the date when the budget needed for the completion of the concession project is settled. The management of the Group considers that long-term receivables have no bad debt provision for lifetime expected credit losses as of 31 December 2021.

20. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables at amortised cost	**1,848,242**	1,587,430
Provision for impairment	**(135,313)**	(69,198)
Trade receivables, net	**1,712,929**	1,518,232
Bills receivables at fair value	**865,479**	783,214
	2,578,408	2,301,446

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

As at 31 December 2021, the Group has pledged trade receivables of approximately RMB58,263,000 to secure the Group's bank loans (2020: Nil) (note 26).

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

	2021 **RMB'000**	2020 RMB'000
Retentions in trade receivables	**58,216**	52,196
Provision for impairment	**(11,576)**	(5,831)
Retentions in trade receivables, net	**46,640**	46,365

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:

	2021 **RMB'000**	2020 RMB'000
Within 3 months	**997,961**	1,006,589
3 months to 6 months	**113,836**	133,514
6 months to 1 year	**265,793**	218,531
1 to 2 years	**283,011**	92,193
2 to 3 years	**33,032**	45,775
3 to 4 years	**15,962**	9,370
4 to 5 years	**3,334**	12,260
	1,712,929	1,518,232

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**69,198**	52,371
Impairment losses, net (note 8)	**66,115**	17,176
Disposal of a subsidiary	**–**	(349)
At end of year	**135,313**	69,198

The increase in the loss allowance was due to an increase in trade receivables which were past due for more than 4 years but within 5 years and the individual loss allowance in the following paragraph.

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

Included in the following provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowance. As at 31 December 2021, the accumulated individual loss allowance was RMB19,553,000 (2020: Nil) with a carrying amount before loss allowance of RMB110,897,000 (2020: Nil), which was the total exposure of account receivables from certain property developers and their affiliated companies.

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

As at 31 December 2021

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

20. TRADE AND BILLS RECEIVABLES *(Continued)*

As at 31 December 2020

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Current and within 1 year	0.22%	1,361,676	3,043
More than 1 year but within 2 years	8.43%	100,679	8,486
More than 2 years but within 3 years	20.02%	57,236	11,460
More than 3 years but within 4 years	41.28%	15,958	6,588
More than 4 years but within 5 years	70.36%	41,363	29,103
More than 5 years	100.00%	10,518	10,518
		1,587,430	69,198

Transferred financial assets that are not derecognised in their entirety

At 31 December 2021, the Group endorsed and discounted certain bills receivable (together, the "Bills") with a carrying amount of approximately RMB856,574,000 in total (2020: RMB688,212,000). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to above Bills, and accordingly, it continued to recognise the full carrying amounts of the Bills and the associated trade payables settled (for discounted bills, an equal amount of loan was recognised). Subsequent to the endorsement, the Group did not retain any rights on the use of the Bills, including the sale, transfer or pledge of the Bills to any other third parties. The aggregate carrying amount of the trade payables settled and loans recognised during the year to which the suppliers and financial institutions have recourse was approximately RMB856,574,000 (2020: RMB688,212,000) as at 31 December 2021.

Transferred financial assets that are derecognised in their entirety

(a) At 31 December 2021, the Group endorsed and discounted certain bills receivable (the "Derecognised Bills") with a carrying amount in aggregate of approximately RMB259,128,000 (2020: RMB354,730,000). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

(b) As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") and transferred certain trade receivables to a financial institution. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. There were neither assets nor associated liabilities that the Group continued to recognise as at 31 December 2021 (2020: Nil).

During the reporting period, the Group has recognised RMB3,919,000 (2020: RMB17,651,000) in finance costs (note 7) on the date of transfer of the discounted bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments	**426,881**	362,305
Deposits and other receivables	**227,082**	236,340
Other assets	**5,037**	11,745
	659,000	610,390
Impairment allowance	**(35,736)**	(33,608)
Total	**623,264**	576,782

The movements in impairment allowance other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**33,608**	35,844
Impairment losses/(reversal of impairment), net (note 8)	**2,128**	(2,236)
At end of the year	**35,736**	33,608

Included in the following provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowance. As at 31 December 2021, the accumulated individual loss allowance was RMB5,333,000 (2020: RMB4,833,000) with a carrying amount before loss allowance of RMB5,833,000 (2020: RMB4,833,000).

The credit-impaired other receivables are related to customers that were in financial difficulties or were in default in interest and/or principal payments and none of the receivables is expected to be recovered.

The Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to a 12-month ECL for deposits and other receivables in stage 1 and lifetime ECL in stage 2 and stage 3. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

As at 31 December 2021

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Current and within 1 year	**1.52%**	**182,010**	**2,758**
More than 1 year but within 2 years	**17.54%**	**5,832**	**1,023**
More than 2 years but within 3 years	**44.82%**	**4,583**	**2,054**
More than 3 years but within 4 years	**55.17%**	**3,132**	**1,728**
More than 4 years but within 5 years	**71.83%**	**10,126**	**7,274**
More than 5 years	**100.00%**	**15,566**	**15,566**
		221,249	**30,403**
Apparently impaired item	**91.43%**	**5,833**	**5,333**
Total		**227,082**	**35,736**

As at 31 December 2020

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Current and within 1 year	1.71%	184,550	3,150
More than 1 year but within 2 years	22.35%	11,097	2,480
More than 2 years but within 3 years	43.13%	6,149	2,652
More than 3 years but within 4 years	49.44%	13,476	6,662
More than 4 years but within 5 years	63.25%	6,541	4,137
More than 5 years	100.00%	9,694	9,694
		231,507	28,775
Apparently impaired item	100.00%	4,833	4,833
Total		236,340	33,608

22. CONTRACT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contract assets arising from:		
Construction services	**2,099,416**	2,266,469
Design, survey and consultancy	**6,555**	5,830
	2,105,971	2,272,299
Impairment	**(43,015)**	(4,733)
	2,062,956	2,267,566

Contract assets are initially recognised for revenue earned from construction, design, survey and consultancy services. Upon settlement with customers, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2021 was due to the early settlement in 2021.

During the year ended 31 December 2021, RMB38,282,000 (2020: RMB523,000) 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 20 to the financial statements.

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

Retention receivables

	2021 RMB'000	2020 RMB'000
Within one year	**21,089**	28,635
After one year	**111,760**	94,063
	132,849	122,698

At 31 December 2021, the expected timing of recovery or settlement for the remaining contract assets was subject to the specific contract terms and the progress of the performance obligations.

22. CONTRACT ASSETS *(Continued)*

Retention receivables *(Continued)*

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

	2021 RMB'000	2020 RMB'000
At beginning of year	4,733	4,245
Impairment losses, net (note 8)	38,282	523
Disposal of a subsidiary	–	(35)
At end of year	43,015	4,733

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

Included in the following provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowance. As at 31 December 2021, the accumulated individual loss allowance was RMB35,813,000 (2020: Nil) with a carrying amount before loss allowance of RMB103,356,000 (2020: Nil). The individual loss allowance was based on the total exposure of contract assets of certain property developers and their affiliated companies.

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

As at 31 December 2021

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

As at 31 December 2020

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Carrying amount excluding apparently impaired item	0.21%	2,272,299	4,733

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**248,167**	184,428
Pledged deposits	**123,239**	122,431
	371,406	306,859
Less: Pledged deposits		
Pledged for salaries of migrant workers	**(95,645)**	(98,014)
Pledged for bank loans and bank notes	**(27,594)**	(24,417)
Cash and cash equivalents	**248,167**	184,428

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

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

	2021 RMB'000	2020 RMB'000
Within 6 months	**2,560,271**	2,218,323
6 months to 1 year	**265,793**	315,259
1 to 2 years	**241,724**	169,429
2 to 3 years	**69,923**	113,449
Over 3 years	**35,976**	84,995
	3,173,687	2,901,455

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

25. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Contract liabilities	(a)	**155,904**	115,933
Accrued salaries, wages and benefits		**26,798**	17,328
Other taxes payable		**243,513**	272,249
Other payables	(b)	**57,281**	41,001
		483,496	446,511

(a) Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Construction services	**125,096**	87,333
Sale of goods	**21,400**	24,664
Design, survey and consultancy	**9,408**	3,936
	155,904	115,933

Contract liabilities include short-term advances to render construction services and to deliver goods. The increase in contract liabilities in 2021 and 2020 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of each year.

(b) Other payables are non-interest-bearing and have no fixed term of settlement.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021 Effective interest rate (%)	2021 Maturity	2021 RMB'000	2020 Effective interest rate (%)	2020 Maturity	2020 RMB'000
Current						
Lease liabilities (note 15)	**4.90**	**2022**	**2,716**	4.90	2021	1,012
Bank loans – mortgaged/ guaranteed	**4.15-6.20**	**2022**	**317,760**	4.15-6.20	2021	330,160
Bank loans – guaranteed	**4.00-7.21**	**2022**	**90,950**	4.15-6.88	2021	7,950
Bank loans – pledged	**4.35-5.50**	**2022**	**65,400**	–	–	–
Bank loans – credit	**–**	**–**	**–**	4.05	2021	5,000
Bank loans – other	**9.00**	**2022**	**12,001**	8.00-11.00	2021	116,892
Current portion of long term bank loans – guaranteed	**4.41**	**2022**	**17,502**	4.41	2021	7,004
Other loans	**9.00-12.00**	**2022**	**1,200**	12.00-15.00	2021	42,873
			507,529			510,891
Non-current						
Lease liabilities (note 15)	**4.90**	**2023-2031**	**12,083**	4.90	2029-2030	10,102
Bank loans – guaranteed	**4.41**	**2023-2030**	**159,900**	4.41	2022-2030	163,292
			171,983			173,394

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**503,613**	467,006
In the second year	**18,372**	17,502
In the third to fifth years, inclusive	**59,174**	57,218
Beyond five years	**82,354**	88,572
	663,513	630,298
Analysed into:		
Other borrowings repayable:		
Within one year	**3,916**	43,885
In the second year	**2,036**	1,053
In the third to fifth years, inclusive	**5,312**	4,793
Beyond five years	**4,735**	4,256
	15,999	53,987

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's buildings with a net carrying amount of approximately RMB86,444,000 (2020: RMB88,708,000) as at 31 December 2021 were pledged to secure general banking facilities granted to the Group.

(b) As set out in note 32(b), as at 31 December 2021, the Group's interest-bearing bank loans and other borrowings of approximately RMB368,360,000 (2020: RMB324,360,000) were jointly guaranteed by the controlling shareholder and other related parties of the Group, free of charge.

(c) The Group entered into the fixed asset loan contract with maximum loan amounts totalling RMB190,000,000. As at 31 December 2021, the Group obtained loan amounts totalling RMB184,405,000 (2020: RMB170,296,000) and the interest rate is 4.41%.

(d) As set out in note 20, certain of the Group's trade receivables of approximately RMB58,263,000 (2020: Nil) as at 31 December 2021 were pledged to secure bank loans.

27. SHARE CAPITAL

	2021 **RMB'000**	2020 RMB'000
Issued and fully paid:		
533,360,000 (2020: 533,360,000) ordinary shares	**533,360**	533,360

28. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash inflow of disposal of a subsidiary

The net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is Nil (2020: RMB2,534,000).

	2021 **RMB'000**	2020 RMB'000
Cash consideration	**–**	3,000
Cash and bank balances disposed of	**–**	(466)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**–**	2,534

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,736,000 (2020: RMB12,079,000) and RMB5,736,000 (2020: RMB12,079,000), respectively, in respect of lease arrangements for plant and equipment.

During the year, the Group had no non-cash additions to investment properties (2020: RMB16,479,000) by settlement of trade receivables.

(c) Changes in liabilities arising from financing activities

2021

	Bank and other loans RMB'000	**Lease liabilities RMB'000**	**Loans from third parties RMB'000**	**Deposits received for bank loans RMB'000**
At 1 January 2021	**673,171**	**11,114**	**7,000**	**24,417**
Changes from financing cash flows	**(41,178)**	**(2,807)**	**2,388**	**(17,718)**
New leases	**–**	**5,736**	**–**	**–**
Interest expense	**32,720**	**756**	**–**	**–**
At 31 December 2021	**664,713**	**14,799**	**9,388**	**6,699**

2020

	Bank and other loans RMB'000	Lease liabilities RMB'000	Loans from third parties RMB'000	Deposits received for bank loans RMB'000
At 1 January 2020	548,238	–	5,000	41,216
Changes from financing cash flows	99,768	(1,557)	2,000	(16,799)
New leases	–	12,079	–	–
Interest expense	25,165	592	–	–
At 31 December 2020	673,171	11,114	7,000	24,417

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(d) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021	2020
	RMB'000	RMB'000
Within operating activities	**98**	313
Within financing activities	**2,050**	965
	2,148	1,278

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 26 to the financial statements.

31. COMMITMENTS

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

32. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the reporting period:

	2021	2020
	RMB'000	RMB'000
Construction contracting services provided to:		
Fellow subsidiaries	**64,477**	39,164
Design, survey and consultancy services provided to:		
Fellow subsidiaries	**–**	28
Lease payments to a fellow subsidiary:	**1,637**	1,557

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties:

The Group's interest-bearing bank loans and other borrowings of RMB368,360,000 (2020: RMB324,360,000) as at 31 December 2021 were jointly guaranteed by the controlling shareholder and other related parties of the Group, as disclosed in note 26(b).

(c) Outstanding balances with related parties:

	2021 RMB'000	2020 RMB'000
Trade receivables:		
Fellow subsidiaries	42,819	13,669
Trade payables		
Fellow subsidiaries	77	–
Other receivables:		
Fellow subsidiaries	20	352
Key management person of the holding company	950	950
Contract assets:		
Fellow subsidiaries	12,382	31,954
Associates of fellow subsidiaries	50,628	50,628
Contract liabilities:		
Fellow subsidiaries	333	3,133

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

	2021 RMB'000	2020 RMB'000
Short term employee benefits	4,154	5,092
Post-employment benefits	121	83
Total compensation paid to key management personnel	4,275	5,175

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

The related party transactions in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**1,712,929**	1,518,232
Financial assets included in deposits and other receivables	**191,346**	202,732
Pledged deposits	**123,239**	122,431
Cash and bank balances	**248,167**	184,428
	2,275,681	2,027,823
Financial assets at fair value through profit or loss – mandatorily designated as such		
Financial assets at fair value through profit or loss	**10,291**	–
Bills receivable	**865,479**	783,214
	3,151,451	2,811,037
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**3,173,687**	2,901,455
Financial liabilities included in other payables and accruals	**57,281**	41,001
Interest-bearing bank and other borrowings	**679,512**	684,285
	3,910,480	3,626,741

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values as at the end of the reporting period, are as follows:

	Carrying amounts	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**10,291**	–
Bills receivable	**865,479**	783,214
	875,770	783,214
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities)	**664,713**	673,171

	Fair value	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**10,291**	–
Bills receivable	**865,479**	783,214
	875,770	783,214
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities)	**664,713**	673,171

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade receivables, the current portion of financial assets included in prepayments, other receivables and other assets, trade and bills payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for annual financial reporting.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for non-current portion of financial assets included in prepayments, other receivables and other assets and interest-bearing bank and other borrowings as at 31 December 2021 were assessed to be insignificant.

The fair value of bills receivable is determined by the Group using the discounted cash flow model. The inputs of the valuation technique mainly include future cash flows and rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement categorised into			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**10,291**	**–**	**–**	**10,291**
Bills receivable	**–**	**865,479**	**–**	**865,479**

As at 31 December 2020

	Fair value measurement categorised into			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable	–	783,214	–	783,214

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil)

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement categorised into			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings (other than lease liabilities)	**–**	**664,713**	**–**	**664,713**

As at 31 December 2020

	Fair value measurement categorised into			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (other than lease liabilities)	–	673,171	–	673,171

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other loans, and cash and bank balances. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

Year ended 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	2,105,971	2,105,971
Trade receivables*	–	–	–	1,848,242	1,848,242
Financial assets included in prepayments, other receivables and other assets					
– Normal**	221,249	–	–	–	221,249
– Doubtful**	–	–	5,833	–	5,833
Pledged deposits – Not yet past due	123,239	–	–	–	123,239
Cash and cash equivalents – Not yet past due	248,167	–	–	–	248,167
	592,655	–	5,833	3,954,213	4,552,701

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

Year ended 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	2,272,299	2,272,299
Trade receivables*	–	–	–	1,587,430	1,587,430
Financial assets included in prepayments, other receivables and other assets					
– Normal**	231,507	–	–	–	231,507
– Doubtful**	–	–	4,833	–	4,833
Pledged deposits – Not yet past due	122,431	–	–	–	122,431
Cash and cash equivalents – Not yet past due	184,428	–	–	–	184,428
	538,366	–	4,833	3,859,729	4,402,928

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021			
	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	3,173,687	–	–	3,173,687
Financial liabilities included in other payables and accruals	57,281	–	–	57,281
Interest-bearing bank and other borrowings (excluding lease liabilities)	523,924	116,251	79,227	719,402
Lease liabilities	2,768	9,340	5,143	17,251
	3,757,660	125,591	84,370	3,967,621

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	2020			
	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	2,901,455	–	–	2,901,455
Financial liabilities included in other payables and accruals	41,001	–	–	41,001
Interest-bearing bank and other borrowings (excluding lease liabilities)	689,392	116,251	79,227	884,870
Lease liabilities	1,557	6,227	6,227	14,011
	3,633,405	122,478	85,454	3,841,337

Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell to reduce debts. No change was made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, less cash and bank balances and pledged deposits. Total equity includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statement of financial position.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of the reporting periods are as follows:

	2021	2020
	RMB'000	RMB'000
Interest-bearing bank and other borrowings (note 26)	**679,512**	684,285
Cash and bank balances (note 23)	**(248,167)**	(184,428)
Pledged deposits (note 23)	**(123,239)**	(122,431)
Net debt	**308,106**	377,426
Total equity	**1,607,972**	1,533,285
Gearing ratio	**19%**	25%

36. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2021.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	169,778	136,957
Investment properties	15,628	16,196
Right-of-use assets	8,408	8,414
Intangible assets	2,720	2,563
Investments in subsidiaries	70,772	70,572
Deferred tax assets	44,981	31,742
Total non-current assets	312,287	266,444
CURRENT ASSETS		
Inventories	15,364	11,739
Trade and bills receivables	2,539,166	2,257,407
Contract assets	2,057,989	2,135,758
Prepayments and other receivables	664,885	598,732
Pledged deposits	123,239	122,431
Cash and bank balances	214,488	126,027
Total current assets	5,615,131	5,252,094
CURRENT LIABILITIES		
Trade and bills payables	3,164,531	2,880,637
Other payables and accruals	482,200	410,958
Interest-bearing bank and other borrowings	487,560	502,875
Tax payable	217,082	220,277
Total current liabilities	4,351,373	4,014,747
NET CURRENT ASSETS	1,263,758	1,237,347
TOTAL ASSETS LESS CURRENT LIABILITIES	1,576,045	1,503,791
Net assets	1,576,045	1,503,791
EQUITY		
Share capital	533,360	533,360
Reserves (Note)	1,042,685	970,431
Total equity	1,576,045	1,503,791

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2020	188,480	71,714	–	600,695	860,889
Profit for the year	–	–	–	129,013	129,013
Total comprehensive income	–	–	–	129,013	129,013
Appropriation to statutory surplus reserve	–	12,901	–	(12,901)	–
Transfer to special reserve	–	–	(154,612)	154,612	–
Utilisation of special reserve	–	–	154,612	(154,612)	–
Final 2019 dividend declared	–	–	–	(19,471)	(19,471)
As at 31 December 2020 and 1 January 2021	188,480	84,615	–	697,336	970,431
Profit for the year	**–**	**–**	**–**	**90,328**	**90,328**
Total comprehensive income	**–**	**–**	**–**	**90,328**	**90,328**
Appropriation to statutory surplus reserve	**–**	**9,205**	**–**	**(9,205)**	**–**
Transfer to special reserve	**–**	**–**	**(202,833)**	**202,833**	**–**
Utilisation of special reserve	**–**	**–**	**202,833**	**(202,833)**	**–**
Final 2020 dividend declared	**–**	**–**	**–**	**(18,074)**	**(18,074)**
As at 31 December 2021	**188,480**	**93,820**	**–**	**760,385**	**1,042,685**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2022.