巨匠建设

JUJIANG CONSTRUCTION GROUP

Jujiang Construction Group Co., Ltd.

巨 匠 建 設 集 團 股 份 有 限 公 司

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

(Stock Code: 1459)

2022 ANNUAL REPORT

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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

SUPERVISORS

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

AUDIT COMMITTEE

Mr. Yu Jingxuan *(Chairman)*
Mr. Wong Ka Wai
Mr. Ma Tao

NOMINATION COMMITTEE

Mr. Ma Tao *(Chairman)*
Mr. Lyu Yaoneng
Mr. Yu Jingxuan

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wong Ka Wai *(Chairman)*
Mr. Lyu Yaoneng
Mr. Ma Tao

STRATEGIC COMMITTEE

Mr. Lyu Yaoneng *(Chairman)*
Mr. Zheng Gang
Mr. Ma Tao

COMPANY SECRETARY

Mr. Jin Shuigen

AUTHORISED REPRESENTATIVES

Mr. Lyu Yaoneng
Mr. Jin Shuigen

LEGAL ADVISER

As to Hong Kong Law

DeHeng Law Offices (Hong Kong) LLP

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
17/F, Far East Finance Centre
16 Harcourt Road
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	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Major Items of Consolidated Statement of Profit or Loss and other Comprehensive Income					
Revenue	**8,551,596**	10,047,929	8,007,710	7,055,146	6,895,993
Gross profit	**363,631**	471,082	392,747	371,464	378,319
Gross profit margin	**4.25%**	4.69%	4.90%	5.27%	5.5%
Profit for the year	**55,795**	93,430	117,403	138,372	172,868
Net profit margin	**0.65%**	0.93%	1.47%	1.96%	2.5%

As at 31 December	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Major Items of Consolidated Statement of Financial Position					
Non-current assets	**505,157**	484,411	313,067	247,237	280,294
Current assets	**5,991,039**	5,678,285	5,473,032	5,267,597	5,234,784
Non-current liabilities	**159,152**	171,983	173,394	140,938	–
Current liabilities	**4,692,739**	4,382,741	4,079,420	3,937,632	4,201,042
Total equity	**1,644,305**	1,607,972	1,533,285	1,436,264	1,314,036
Gearing ratio(Note 1)	**13.2%**	18.9%	24.6%	11.4%	16.5%

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

CHAIRMAN'S STATEMENT

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 2022.

For the year ended 31 December 2022, the Group's turnover and profit were approximately RMB8,551.6 million and RMB55.8 million respectively, representing a decrease of approximately 14.9% and 40.3% year-on-year, respectively.

In 2022, given the recurring pandemic in some provinces in China due to the impact of the more transmissible Omicron virus, coupled with the downturn in the real estate industry in China, the construction industry has experienced a significant setback. Despite the successive introduction of favourable real estate-related policies since the second half of 2022, construction companies still experience a decrease in demand and intense competition, as the downward trend in the real estate market has not yet fundamentally changed. Under the policy keynote of stable economic growth, it is expected that the new contract amount and total output of China's construction industry will continue to grow in 2023. In addition, digitalization, intelligentization and informatization will certainly become the new development trend of China's construction industry in the future.

2022 was an extraordinary year in the Group's development history, which also marked a difficult but fruitful year filled with our endeavour. The Group remained confident and proactive in dealing with challenges from multiple difficulties and issues in the face of the complex and volatile external environment. In terms of business, we made timely adjustments to our operating strategies, optimised our business structure and layout, highlighted key regions and key customers, and effectively increased the proportion of business with large customers. Commencement of overseas projects is a solid foundation for the expansion of our overseas business. In terms of production, we solidified the measures for safe production, and paid close attention to progress and quality. Phase I of the Tongxiang Tourism Square project, which was awarded the National Quality Project Award, had created a number of quality projects and demonstration projects with an overall enhancement in safe production, project quality and progress.

In terms of technological innovation, we have increased our efforts in technological innovation and accelerated the implementation of digital management and intelligent construction sites. Using BIM technology, we opened up the channel between project management and data management, and significantly improved production efficiency. We have developed and upgraded a new system for intelligent construction sites, serving a total of 87 projects throughout the year and achieving a "zero breakthrough" in the standardization demonstrative projects of intelligent construction site in the province. In terms of management, we have continued to strengthen risk control and took timely measures to reduce and stop losses to ensure stable and orderly production and operation. At the same time, we focused on the cultivation of talents and team building, starting with the establishment of mechanisms, and strived to build a platform for our staff to enhance their personal capabilities and create their own values, so as to achieve the resonance between their personal development and the development of the enterprise.

CHAIRMAN'S STATEMENT

Looking ahead to 2023, the macro environment and downstream demand for the construction industry are expected to continue to improve against the backdrop of structural relaxation of macro policies. Infrastructure investment will continue to be an important driver of economic growth, with proactive fiscal policies providing a sufficient source of capital for infrastructure investment. The promotion of subsidized rental housing will also boost property investment. In addition, the PPP model will continue to be supported and promoted, thereby driving up the value of construction output.

Standing at a new starting point in 2023, we will further strengthen our confidence, forge ahead with integrity and innovation, and strive to overcome challenges and outperform our rivals. In 2023, the Group will fully implement the spirit of the 20th National Congress of the Communist Party and the Central Economic Work Conference, and focus on the Group's "14th Five-Year" development plan and various objectives and tasks. Adhering to the guiding principles of stable operation, high quality and safe development, the Group will concentrate on achieving "market optimisation" and "risk prevention" with the support of "talent, innovation and management" to further enhance our operation management, improve production management, accelerate technological breakthroughs, optimise asset management, as well as strengthen our party leadership and cultural construction. We will expedite our transformation and upgrade, continuously enhance our core competitiveness and strive to create a new landscape of healthy and sustainable development.

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. The new journey for 2023 has already begun, and it is of crucial importance to ensure a good start. The Group will make persistent effort to create a new landscape for the leapfrog development of the Company with more solidarity and passion while staying enthusiastic, determined and strong!

Lyu Yaoneng
Chairman
28 March 2023

DIRECTORS

Executive Directors

Mr. Lyu Yaoneng (呂耀能), aged 62, has over 46 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 60, has over 43 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 46, has over 28 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 54, has over 35 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 49, has over 23 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 54, has over 31 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 51, 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 43, 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. Since May 2022, Mr. Wong has been an independent non-executive director of Wenling Zhejiang Measuring and Cutting Tools Trading Centre Company Limited (listed on the Main Board of the Stock Exchange: stock code: 1379). 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 65, 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 45, 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 60, 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 36, Mr. Lyu has more than 14 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 60 and 46 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 54, 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 60, 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 43, 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 45, 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 51, is mainly responsible for the Company's project company. Mr. Cao has over 20 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 43, 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 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

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

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

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

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

BUSINESS REVIEW

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

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

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

Notes:

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

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

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

Optimizing business structure and enhancing market layout

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

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

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

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

Promoting quality excellence for healthy and high-quality development

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

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

Achieving digital transformation by enhancing scientific research and innovation

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

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

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

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

FINANCIAL REVIEW

Revenue and gross profit margin

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

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

Other income and gains

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

Administrative expenses

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

Impairment losses on financial and contract assets, net

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

Other expenses

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

Finance costs

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

Income tax expense

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

Profit for the year

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

Treasury policies

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

Contract assets

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

Trade and bills receivables

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

Trade and bills payables

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

Borrowings and charge on assets

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

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

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

Gearing ratio

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

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

Capital expenditure

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

Capital commitments

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

Contingent liabilities

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

Fluctuation of RMB exchange rate and foreign exchange risks

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEE AND REMUNERATION POLICIES

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

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

FUTURE PROSPECTS

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

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

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

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 2022.

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 2022 and the financial information of the Group as at 31 December 2022 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 2022 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 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 2022 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 2022 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 2022

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

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

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

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

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

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

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 2022 and thereafter up to the date of this report.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2022, the Group acquired additional property, plant and equipment of approximately RMB28.6 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 2022 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 2022, reserves available for distribution of the Company amounted to RMB789.8 million (2021: RMB760.4 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 2022 represented approximately 10.13% (2021: 6.57%) and 24.97% (2021: 18.50%), 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 2022 represented approximately 3.32% (2021: 3.11%) and 7.41% (2021: 7.38%), 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

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 2022, 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 2022, 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 2022, 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 2022, 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 2022, 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 2022, Jujiang Holdings was owned as to approximately 51.33% by Mr. Lyu Yaoneng and approximately 48.67% by nine 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 14 June 2022 ("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 up to 31 December 2022, 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 year ended 31 December 2022 was RMB14.5 million. During the year ended 31 December 2022, a total of RMB13.4 million service fees was received from Jujiang Holdings Group under the Master Agreement (2021: RMB66.1 million).

The construction contracting service fees payable by Jujiang Holdings Group to our Group under the 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 2022, 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 14 June 2022 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 2022, the Group entered into transactions with related parties set out in note 32 to the consolidated financial statements. Save for the purchases of raw materials from a company of which the controlling shareholder of the company is a key management personal of parent company, which do not constitute connected transactions of the Company as defined in Chapter 14A of the Listing Rules, all the other related party transactions constitute connected transactions or continuing connected transactions of the Company, among which all such transactions are fully exempted connected transactions or continuing connected transactions, as the case may be, save for the construction contracting services under the construction contracting service master agreement.

The disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied in respect of the non-fully exempted connected transactions or continuing connected transactions

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 (2021: 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 (2021: 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 (2021: 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 (2021: 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 2022.

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

DIRECTORS' REPORT

DONATIONS

During the year ended 31 December 2022, the Group had made charitable donation amounting to approximately RMB0.55 million (2021: RMB0.44 million).

DIRECTORS' COMPETING INTERESTS

Save as disclosed in this report, none of the Controlling Shareholders, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with the principal business and other businesses, which would require disclosure under Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this report, there are no major subsequent events to 31 December 2022 which would materially affect the Group's operating and financial performance as of the date of this 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, 28 March 2023

2022 WORK REPORT OF THE BOARD OF SUPERVISORS

In 2022, 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 third meeting of the third session of the Board of Supervisors was convened on 29 March 2022, at which the following resolutions were considered and approved: (1) the "Resolution on the Audited Annual Report and Results Announcement of the Company for 2021" was considered; (2) the "Profit Distribution Resolution for 2021" was considered; (3) the "Resolution on the Re-appointment of Ernst & Young as Auditor of the Company for 2021" was considered; (4) the "Resolution on the Work Report of the Board of Supervisors of the Company for 2021" was considered;

2. The fourth meeting of the session of the Board of Supervisors was convened on 17 August 2022, at which the "Resolution on the Unaudited Interim Results Announcement of the Company for the 2022" was considered and approved.

II. Supervisory Opinions of the Board of Supervisors on Relevant Matters of the Company for the year of 2022:

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

In 2022, 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 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, 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 2022, 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 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 2023

In 2023, 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 2023 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 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.
28 March 2023

CORPORATE GOVERNANCE REPORT

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the Code Provisions of the CG Code previously set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2022 and up to the date of this report, the Company has fully complied with the Code Provisions.

The Company has complied with the CG Code for the year 2022. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

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.

The day-to-day management, administration and operation of the Company are delegated to the general manager, Mr. Lyu Yuntao, and the senior management of the Company. The delegated functions and work tasks are reviewed periodically.

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.

	Types of training	
Name of Director	**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 2022 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 D.3 of the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

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

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

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 E.1 of the CG 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. Wong Ka Wai and Mr. Ma Tao. Mr. Wong Ka Wai currently serves as the chairman of our remuneration and appraisal committee.

Pursuant to the meeting of the Remuneration and Appraisal Committee on 28 March 2023, 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 2022 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 2022 is as follows:

Remuneration band (HK$)	Number of individuals
0 – 1,000,000	3
1,000,000 – 1,500,000	–
1,500,000	–

Nomination Committee

The Company has established the Nomination Committee on 23 December 2015 with its written terms of reference in compliance with paragraph B.3 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 Nomination Committee 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 Nomination Committee.

Pursuant to the meeting of the Nomination Committee on 29 March 2022, the Nomination Committee 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 Nomination Committee 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 Nomination Committee 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 Nomination Committee 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 Nomination Committee 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 Nomination Committee shall invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee 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 Nomination Committee 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 Nomination Committee 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 Nomination Committee 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 Nomination Committee 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 2022.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 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 2022 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. Wong Ka Wai	2/2	2/2	1/1	1/1	1/1	1/1
Mr. Ma Tao	2/2	2/2	1/1	1/1	1/1	1/1

Board Proceedings

Meetings of the Board shall be held regularly at least two times each year and shall be convened by the chairman of the Board. 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 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 2022, 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.

While the Board recognises that gender diversity at the Board can be improved, given its current composition of single gender Directors, the principle of Director's appointments will be based on meritocracy, and candidates will be considered against objective criteria, taking into account factors based on the own business model and special needs from time to time, and with due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

The Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management. In recognising the importance of gender diversity, the Company is committed to providing career development opportunities for female staff and to engaging more resources in training the female staff with an aim to promoting them to the position of senior management or Director. The Company will also continue to recruit female talents based on the recruitment policy and with reference to the Board Diversity Policy as a whole.

To ensure gender diversity of the Board, the Nomination Committee will continue and from time to time identify suitable candidates of both genders to the Board to be appointed as Directors. To allow the Shareholders to be able to judge whether board diversity is achieved, we will provide the Shareholders with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of the Company.

The Nomination Committee will review the Board Diversity Policy, assess its effectiveness and, where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee considered that an appropriate balance of diversity perspective of the Board is maintained during the year ended 31 December 2022. Based on the review by the Nomination Committee, the Board considered that the Company has achieved the measurable objectives set for implementing the board diversity policy for the year ended 31 December 2022. The Company will appoint at least a director of a different gender on the board no later than 31 December 2024.

Workforce Diversity

The Company also considers relevant factors in the recruitment and selection of key management and other personnel, and strives to maintain gender diversity. As at 31 December 2022, the male and female of all staff (including the senior management) of the Company accounted 78.9% and 21.1% respectively. The Company will continue to maintain gender diversity among all its staff as the goal and review its policies on employee recruitment and management in a timely manner in accordance with the Company's business development and needs.

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 2022.

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

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 2022 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, with the internal audit department and staffing in place, and risk management and the Board has conducted annual 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 2022, the fees payable to Ernst & Young in respect of its annual audit services provided to the Company was RMB2.2 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 convene an extraordinary general meeting or a class meeting thereof. The Board 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 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, and the procedures for calling the meeting shall remain as same as possible when the Board 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.

Right to put forward proposals at general meeting

Shareholder(s), individually or collectively holding 3% or more of the shares carrying the right to vote at the meeting shall have the right to make proposals to the Company and may submit interim proposals and submit them to the convenor in written form 10 days before the convening of the general meetings. The convenor shall, within 2 days after receipt of the proposal, issue a supplementary notice about the said meeting, to publicize the contents of provisional proposals.

INVESTOR RELATIONS

The Company endeavours to maintain an on-going dialogue with Shareholders. 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 providing the Shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, with a view to enabling the Shareholders to exercise their rights in an informed manner and to allow the Shareholders and the investment community to engage actively with the Company. The Board has reviewed the shareholder communication policy and confirmed its effectiveness.

Constitutional Documents

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the Environmental, Social and Governance ("ESG") Report (the "ESG Report") of the Group for the year ended 31 December 2022, 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.

BOARD STATEMENT

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 2022 (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
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 2022, 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 2021 and 2022. 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 2022.

	2022		2021	
	Total emissions (tCO_2e)	**Intensity (Note 2) (tCO_2e/ employee)**	Total emissions (tCO_2e)	Intensity (Note 2) (tCO_2e/ employee)
Indirect GHG emissions				
– Electricity consumption	**932.0**	**0.8**	859.6	0.8
– Unleaded petrol consumption	**67.8**	**0.1**	82.7	0.1
Total	**999.8**	**0.9**	942.3	0.9

Notes:

1. Combined margin emission factor of 0.792 tCO_2eq./MWh was used for electricity consumed the PRC; and combined margin emission factor of 3.15 of tCO_2eq./ton was used for petrol consumption

2. As at 31 December 2022, the Group had 1,147 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 2022 are shown as below.

		2022		2021	
	Unit	**Total**	**Intensity (per employee)**	Total	Intensity (per employee)
Direct consumption –					
Electricity	MWh	**1,176.8**	**1.4**	859.6	0.8
Water	ton	**8,816.0**	**10.8**	22,441.0	19.6

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 did not face any issue in sourcing water. 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 2022, 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 2022, we had a total of 1,147 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 2022:

	Number of employees	
	2022	2021
Project management	**604**	572
Quality and safety	**260**	289
Administrative and management	**118**	121
Design, survey and consultancy	**58**	52
Sales and marketing	**64**	65
Finance	**43**	47
Total	**1,147**	1,146

Employment statistics by gender, age and education level training

	2022	2021
Total number of employees	**1,147**	1,146
By gender:		
Total number of male employees	**905**	928
Total number of female employees	**242**	218
By employment type:		
Total number of full-time employees	**1,147**	1,146
Total number of part-time employees	**–**	–
By age group:		
Employees within the age group below 30	**274**	311
Employees within the age group of 30-45	**542**	544
Employees within the age group of 46-60	**303**	272
Employees within the age group above 60	**28**	19
By geographic region:		
PRC	**1,146**	1,145
Hong Kong	**1**	1
By education level:		
Junior high school and below	**157**	164
Senior high school and vocational training	**150**	149
College	**345**	360
Undergraduate and above	**495**	473

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.

	2022	2021
Turnover rate of employees		
By gender:		
Turnover rate of male employees	6.7%	5.3%
Turnover rate of female employees	3.3%	5.5%
By employment type:		
Turnover rate of full-time employee	6.0%	5.3%
Turnover rate of full-time employee	–	–
By age group:		
Turnover rate of employees within the age group below 30	13.5%	10.0%
Turnover rate of employees within the age group of 30-45	4.1%	3.9%
Turnover rate of employees within the age group of 46-60	2.6%	3.3%
Turnover rate of employees within the age group above 60	7.1%	0.0%
By geographic region:		
PRC	6.0%	5.3%
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 2022, 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 2021 and 2022, 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	
2021	Less than 0.01
2022	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 years ended 31 December 2021 and 2022, 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
2021	5	–
2022	5	–

Having considered the number of accidents and fatalities nationally and in Zhejiang Province during 2021 and 2022, the Directors believe that we did not have a high accident or fatality number during the year ended 31 December 2022.

COVID-19 Pandemic Preventive Measures

In response to the outbreak of the COVID-19 pandemic, the Group has taken proactive measures to safeguard the health and safety of its employees and business partners and has complied with public health measures implemented by the local authorities. The Group is highly conscious of the potential health and safety impacts brought to its staff and has taken preventive measures in our working environment. All employees are required to wear face masks at the office and check their body temperature before work every day. Besides, the Group has remained our employees to maintain personal hygiene and report cases if they or their closely-related persons have been infected.

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.

	2022	2021
Total number of employees received training	**1,147**	1,146
Total number of male employees received training	**905**	928
Total number of female employees received training	**242**	218
Total number of senior management received training	**18**	18
Total number of middle management received training	**149**	149
Total number of the rest of staffs received training	**980**	979
Average training hours for male employee	**11.6**	9.5
Average training hours for female employee	**12.9**	12.6
Average training hours for senior management	**14.6**	19.9
Average training hours for middle management	**12.3**	31.1
Average training hours for the rest of staffs	**12.0**	6.7

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 2022, we had a total of 809 suppliers (2021: 694) 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. In 2022, the Group was awarded Second prize of Project Construction Quality Management group activity achievement competition by China Construction Industry Association;

- 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 2022 and 2021, 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 2022, the Group owned 88 trademarks, 73 patents and 6 domain names in China and 2 trademarks in Hong Kong (2021: 88 trademarks, 67 patents and 6 domain names in China and 2 trademarks in Hong Kong).

During the years ended 31 December 2022 and 2021, 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 2022 and 2021, 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 2022, the Group donated a total of approximately RMB0.55 million to the charities for sponsorship or in-kind sponsorship to voluntary service to the communities who in needs (2021: RMB0.44 million).

The Group also actively participated in community activities, such as engaging in voluntary community services, poverty alleviation and anti-epidemic activities. In 2022, the Group was awarded the title of "The first batch of high-quality advanced collectives for common prosperity in 2022" for outstanding contribution to charity by Tongxiang Government.

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 152, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 2022, the Group recognised revenue arising from construction services of approximately RMB8,448 million. Revenue from construction services 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. Management of the Group continued to reappraise total costs according to the scope of deliveries and services required. In addition, revenue, cost of sales and gross profit realised on such contracts could 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 ("ECLs") on receivables and contract assets	
As at 31 December 2022, trade receivables, other receivables and contract assets, in aggregate, amounted to approximately RMB4,754 million, representing 73% of total assets. The impairment of trade receivables, other receivables and contract assets was assessed based on the allowance for expected credit losses ("ECLs"). The management of the Group determine the ECLs 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 on 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 ECLs 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 ECLs 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.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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
28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	6	**8,551,596**	10,047,929
Cost of sales	8	**(8,187,965)**	(9,576,847)
Gross profit		**363,631**	471,082
Other income and gains	6	**30,075**	28,111
Administrative expenses		**(172,719)**	(160,511)
Impairment losses on financial and contract assets, net		**(91,975)**	(106,525)
Other expenses		**(30,143)**	(65,611)
Finance costs	7	**(43,794)**	(59,789)
PROFIT BEFORE TAX	8	**55,075**	106,757
Income tax credit/(expense)	10	**720**	(13,327)
PROFIT FOR THE YEAR		**55,795**	93,430
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**55,795**	93,430
Profit attributable to:			
Owners of the parent		**54,865**	93,821
Non-controlling interests		**930**	(391)
		55,795	93,430
Total comprehensive income attributable to:			
Owners of the parent		**54,865**	93,821
Non-controlling interests		**930**	(391)
		55,795	93,430
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (expressed in RMB per share)	12	**0.10**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**188,233**	174,606
Investment properties	14	**15,060**	15,628
Right-of-use assets	15(a)	**27,049**	22,418
Goodwill		**1,162**	1,162
Other intangible assets	16	**88,195**	95,758
Deferred tax assets	17	**66,038**	47,146
Long term receivables	19	**119,420**	127,693
Total non-current assets		**505,157**	484,411
CURRENT ASSETS			
Inventories	18	**26,351**	24,169
Non-current assets due within one year	19	**8,274**	7,791
Trade and bills receivables	20	**2,060,624**	2,578,408
Contract assets	22	**2,770,952**	2,062,956
Prepayments, other receivables and other assets	21	**655,007**	623,264
Financial assets at fair value through profit or loss	34	**10,535**	10,291
Pledged deposits	23	**238,151**	123,239
Cash and cash equivalents	23	**221,145**	248,167
Total current assets		**5,991,039**	5,678,285
CURRENT LIABILITIES			
Trade and bills payables	24	**3,438,205**	3,173,687
Other payables and accruals	25	**512,644**	483,496
Interest-bearing bank and other borrowings	26	**516,895**	507,529
Tax payable		**224,995**	218,029
Total current liabilities		**4,692,739**	4,382,741
NET CURRENT ASSETS		**1,298,300**	1,295,544
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,803,457**	1,779,955

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**159,152**	171,983
Total non-current liabilities		**159,152**	171,983
Net assets		**1,644,305**	1,607,972
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**533,360**	533,360
Reserves	28	**1,084,427**	1,048,354
		1,617,787	1,581,714
Non-controlling interests		**26,518**	26,258
Total equity		**1,644,305**	1,607,972

Lyu Yaoneng
Director

Lyu Dazhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

		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 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 and 1 January 2022		533,360	188,665	–	99,769	759,920	1,581,714	26,258	1,607,972
Profit for the year		**–**	**–**	**–**	**–**	**54,865**	**54,865**	**930**	**55,795**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**54,865**	**54,865**	**930**	**55,795**
Appropriation to statutory surplus reserve		**–**	**–**	**–**	**6,148**	**(6,148)**	**–**	**–**	**–**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**(670)**	**(670)**
Transfer to special reserve		**–**	**–**	**170,500**	**–**	**170,500**	**–**	**–**	**–**
Utilisation of special reserve		**–**	**–**	**(170,500)**	**–**	**(170,500)**	**–**	**–**	**–**
Final 2021 dividend declared		**–**	**–**	**–**	**–**	**(18,792)**	**(18,792)**	**–**	**(18,792)**
As at 31 December 2022		**533,360**	**188,665**	**–**	**105,917**	**789,845**	**1,617,787**	**26,518**	**1,644,305**

* As at 31 December 2022, these reserve accounts comprise the consolidated reserves of RMB1,084,427,000 (31 December 2021: RMB1,048,354,000) 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) 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 to a safety reserve at 1.5% – 2% of the total construction contract revenue recognised. On 21 November 2022, the Ministry of Finance and the Ministry of Emergency Management of the People's Republic of China issued Cai Zi [2022] No.136 to update the safety reserve rate to 1.5%-3%, with immediate effect on the new contracts signed afterwards. 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 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**55,075**	106,757
Adjustments for:			
Finance costs	7	**43,794**	59,789
Interest income	6, 8	**(11,695)**	(10,095)
Exchange difference, net		**(6)**	–
Depreciation of items of property, plant and equipment	8	**14,091**	12,122
Depreciation of investment properties	8	**568**	568
Amortisation of other intangible assets	8	**8,361**	7,077
Depreciation of right-of-use assets	8	**3,044**	2,605
Impairment of trade receivables	8	**39,345**	66,115
Impairment of financial assets included in prepayments, other receivables and other assets	8	**10,528**	2,128
Impairment of contract assets	8	**42,102**	38,282
Loss on disposal of items of property, plant and equipment, net	8	**399**	1
		205,606	285,349
Increase in inventories		**(2,182)**	(3,790)
(Increase)/decrease in contract assets		**(742,308)**	30,844
Decrease/(increase) in trade and bills receivables		**449,027**	(406,670)
Increase in prepayments, other receivables and other assets		**(42,271)**	(48,610)
Decrease in financial assets at fair value through profit or loss		**29,168**	53,302
(Increase)/decrease in pledged deposits		**(115,140)**	2,369
Increase in trade and bills payables		**264,518**	272,232
Increase in other payables and accruals		**29,536**	34,597
Cash generated from operations		**75,954**	219,623
Interest received		**11,335**	9,473
Income tax paid		**(11,206)**	(29,744)
Net cash flows from operating activities		**76,083**	199,352

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(28,640)**	(46,539)
Payments for acquisition of other intangible assets		**(798)**	(107)
Proceeds from disposal of items of property, plant and equipment		**523**	241
Other interest income from financial assets at fair value through profit or loss		**360**	622
Net cash flows used in investing activities		**(28,555)**	(45,783)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(36,923)**	(33,476)
Other finance costs paid		**(6,871)**	(26,313)
New bank loans		**525,961**	887,130
Repayment of bank loans		**(534,705)**	(895,588)
Deposits received/(paid) for bank loans		**228**	(3,177)
Dividends paid to shareholders		**(18,792)**	(18,074)
Dividends paid to non-controlling shareholders		**(670)**	(670)
Principal portion of lease payments		**(2,390)**	(2,050)
Repayment of loans from third parties		**(21,388)**	(13,000)
Loans from third parties		**21,000**	15,388
Net cash flows used in financing activities		**(74,550)**	(89,830)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(27,022)**	63,739
Cash and cash equivalents at beginning of year		**248,167**	184,428
CASH AND CASH EQUIVALENTS AT END OF YEAR		**221,145**	248,167
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**221,145**	248,167
Cash and cash equivalents as stated in the statement of financial position		**221,145**	248,167
Cash and cash equivalents as stated in the statement of cash flows		**221,145**	248,167

1. CORPORATE AND GROUP INFORMATION

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

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

- Construction contracting
- Others – design, survey, consultancy and other businesses

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

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 Intelligent Building Installation Co., Ltd. ("桐鄉市巨匠智能建築裝備有限公司")	(a),(c)	The PRC/Mainland China May 2006	RMB20,600,000	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%	Manufacture of civil defence products

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

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)	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)	The PRC/Mainland China May 2021	RMB2,000,000	100%	Vocational training
Tongxiang City Jucai Technology Co., Ltd. ("桐鄉市巨材科技有限公司")	(a),(d)	The PRC/Mainland China October 2022	RMB50,000,000	90%	Sales, research and development of building materials

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

Notes:

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

(b) Registered as a limited liability company under the law of India and disposed of in January 2022.

(c) On 13 June 2022, the Company renamed Tongxiang City Jujiang Lifting Equipment Installation Co., Ltd. to Tongxiang City Jujiang Intelligent Building Co., Ltd.

(d) On 27 October 2022, the Company established Tongxiang City Jucai Technology Co., Ltd ("Jucai"). The registered capital was RMB50,000,000, which was 90% 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 and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

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

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

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

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

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

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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 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 IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in IAS 12 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 (provided that sufficient taxable profit is available) 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 amendments are not expected to have any significant impact on the Group's financial statements.

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 net 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 receivable 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 4.66%
Plant and machinery	9.00% to 19.00%
Leasehold improvements	18.33% to 20.00%
Office equipment and others	19.00% 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 are 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 are 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 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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 that there has been a significant increase in credit risk when contractual payments are more than 1 year past due.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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 is recognized at the point in time when control of the design drawing is transferred to the customer, since the Group can only have the rights to collect payment after deliver the asset.

Revenue from the provision of 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

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 other 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), issued by the Ministry of Finance and the State Administration of Work Safety for the period of 1 January 2022 to 21 November 2022. On 21 November 2022, the Ministry of Finance and the Ministry of Emergency Management of the People's Republic of China issued Cai Zi [2022] No. 136. To update the safety reserve rate 1.5%-3%, with immediate effect on the new contracts signed afterwards.

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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 that 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.

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 flow 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 prepayment feature, etc.

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

Judgements *(Continued)*

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.

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.

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

Estimation uncertainty *(Continued)*

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, sale of civil defense products.

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

Year ended 31 December 2022

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

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

* *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 almost all the Group's activities were carried out in Mainland China during the year. Accordingly, no analysis by the geographical basis is presented.

Information about major customers

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

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

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

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

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2021

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

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 2022

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

For the year ended 31 December 2021

	Construction contracting 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

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:

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

(ii) Performance obligations

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

Construction contracting

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

Design, survey and consultancy

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

Sale of construction materials and civil defence products

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

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:

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

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

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

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

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

7. FINANCE COSTS

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

8. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of construction contracting (including depreciation and research and development costs)		**8,139,378**	9,532,698
Cost of others		**48,587**	44,149
Total cost of sales		**8,187,965**	9,576,847
Depreciation of property, plant and equipment	13	**14,091**	12,122
Depreciation of investment properties	14	**568**	568
Depreciation of right-of-use assets	15(a)	**3,044**	2,605
Amortization of other intangible assets	16	**8,361**	7,077
Total depreciation and amortization		**26,064**	22,372
Research and development costs:			
Current year expenditure		**240,634**	312,553
		240,634	312,553
Impairment of financial and contract assets, net:			
Impairment of trade receivables	20	**39,345**	66,115
Impairment of financial assets included in prepayments, other receivables and other assets	21	**10,528**	2,128
Impairment of contract assets	22	**42,102**	38,282
Total impairment losses, net		**91,975**	106,525
Lease payments not included in the measurement of lease liabilities		**60**	98
Auditors' remuneration		**2,267**	2,193
Employee benefit expenses (including directors' and supervisors' remuneration) (note (a)):		**102,320**	98,425
– Wages, salaries and allowances		**79,649**	74,508
– Social insurance		**20,738**	22,062
– Welfare and other expenses		**1,933**	1,855
Interest income	6	**(11,695)**	(10,095)
Loss on disposal of items of property, plant and equipment, net		**399**	1
Fair value losses, net:			
bills receivable		**29,412**	63,593
Foreign exchange differences, net		**(443)**	33

8. PROFIT BEFORE TAX *(Continued)*

(a) Employee benefit expenses of approximately RMB102,320,000 (2021: RMB98,425,000) are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

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:

	2022	2021
	RMB'000	RMB'000
Fees	**263**	223
Others emoluments:		
– Salaries, allowances and benefits in kind	**2,174**	2,369
– Performance-related bonuses	**1,030**	1,030
– Pension schemes	**54**	54
	3,521	3,676

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 2022

	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)	–	400	350	–	750
Mr. Zheng Gang (鄭剛)	–	302	150	10	462
Mr. Li Jinyan (李錦燕)	–	162	150	10	322
Mr. Lu Zhicheng (陸志城)	–	241	–	7	248
Mr. Lyu Dazhong (呂達忠)	–	255	150	–	405
Mr. Shen Haiquan (沈海泉)	–	241	–	7	248
	–	1,601	800	34	2,435
Independent Non-executive Directors					
Mr. Wong Ka Wai (王加威)	101	–	–	–	101
Mr. Ma Tao (馬濤)	81	–	–	–	81
Mr. Yu Jingxuan (余景選)	81	–	–	–	81
	263	–	–	–	263
Supervisors					
Mr. Zou Jiangtao (鄒江滔)	–	218	80	10	308
Mr. Lyu Xingliang (呂興良)	–	233	150	10	393
Mr. Chen Xiangjiang (陳祥江)	–	61	–	–	61
Mr. Zhu Jialian (朱家煉)	–	61	–	–	61
	–	573	230	20	823
	263	2,174	1,030	54	3,521

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

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

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. Lin Tao (林濤)	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)*

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:

	2022 RMB'000	2021 RMB'000
Directors	2	3
Non-director and non-supervisor employees	3	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:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	860	591
Performance related bonuses	520	370
Pension schemes	34	50
	1,414	1,011

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

	2022	2021
Nil to HK$1,000,000	3	2

10. INCOME TAX EXPENSE

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

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

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

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

11. DIVIDENDS

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

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

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

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 2022.

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

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

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

	2022 '000	2021 '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 2022							
At 31 December 2021 and at 1 January 2022:							
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
At 1 January 2022, net of accumulated depreciation	86,630	31,824	5,559	7,167	41,854	1,572	174,606
Additions	2,755	3,874	3,280	2,713	10,471	5,547	28,640
Disposals	–	(649)	(24)	(249)	–	–	(922)
Depreciation provided during the year	(2,621)	(5,887)	(2,490)	(2,597)	–	(496)	(14,091)
At 31 December 2022, net of accumulated depreciation	86,764	29,162	6,325	7,034	52,325	6,623	188,233
At 31 December 2022:							
Cost	116,689	53,943	15,644	21,941	52,325	7,565	268,107
Accumulated depreciation	(29,925)	(24,781)	(9,319)	(14,907)	–	(942)	(79,874)
Net carrying amount	86,764	29,162	6,325	7,034	52,325	6,623	188,233

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 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

Certain of the Group's buildings with a net carrying amount of approximately RMB84,186,000 (2021: RMB86,444,000) as at 31 December 2022 were pledged to secure general banking facilities granted to the Group (note 26).

14. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**15,628**	16,196
Additions	**–**	–
Depreciation provided during the year	**(568)**	(568)
Carrying amount at 31 December	**15,060**	15,628

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 2022, the investment properties were valued by the market approach with reference to comparable market transactions. The fair value of these properties was RMB17,707,800, 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 2021	8,413	10,874	19,287
Additions	–	5,736	5,736
Depreciation charge	(291)	(2,314)	(2,605)
As at 31 December 2021 and 1 January 2022	**8,122**	**14,296**	**22,418**
Additions	**–**	**7,919**	**7,919**
Depreciation charge	**(291)**	**(2,753)**	**(3,044)**
Reassessment of a lease term arising from a decision not to exercise the extension option	**–**	**(244)**	**(244)**
As at 31 December 2022	**7,831**	**19,218**	**27,049**

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:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**14,799**	11,114
New lease	**7,919**	5,736
Accretion of interest recognised during the year	**887**	756
Payments (note 29)	**(3,277)**	(2,807)
Reassessment of a lease term arising from a decision not to exercise the extensions option	**(250)**	–
Carrying amount at 31 December	**20,078**	14,799
Analysed into:		
Current portion	**3,493**	2,716
Non-current portion	**16,585**	12,083

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:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**887**	756
Depreciation charge of right-of-use assets	**3,044**	2,605
Expense relating to short-term leases	**60**	38
Expense relating to leases of low-value assets	**–**	60
Total amount recognised in profit or loss	**3,991**	3,459

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

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Concession asset RMB'000	Total RMB'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	**2,778**	**92,980**	**95,758**
Additions	**798**	**–**	**798**
Amortisation provided during the year (note 8)	**(719)**	**(7,642)**	**(8,361)**
At 31 December 2022	**2,857**	**85,338**	**88,195**
At 31 December 2022			
Cost	**7,188**	**99,348**	**106,536**
Accumulated amortisation	**(4,331)**	**(14,010)**	**(18,341)**
Net carrying amount	**2,857**	**85,338**	**88,195**

	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

As at 31 December 2022, a concession asset represents an asset under "Build-Operate-Transfer" service concession arrangements in Mainland China. The construction of concession projects were completed on February 28, 2021.

17. DEFERRED TAX ASSETS

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

	2022 RMB'000	2021 RMB'000
Deferred tax assets:		
At beginning of the year	**47,146**	33,263
Deferred tax credited to profit or loss during the year (note 10)	**18,892**	13,883
At end of the year	**66,038**	47,146

The deferred tax assets are attributed to the following items:

	2022 RMB'000	2021 RMB'000
Deferred tax assets:		
Impairment of financial and contract assets	**46,263**	32,650
Fair value adjustments of bills receivable	**17,018**	12,606
Accrued but not paid salaries, wages and benefits	**2,035**	1,700
Depreciation difference of property, plant and equipment between accounting and tax	**99**	–
Accumulated loss	**623**	190
	66,038	47,146

The Group has tax losses arising in Mainland China of RMB 17,170,000 (2021: RMB 25,215,000) 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

	2022 RMB'000	2021 RMB'000
Raw materials	**14,616**	17,379
Goods in progress	**3,895**	2,385
Finished goods	**7,816**	4,383
Spare parts and consumables	**24**	22
	26,351	24,169

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.

	2022 RMB'000	2021 RMB'000
Receivables under concession projects	**127,694**	135,484
Less: Long-term receivables due within one year	**8,274**	7,791
	119,420	127,693

The aging of long-term receivables shall be calculated since the date when the budget needed for the completion of 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 2022.

20. TRADE AND BILLS RECEIVABLES

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

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

As at 31 December 2022, the Group did not pledge any trade receivables to secure the Group's bank loans (2021: RMB58,263,000) (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:

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

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

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

	2022 RMB'000	2021 RMB'000
At beginning of year	135,313	69,198
Impairment losses, net (note 8)	39,345	66,115
At end of year	174,658	135,313

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

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

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

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

As at 31 December 2022

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

As at 31 December 2021

	Expected credit loss rate	Gross carrying amount 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)*

Transferred financial assets that are not derecognised in their entirety

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

Transferred financial assets that are derecognised in their entirety

(a) At 31 December 2022, the Group endorsed and discounted certain bills receivable (the "**Derecognised Bills**") with a carrying amount in aggregate of approximately RMB106,742,000 (2021: RMB259,128,000). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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

During the reporting period, the Group has recognised RMB1,341,000 (2021: RMB3,919,000) 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

	2022 RMB'000	2021 RMB'000
Prepayments	**502,726**	426,881
Deposits and other receivables	**198,545**	227,082
Other assets	**–**	5,037
	701,271	659,000
Impairment allowance	**(46,264)**	(35,736)
Total	**655,007**	623,264

The movements in provision for impairment of deposits and other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of the year	**35,736**	33,608
Impairment losses, net (note 8)	**10,528**	2,128
At end of the year	**46,264**	35,736

Included in the following provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowance. As at 31 December 2022, the accumulated individual loss allowance was RMB3,583,000 (2021: RMB5,333,000) with a carrying amount before loss allowance of RMB4,333,000 (2021: RMB5,833,000).

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 2022

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Current and within 1 year	**2.29%**	**108,551**	**2,490**
More than 1 year but within 2 years	**23.40%**	**51,503**	**12,050**
More than 2 years but within 3 years	**32.55%**	**5,536**	**1,802**
More than 3 years but within 4 years	**48.26%**	**3,338**	**1,611**
More than 4 years but within 5 years	**67.62%**	**1,717**	**1,161**
More than 5 years	**100.00%**	**23,567**	**23,567**
		194,212	**42,681**
Apparently impaired item	**82.69%**	**4,333**	**3,583**
Total		**198,545**	**46,264**

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

22. CONTRACT ASSETS

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

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

During the year ended 31 December 2022, RMB42,102,000 (2021: RMB38,282,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

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

Retention receivables

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

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

22. CONTRACT ASSETS *(Continued)*

Retention receivables *(Continued)*

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

	2022 RMB'000	2021 RMB'000
At beginning of year	43,015	4,733
Impairment losses, net (note 8)	42,102	38,282
At end of year	85,117	43,015

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

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

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

As at 31 December 2022

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

22. CONTRACT ASSETS *(Continued)*

Retention receivables *(Continued)*

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

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**221,145**	248,167
Pledged deposits	**238,151**	123,239
	459,296	371,406
Less: Pledged time deposits:		
Pledged for salaries of migrant workers	**(210,785)**	(95,645)
Pledged for bank loans and bank notes	**(27,366)**	(27,594)
Cash and cash equivalents	**221,145**	248,167

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and 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:

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

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

25. OTHER PAYABLES AND ACCRUALS

	Notes	**2022** **RMB'000**	2021 RMB'000
Contract liabilities	(a)	**136,700**	155,904
Accrued salaries, wages and benefits		**28,763**	26,798
Other taxes payable		**275,043**	243,513
Other payables	(b)	**72,138**	57,281
		512,644	483,496

(a) Details of contract liabilities are as follows:

	31 December 2022 **RMB'000**	31 December 2021 RMB'000
Construction services	**99,544**	125,096
Sale of goods	**27,792**	21,400
Design, survey and consultancy	**9,364**	9,408
	136,700	155,904

Contract liabilities include short-term advances to render construction services and to deliver goods.

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 15)	4.90	2023	3,493	4.90	2022	2,716
Bank loans – mortgaged/ guaranteed	4.35-5.80	2023	440,480	4.15-6.20	2022	317,760
Bank loans – guaranteed	4.41-7.12	2023	54,550	4.00-7.21	2022	90,950
Bank loans – pledged	–	–	–	4.35-5.50	2022	65,400
Bank loans – other	–	–	–	9.00	2022	12,001
Current portion of long term bank loans – guaranteed	4.41	2023	18,372	4.41	2022	17,502
Other loans	–	–	–	9.00-12.00	2022	1,200
			516,895			507,529
Non-current						
Lease liabilities (note 15)	4.90	2025-2032	16,585	4.90	2023-2031	12,083
Bank loans – guaranteed	4.41	2024-2030	142,567	4.41	2023-2030	159,900
			159,152			171,983

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	513,402	503,613
In the second year	19,091	18,372
In the third to fifth years, inclusive	61,072	59,174
Beyond five years	62,404	82,354
	655,969	663,513
Analysed into:		
Other borrowings repayable:		
Within one year	3,493	3,916
In the second year	3,049	2,036
In the third to fifth years, inclusive	7,015	5,312
Beyond five years	6,521	4,735
	20,078	15,999

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

Notes:

(a) Certain of the Group's buildings with a net carrying amount of approximately RMB84,186,000 (2021: RMB86,444,000) as at 31 December 2022 were pledged to secure general banking facilities granted to the Group.

(b) As set out in note 32(b), as at 31 December 2022, the Group's interest-bearing bank loans and other borrowings of approximately RMB458,480,000 (2021: RMB368,360,000) were jointly guaranteed by the controlling shareholder and other related parties of the Group, free of charge.

(c) The Group entered into fixed asset loan contract with maximum loan amounts totaling RMB190,000,000. As at 31 December 2022, the outstanding balance of the fixed asset loan amounted to RMB160,939,000 (2021: RMB184,405,000) and the interest rate is 4.41%.

(d) As set out in note 20, the Group did not pledge any trade receivables of approximately to secure the Group's bank loans (2021: RMB 58,263,000).

27. SHARE CAPITAL

	2022	2021
	RMB'000	RMB'000
Issued and fully paid:		
533,360,000 (2021: 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) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,919,000 (2021: RMB5,736,000) and RMB7,919,000 (2021: RMB5,736,000), respectively, in respect of lease arrangements for plant and equipment.

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

(b) Changes in liabilities arising from financing activities

2022

	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 2022	664,713	14,799	9,388	6,699
Changes from financing cash flows	(8,744)	(3,277)	(388)	228
New leases	–	7,919	–	–
Interest expense	–	887	–	–
Reassessment and revision of lease terms	–	(250)	–	–
At 31 December 2022	655,969	20,078	9,000	6,927

2021

	Bank and other loans RMB'000	Lease Liabilities RMB'000	Loan 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

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	60	98
Within financing activities	2,390	2,050
	2,450	2,148

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:

	2022 RMB'000	2021 RMB'000
Construction contracting services provided to:		
Fellow subsidiaries	13,444	64,477
Purchases of raw materials from a company of which the controlling shareholder of the company is a key management personal of parent company	3,214	–
Lease payments to a fellow subsidiary:	1,694	1,637

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

(b) Other transactions with related parties:

The Group's interest-bearing bank loans and other borrowings of RMB458,480,000 (2021: RMB368,360,000) as at 31 December 2022 were jointly guaranteed by the controlling shareholder and other related parties of the Group, as disclosed in note 26(b).

32. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties:

	2022 RMB'000	2021 RMB'000
Trade and bills receivables:		
Fellow subsidiaries	50,358	42,819
Trade payables:		
Fellow subsidiaries	27	77
A company of which the controlling shareholder of the company is a key management personal of parent company	774	–
Other receivables:		
Fellow subsidiaries	20	20
Key management personnel of the holding company	950	950
Contract assets:		
Fellow subsidiaries	11,459	12,382
Associate of fellow subsidiaries	50,628	50,628
Contract liabilities:		
Fellow subsidiaries	633	333

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

	2022 RMB'000	2021 RMB'000
Short term employee benefits	4,419	4,154
Post-employment benefits	130	121
Total compensation paid to key management personnel	4,549	4,275

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:

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**1,525,076**	1,712,929
Financial assets included in deposits and other receivables	**152,281**	191,346
Pledged deposits	**238,151**	123,239
Cash and bank balances	**221,145**	248,167
	2,136,653	2,275,681
Financial assets at fair value through profit or loss – mandatorily designated as such		
Financial assets at fair value through profit or loss	**10,535**	10,291
Bills receivable	**535,548**	865,479
	2,682,736	3,151,451
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**3,438,205**	3,173,687
Financial liabilities included in other payables and accruals	**72,138**	57,281
Interest-bearing bank and other borrowings	**676,047**	679,512
	4,186,390	3,910,480

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	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**10,535**	10,291
Bills receivable	**535,548**	865,479
	546,083	875,770
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities)	**655,969**	664,713

	Fair values	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**10,535**	10,291
Bills receivable	**535,548**	865,479
	546,083	875,770
Financial liabilities		
Interest-bearing bank and other borrowings (other than lease liabilities)	**655,969**	664,713

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 2022 were assessed to be insignificant.

The fair value of bills receivables is determined by the Group using discounted cash flow model. The inputs of the valuation technique mainly include future cash flow 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 2022

	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	**10,535**	**–**	**–**	**10,535**
Bills receivable	**–**	**535,548**	**–**	**535,548**

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

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

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

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 (2021: Nil).

Liabilities for which fair values are disclosed:

As at 31 December 2022

	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)	**–**	**655,969**	**–**	**655,969**

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

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 2022

	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*	–	–	–	2,856,069	2,856,069
Trade receivables*	–	–	–	1,699,734	1,699,734
Financial assets included in prepayments, other receivables and other assets					
– Normal**	194,212	–	–	–	194,212
– Doubtful**	–	–	4,333	–	4,333
Pledged deposits – Not yet past due	238,151	–	–	–	238,151
Cash and cash equivalents – Not yet past due	221,145	–	–	–	221,145
	653,508	–	4,333	4,555,803	5,213,644

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

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

* 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:

	2022			
	Within 1 year RMB'000	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade and bills payables	**3,438,205**	**–**	**–**	**3,438,205**
Financial liabilities included in other payables and accruals	**72,138**	**–**	**–**	**72,138**
Interest-bearing bank and other borrowings (excluding lease liabilities)	**530,532**	**99,254**	**66,766**	**696,552**
Lease liabilities	**3,682**	**12,750**	**7,607**	**24,039**
	4,044,557	**112,004**	**74,373**	**4,230,934**

	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)*

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.

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:

	2022	2021
	RMB'000	RMB'000
Interest-bearing bank and other borrowings (note 26)	**676,047**	679,512
Cash and bank balances (note 23)	**(221,145)**	(248,167)
Pledged deposits (note 23)	**(238,151)**	(123,239)
Net debt	**216,751**	308,106
Total equity	**1,644,305**	1,607,972
Gearing ratio	**13%**	19%

36. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2022.

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:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**169,061**	169,778
Investment properties	**15,060**	15,628
Right-of-use assets	**14,801**	8,408
Intangible assets	**2,733**	2,720
Investments in subsidiaries	**89,093**	70,772
Deferred tax assets	**63,662**	44,981
Total non-current assets	**354,410**	312,287
CURRENT ASSETS		
Inventories	**13,000**	15,364
Trade and bills receivables	**2,021,040**	2,539,166
Contract assets	**2,766,626**	2,057,989
Prepayments and other receivables	**726,173**	664,885
Pledged deposits	**238,151**	123,239
Cash and bank balances	**145,795**	214,488
Total current assets	**5,910,785**	5,615,131
CURRENT LIABILITIES		
Trade and bills payables	**3,424,379**	3,164,531
Other payables and accruals	**503,339**	482,200
Interest-bearing bank and other borrowings	**495,830**	487,560
Tax payable	**224,431**	217,082
Total current liabilities	**4,647,979**	4,351,373
NET CURRENT ASSETS	**1,262,806**	1,263,758
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,617,216**	1,576,045
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**6,402**	–
Total non-current liabilities	**6,402**	–
Net assets	**1,610,814**	1,576,045
EQUITY		
Share capital	**533,360**	533,360
Reserves (Note)	**1,077,454**	1,042,685
Total equity	**1,610,814**	1,576,045

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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 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 and 1 January 2022	188,480	93,820	–	760,385	1,042,685
Profit for the year	**–**	**–**	**–**	**53,561**	**53,561**
Total comprehensive income	**–**	**–**	**–**	**53,561**	**53,561**
Appropriation to statutory surplus reserve	**–**	**5,356**	**–**	**(5,356)**	**–**
Transfer to special reserve	**–**	**–**	**(170,046)**	**170,046**	**–**
Utilisation of special reserve	**–**	**–**	**170,046**	**(170,046)**	**–**
Final 2021 dividend declared	**–**	**–**	**–**	**(18,792)**	**(18,792)**
As at 31 December 2022	**188,480**	**99,176**	**–**	**789,798**	**1,077,454**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.