



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

(A P R C)

(Stock Code: 1459)

**ANNOUNCEMENT OF ANNUAL RESULTS
 FOR THE YEAR ENDED 31 DECEMBER 2023
 AND
 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change %
	2023 MB'000	2022 RMB'000	
Revenue	8,315,073	8,551,596	(2.8)
Gross profit	344,133	363,631	(5.4)
Gross profit margin	4.14%	4.25%	(0.11)
Profit for the year	12,030	55,795	(78.4)
Net profit margin	0.14%	0.65%	(0.51)
Basic and diluted earnings per share (RMB)	0.02	0.10	

The Board recommends the payment of a final dividend of 2.0 HK cents (before tax) per share for the year ended 31 December 2023 (31 December 2022: 4.0 HK cents).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Jujiang Construction Group Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the previous year as follows:

Consolidated Statements of Profit or Loss and Other Comprehensive Income

<i>F</i>	<i>31 D</i>	<i>2023</i>	
	<i>N</i>	2023	2022
		<i>MB,000</i>	<i>RMB 000</i>
REVENUE	5	8,315,073	8,551,596
Cost of sales	7	<u>(7,970,940)</u>	<u>(8,187,965)</u>
Gross profit		<u>344,133</u>	<u>363,631</u>
Other income and gains	5	17,846	30,075
Administrative expenses		(172,955)	(172,719)
Impairment losses on financial and contract assets, net		(129,736)	(91,975)
Other expenses		(7,859)	(30,143)
Finance costs	6	<u>(40,909)</u>	<u>(43,794)</u>
PROFIT BEFORE TAX	7	<u>10,520</u>	<u>55,075</u>
Income tax credit	8	<u>1,510</u>	<u>720</u>
PROFIT FOR THE YEAR		12,030	55,795
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		<u>113</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>113</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>12,143</u></u>	<u><u>55,795</u></u>

	<i>N</i>	2023 <i>MB,000</i>	2022 <i>RMB 000</i>
Profit attributable to:			
Owners of the parent		10,568	54,865
Non-controlling interests		1,462	930
		12,030	55,795
Total comprehensive income attributable to:			
Owners of the parent		10,647	54,865
Non-controlling interests		1,496	930
		12,143	55,795
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	<i>10</i>	0.02	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A 31 D 2023

		2023	2022
	<i>N</i>	<i>MB,000</i>	<i>RMB 000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		129,761	188,233
Investment properties		71,108	15,060
Right-of-use assets		24,501	27,049
Goodwill		1,162	1,162
Other intangible assets		80,150	88,195
Deferred tax assets		86,691	66,038
Long term receivables		110,633	119,420
		<u>504,006</u>	<u>505,157</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		24,125	26,351
Non-current assets due within one year		8,787	8,274
Trade and bills receivables	<i>11</i>	2,217,659	2,060,624
Contract assets	<i>12</i>	3,142,043	2,770,952
Prepayments, other receivables and other assets		512,802	655,007
Financial assets at fair value through profit or loss		10,760	10,535
Pledged deposits		141,644	238,151
Cash and cash equivalents		263,550	221,145
		<u>6,321,370</u>	<u>5,991,039</u>
Total current assets			
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	3,775,673	3,438,205
Other payables and accruals		513,197	512,644
Interest-bearing bank and other borrowings		527,186	516,895
Tax payable		231,546	224,995
		<u>5,047,602</u>	<u>4,692,739</u>
Total current liabilities			
NET CURRENT ASSETS		<u>1,273,768</u>	<u>1,298,300</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,777,774</u>	<u>1,803,457</u>

	<i>N</i>	2023 <i>MB,000</i>	2022 <i>RMB 000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		<u>138,646</u>	<u>159,152</u>
Total non-current liabilities		<u>138,646</u>	<u>159,152</u>
Net assets		<u><u>1,639,128</u></u>	<u><u>1,644,305</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		533,360	533,360
Reserves		<u>1,075,974</u>	<u>1,084,427</u>
		<u>1,609,334</u>	<u>1,617,787</u>
NON-CONTROLLING INTERESTS			
		<u>29,794</u>	<u>26,518</u>
Total equity		<u><u>1,639,128</u></u>	<u><u>1,644,305</u></u>

1. CORPORATE AND GROUP INFORMATION

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

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

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

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Zhejiang Jujiang Holdings Group Co., Ltd., which is incorporated in the PRC.

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 Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. 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 less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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 derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	<i>I</i>	<i>C</i>					
Amendments to IAS 1 and IFRS Practice Statement 2	<i>D</i>	<i>A</i>	<i>P</i>				
Amendments to IAS 8	<i>D</i>	<i>A</i>	<i>E</i>				
Amendments to IAS 12	<i>D</i>	<i>T</i>	<i>A</i>	<i>L</i>			
	<i>S</i>	<i>T</i>					
Amendments to IAS 12	<i>I</i>	<i>T</i>	<i>R</i>	<i>P</i>	<i>T</i>	<i>M</i>	<i>R</i>

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

- (a) Amendments to IAS 1 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 *M M J* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group’s financial statements.

- (b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *D T A L S*
T 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 did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.
- (d) Amendments to IAS 12 *I T R P T M R* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>S</i>	<i>C</i>	<i>A</i>	<i>I</i>	
	<i>A</i>		<i>J V</i>	³	
Amendments to IFRS 16	<i>L</i>	<i>L</i>	<i>S</i>	<i>L</i>	¹
Amendments to IAS 1	<i>C</i>		<i>L</i>	<i>C</i>	<i>N - (2020</i>
	<i>A</i>		¹		
Amendments to IAS 1	<i>N -</i>	<i>L</i>	<i>C</i>	<i>(2022 A</i>	¹
Amendments to IAS 7 and IFRS 7	<i>S</i>	<i>F</i>	<i>A</i>	¹	
Amendments to IAS 21	<i>L</i>	<i>E</i>	²		

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

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 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 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. 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.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

For the year ended 31 December 2023

	Construction contracting MB'000	Others MB'000	Eliminations MB'000	Total MB'000
Segment revenue (note 5)				
Sales to external customers	8,218,191	96,882	–	8,315,073
Intersegment sales	–	20,805	(20,805)	–
Total segment revenue	8,218,191	117,687	(20,805)	8,315,073
Profit before tax	(867)	11,636	(249)	10,520
Income tax expense	4,473	(2,963)	–	1,510
Segment results	3,606	8,673	(249)	12,030
Segment assets	6,693,276	381,006	(248,906)	6,825,376
Segment liabilities	5,096,132	247,682	(157,566)	5,186,248
Other segment information:				
Interest income	580	8,984	–	9,564
Finance costs	31,845	9,064	–	40,909
Depreciation	13,983	6,704	–	20,687
Amortisation	633	7,677	–	8,310
Impairment losses on financial and contract assets, net	129,028	708	–	129,736
Capital expenditure*	8,362	6,697	–	15,059

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For the year ended 31 December 2022

	Construction contracting <i>RMB'000</i>	Others <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 5)				
Sales to external customers	8,447,943	103,653	–	8,551,596
Intersegment sales	–	24,711	(24,711)	–
Total segment revenue	<u>8,447,943</u>	<u>128,364</u>	<u>(24,711)</u>	<u>8,551,596</u>
Profit before tax	64,331	(4,485)	(4,771)	55,075
Income tax expense	864	(144)	–	720
Segment results	<u>65,195</u>	<u>(4,629)</u>	<u>(4,771)</u>	<u>55,795</u>
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*	<u>25,565</u>	<u>3,873</u>	<u>–</u>	<u>29,438</u>

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

Geographical information

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	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Chinese Mainland	8,192,955	8,551,596
Indonesia	122,118	—
Total revenue	<u>8,315,073</u>	<u>8,551,596</u>

The revenue information above is based on the locations of the customers.

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All the Group's non-current assets were located in Chinese Mainland. Accordingly, no analysis by the geographical basis is presented.

Information about major customers

Revenue of approximately RMB691,869,000 (2022: RMB 866,556,000) 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.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers	<u>8,315,073</u>	<u>8,551,596</u>

Revenue from contracts with customers

Detailed description of the revenue from contracts with customers

For the year ended 31 December 2023

Segments	Construction contracting <i>MB'000</i>	Others <i>MB'000</i>	Total <i>MB'000</i>
Types of goods or services			
Construction contracting	8,218,191	–	8,218,191
Design, survey and consultancy	–	55,524	55,524
Sale of construction materials and civil defence products	–	41,358	41,358
Total	8,218,191	96,882	8,315,073
Geographical markets			
Chinese Mainland	8,096,073	96,882	8,192,955
Indonesia	122,118	–	122,118
Total	8,218,191	96,882	8,315,073
Timing of revenue recognition			
Services transferred over time	8,218,191	35,347	8,253,538
Goods and services transferred at a point in time	–	61,535	61,535
Total	8,218,191	96,882	8,315,073

For the year ended 31 December 2022

Segments	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Types of goods or services			
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	8,447,943	103,653	8,551,596
Geographical market			
Chinese Mainland	8,447,943	103,653	8,551,596
Total	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	8,447,943	103,653	8,551,596

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 2023

Segments	Construction contracting MB'000	Others MB'000	Total MB'000
Revenue from contracts with customers			
Sales to external customers	8,218,191	96,882	8,315,073
Intersegment sales	–	20,805	20,805
Subtotal	8,218,191	117,687	8,335,878
Intersegment adjustments and eliminations	–	(20,805)	(20,805)
Total	8,218,191	96,882	8,315,073

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

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

	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Total remaining performance obligations	<u>18,890,572</u>	<u>18,736,795</u>

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 2023 amounting to RMB14,762,720,000 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 2023 totaling to RMB4,127,852,000 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.

	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Other income		
Interest income	9,339	11,335
Government grants*	5,619	16,842
Gross rental income from investment property operating leases	599	599
Other interest income from financial assets at fair value through profit or loss	225	360
Total other income	15,782	29,136
Gains		
Others	2,064	939
Total other income and gains	<u>17,846</u>	<u>30,075</u>

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6. FINANCE COSTS

	2023	2022
	<i>MB'000</i>	<i>RMB'000</i>
Interest on bank loans and other borrowings	36,692	36,036
Factoring expense	3,297	5,530
Interest on lease liabilities	920	887
Discount expense on bills receivable	—	1,341
	<hr/>	<hr/>
Total	40,909	43,794
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7. PROFIT BEFORE TAX

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

	<i>N</i>	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Cost of construction contracting (including depreciation and research and development costs)		7,925,081	8,139,378
Cost of others		45,859	48,587
		<hr/>	<hr/>
Total cost of sales		7,970,940	8,187,965
Depreciation of items of property, plant and equipment		14,547	14,091
Depreciation of investment properties		2,659	568
Depreciation of right-of-use assets		3,481	3,044
Amortisation of other intangible assets		8,310	8,361
		<hr/>	<hr/>
Total depreciation and amortisation		28,997	26,064
Research and development costs:			
Current year expenditure		248,576	240,634
Impairment of financial and contract assets, net:			
Impairment of trade receivables		48,521	39,345
Impairment of financial assets included in prepayments, other receivables and other assets		7,970	10,528
Impairment of contract assets		73,245	42,102
		<hr/>	<hr/>
Total impairment losses, net		129,736	91,975
Lease payments not included in the measurement of lease liabilities		345	60
Auditor's remuneration		2,277	2,267
		<hr/>	<hr/>
Employee benefit expenses (including directors' and supervisors' remuneration)			
– Wages, salaries and allowances		79,923	79,649
– Social insurance		15,789	20,738
– Welfare and other expenses		2,071	1,933
		<hr/>	<hr/>
Total		97,783	102,320
		<hr/>	<hr/>
Interest income	5	(9,564)	(11,695)
(Gain)/loss on disposal of items of property, plant and equipment, net		(101)	399
Gain on disposal of items of right-of-use assets, net		(728)	–
Fair value losses, net:			
bills receivable		5,335	29,412
Foreign exchange differences, net		(187)	(443)
		<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX CREDIT

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% (2022: 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%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023	2022
	<i>MB'000</i>	<i>RMB'000</i>
Current income tax –Chinese Mainland		
Charge for the year	14,048	19,312
Underprovision/(overprovision) in prior years	2,321	(1,140)
Current – Elsewhere	2,774	–
Deferred	(20,653)	(18,892)
	<u>(1,510)</u>	<u>(720)</u>
Total	<u>(1,510)</u>	<u>(720)</u>

A reconciliation of the income tax credit 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 reporting period is as follows:

	2023	2022
	<i>MB'000</i>	<i>RMB'000</i>
Profit before tax	10,520	55,075
Income tax charge at the statutory income tax rate	2,630	13,768
Lower tax rate enacted by local authority	(290)	(4,936)
Effect on opening deferred tax of change in rates	(22)	–
Adjustments in respect of current tax of previous periods	2,321	(1,140)
Income not subject to tax	(133)	(34)
Expenses not deductible for tax purposes	686	516
Additional tax concession on research and development costs	(6,750)	(8,861)
Tax losses utilised from previous periods	(143)	(155)
Tax losses not recognised	191	120
	<u>(1,510)</u>	<u>(720)</u>
Tax credit for the year at the effective rate	<u>(1,510)</u>	<u>(720)</u>

9. DIVIDENDS

	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Proposed final – RMB 1.81 cents (2022: RMB 3.50 cents) per ordinary share*	<u>9,674</u>	<u>18,685</u>

* The Board recommends the payment of a final dividend of HK\$2.00 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 2024.

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year ended 31 December 2023.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>10,568</u>	<u>54,865</u>
	2023 <i>'000</i>	2022 <i>'000</i>
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<u>533,360</u>	<u>533,360</u>

11. TRADE AND BILLS RECEIVABLES

	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Trade receivables at amortised cost	1,739,777	1,699,734
Provision for impairment	(223,179)	(174,658)
	<hr/>	<hr/>
Trade receivables, net	1,516,598	1,525,076
Bills receivables at fair value	701,061	535,548
	<hr/>	<hr/>
Total	<u>2,217,659</u>	<u>2,060,624</u>

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 2023, the Group did not pledge any trade receivables to secure the Group's bank loans (2022: Nil).

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:

	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Retentions in trade receivables	127,775	68,075
Provision for impairment	(30,293)	(18,364)
	<hr/>	<hr/>
Retentions in trade receivables, net	<u>97,482</u>	<u>49,711</u>

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

	2023	2022
	<i>MB'000</i>	<i>RMB'000</i>
Within 3 months	618,712	656,916
3 months to 6 months	209,204	160,121
6 months to 1 year	270,506	315,793
1 to 2 years	264,013	303,046
2 to 3 years	120,882	74,002
3 to 4 years	31,812	8,889
4 to 5 years	1,469	6,309
	<hr/>	<hr/>
Total	1,516,598	1,525,076
	<hr/> <hr/>	<hr/> <hr/>

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

	2023	2022
	<i>MB'000</i>	<i>RMB'000</i>
At beginning of year	174,658	135,313
Impairment losses, net (note 7)	48,521	39,345
	<hr/>	<hr/>
At end of year	223,179	174,658
	<hr/> <hr/>	<hr/> <hr/>

The increase in the loss allowance was due to an increase in trade receivables which were past due for more than 2 to 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 2023, the accumulated individual loss allowance was RMB116,725,000 (2022: RMB46,018,000) with a carrying amount before loss allowance of RMB487,326,000 (2022: RMB223,828,000), which was the total exposure of account receivables from certain property developers and their affiliated companies.

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

As at 31 December 2023

	Expected credit loss rate	Gross carrying amount <i>MB'000</i>	Expected credit losses <i>MB'000</i>
Current and within 1 year	0.51%	923,363	4,731
More than 1 year but within 2 years	10.41%	185,242	19,282
More than 2 years but within 3 years	25.18%	59,085	14,877
More than 3 years but within 4 years	49.14%	30,989	15,228
More than 4 years but within 5 years	78.52%	6,686	5,250
More than 5 years	100.00%	47,086	47,086
Subtotal		<u>1,252,451</u>	<u>106,454</u>
Apparently impaired item	23.95%	<u>487,326</u>	<u>116,725</u>
Total		<u><u>1,739,777</u></u>	<u><u>223,179</u></u>

As at 31 December 2022

	Expected credit loss rate	Gross carrying amount <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>
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
Subtotal		<u>1,475,906</u>	<u>128,640</u>
Apparently impaired item	20.56%	<u>223,828</u>	<u>46,018</u>
Total		<u><u>1,699,734</u></u>	<u><u>174,658</u></u>

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, the Group endorsed and discounted certain bills receivable (together, the “Bills”) with a carrying amount of approximately RMB727,944,000 in total (2022: RMB512,290,000). 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 RMB727,944,000 (2022: RMB512,290,000) as at 31 December 2023.

Transferred financial assets that are derecognised in their entirety

- (a) At 31 December 2023, the Group endorsed and discounted certain bills receivable (the “Derecognised Bills”) with a carrying amount in aggregate of approximately RMB251,422,000 (2022: RMB106,742,000). 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 2023 (2022: Nil).

During the reporting period, the Group did not recognise any expenses (2022: RMB1,341,000) in finance costs (note 6) on the date of transfer of the discounted bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

12. CONTRACT ASSETS

	31 December 2023 MB'000	31 December 2022 RMB'000
Contract assets arising from:		
Construction services	3,289,283	2,849,515
Design, survey, training and consultancy	11,122	6,554
	<hr/>	<hr/>
Total	3,300,405	2,856,069
Impairment	(158,362)	(85,117)
	<hr/>	<hr/>
Net carrying amount	<u>3,142,043</u>	<u>2,770,952</u>

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 2023, RMB73,245,000 (2022: RMB42,102,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 11 to the financial statements.

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

Retention receivables

	2023 MB'000	2022 RMB'000
Within one year	88,708	74,277
After one year	130,369	85,189
	<hr/>	<hr/>
Total contract assets	<u>219,077</u>	<u>159,466</u>

At 31 December 2023, the expected timing of recovery or settlement for the remaining contract assets was subject to the specific contract terms and the progress of the performance obligations.

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

	2023 MB'000	2022 RMB'000
At beginning of year	85,117	43,015
Impairment losses, net (note 7)	73,245	42,102
	<hr/>	<hr/>
At end of year	<u>158,362</u>	<u>85,117</u>

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

Included in the following provision matrix, for certain customers with credit risk increased significantly, the Group has made individual loss allowances. As at 31 December 2023, the accumulated individual loss allowance was RMB143,916,000 (2022: RMB73,783,000) with a carrying amount before loss allowance of RMB471,888,000 (2022: RMB286,790,000). 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 2023

	Expected credit loss rate	Gross carrying amount <i>MB'000</i>	Expected credit losses <i>MB'000</i>
Carrying amount excluding apparently impaired item	0.51%	2,828,517	14,446
Apparently impaired item	30.50%	471,888	143,916
Total		3,300,405	158,362

As at 31 December 2022

	Expected credit loss rate	Gross carrying amount <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>
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

13. 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:

	2023 <i>MB'000</i>	2022 <i>RMB'000</i>
Within 6 months	2,550,978	2,496,681
6 months to 1 year	343,442	295,956
1 to 2 years	497,478	447,446
2 to 3 years	278,372	120,285
Over 3 years	105,403	77,837
	<hr/>	<hr/>
Total	<u>3,775,673</u>	<u>3,438,205</u>

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

14. COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The external environment facing the industry currently is still complex and daunting, with insufficient domestic effective demand, weak social expectations and multiple risks and hazards, while stabilizing investment is an important force to maintain economic growth. Infrastructure plays a strong supporting role, effectively offsetting the impact of the decline in real estate investment, and continues to act as a pivot in stabilizing growth.

In 2023, in the face of the economic downturn, control policies continued to be lenient and the intensity of the leniency continued to increase in order to prevent systemic risks in the real estate industry and to maintain the stable and healthy development of the real estate market. Under the premise of “houses are for living, not for speculation”, the central government has affirmed the pillar industry status of the real estate sector, and risk prevention and demand promotion have become the theme of the industry’s policies. The government’s work report in March emphasized the need to effectively prevent and resolve the risks of prominent real estate giants, and to strengthen the construction of the housing protection system to support the demand for rigid and improved housing.

According to the data of the National Bureau of Statistics of the People’s Republic of China, for the year ended 31 December 2023, the total value of the national construction industry amounted to approximately RMB31.6 trillion, representing a year-on-year growth of 5.8%; the construction area of buildings of the national construction industry was approximately 15.1 billion sq.m., representing a year-on-year decrease of 1.5%. National sales area of commercial property was approximately 1.12 billion sq.m., representing a decrease of 8.5%; sales amount of commercial property was approximately RMB11.7 trillion, representing a decrease of 6.5%. In addition, according to the data of the China Construction Industry Association, the sum of contracts entered into by national construction enterprises in 2023 amounted to RMB72.5 trillion, representing a year-on-year increase of 2.8%. The sum of new contracts amounted to RMB35.6 trillion, representing a year-on-year decrease of 0.9%.

A series of policies and measures have been launched by the state to guide the construction engineering towards green and intelligent development. The process of survival of the fittest has been further accelerated with the strengthened integration of resources by industry leading enterprises, increasing market concentration and increasingly fierce competition faced by enterprises. The “Outline for Building a Powerful Country with Quality” published at the beginning of 2023 has put forward proposals of enhancing the quality of construction projects, vigorously developing green building materials, improving the green building materials product standards and certification and evaluation system, as well as advocating the use of green building materials. In the future, enterprises must focus on high-quality development, transitioning to intelligent construction through innovation, technology, talents and other driving forces, integrate the whole industrial chain such as design, R&D, production, etc., improve the modernization of the industrial chain, enhance core technology, industry expansion and other core competitiveness. “Construction +” has become a new path for the transformation of construction enterprises, which will bring new opportunities and challenges to construction enterprises. Under the goal of “Dual Carbon”, promoting the greening of building materials has become the main trend.

BUSINESS REVIEW

Looking back into 2023, under the severe economic situation and fierce industry competition, the Group once again overcame the difficulties and obstacles, achieving stable operation results and maintaining a positive momentum of development. The Group's revenue and net profit for the year ended 31 December 2023 were approximately RMB8,315.1 million and approximately RMB12.0 million, respectively, representing a decrease of approximately 2.8% and 78.4%, respectively, from the corresponding period of the previous year. The value of backlog increased by approximately 0.8% to approximately RMB18,890.6 million as at 31 December 2023 as compared to that of approximately RMB18,736.8 million as at 31 December 2022.

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

	Year ended 31 December	
	2023	2022
	RMB'million	RMB'million
Opening value of backlog	18,736.8	18,762.9
Net value of new projects ⁽¹⁾	8,372.0	8,421.8
Revenue recognised ⁽²⁾	(8,218.2)	(8,447.9)
Closing value of backlog ⁽³⁾	<u>18,890.6</u>	<u>18,736.8</u>

N :

- (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.

A new stride in market expansion

In 2023, in the face of the challenges and opportunities in the industry, the Group remained committed and adopted a wait-and-see attitude by adhering to its three business strategies of “key customers, quality business, market expansion” to continue improving its business structure and optimizing its market layout and realized the net value of newly contracted projects of approximately RMB8,372.0 million.

Amidst the gloomy real estate industry, the Group strategically adjusted its business structure. During the year under review, the percentage of industrial and public infrastructure projects continued to increase with industrial projects undertaken for the whole year accounting for 42%, and public infrastructure projects accounting for 25%. Commercial property projects accounting for 6%, Residential property projects accounting for 27%, representing a significant drop from the previous year. Focus on key customers has significantly increased the share of business from core local key customers. The Group focused on undertaking projects through public tenders and quality large-scale projects, of which, the business undertaken by public tenders accounted for 43% with a contract sum of RMB3.9 billion. Among the quality large-scale projects, projects with a single contract sum of over RMB300 million accounted for 70%.

With regard to the market layout, the Group highlighted key regions and further consolidated its market share in Tongxiang and Jiaxing with newly signed contracts accounting for 28.7% and 11% of Tongxiang and Jiaxing, respectively. Local market business in Tongxiang accounted for 54% for the whole year. “Market expansion” has made steady progress with business outside Jiaxing in Zhejiang Province accounting for 20%, of which, businesses outside Zhejiang Province accounted for 18%. During the year, the output value from overseas construction reached nearly RMB122 million, indicating that overseas development has entered a new stage. In addition, Yiwu Jiantou Jujiang Construction Co., Ltd.* (義烏建投巨匠建設有限公司) (“Yiwu Company”) of the Group started operation, laying a foundation for the Company’s further expansion in Yiwu market and giving an opportunity for the Company to favorably explore and try the new path and new mode of “market expansion”.

A new landscape in production management

The Group insists on being target-driven and project quality-oriented as always. During the year

A new breakthrough in technological innovation

To capture the development opportunities arising from the new trend in construction industry, the Group consistently stepped up efforts in technological innovation and pushed forward its research and development (R&D) in technology. There were 58 additional R&D projects for the whole year, 19 projects subject to acceptance, inspection and completion and 69 projects under research. 3 technological projects were established in Tongxiang City and 2 construction and scientific research projects were established at provincial level. The Group obtained 1 provincial construction method, 1 provincial quality work, 3 municipal quality work, 9 authorized national patents, 2 software copyrights, completed acceptance and inspection for 2 scientific research projects of Zhejiang Provincial Department of Construction and participated in 2 compilations of standards, of which, the headquarters building project of Tongkun Group (Phase I) undertaken and the Canal Asian Games Park (formerly Chengxi Park) project participated in by the Group were granted national quality construction award.

With respect to the application of the Building Information Modelling (BIM) technology, the Yunjiang Research and Developments Institute has launched 42 service projects for the whole year with applications covering sectors such as land and construction, installation, commerce. It expanded the construction application of innovative technologies such as drone tilt photography and 720 cloud application on BIM construction technology. The commercial application of BIM has made effective progress in project process cost management, project impact innovation service, settlement with sub-contractors, project output value management and material management which a gradual increase in project services.

The construction of smart construction sites has been accelerated with earlier completion of the R&D and repeated calculations of Yunjiang smart construction site 3.0. A total of 150 smart construction site projects were launched for the year. The development of smart operation and maintenance platform V1.0 was completed. The development of a visualized operation and maintenance platform for Mount Dai Security Bureau was completed and delivered while the corporate management system of Yiwu Company * (義烏建投巨匠建設有限公司), the supplier relationship management system of Jujiang and the security and responsibility risk management platform of Jiaying City are in the process of R&D, the delivery of which will be completed in 2024.

For the year ended 31 December 2023, the construction contracting business contributed approximately 98.8% of the revenue (for the year ended 31 December 2022: approximately 98.8%). The following table sets forth a breakdown of our revenue by business and project type for the years indicated:

	Year ended 31 December			
	2023		2022	
	<i>MB'</i>	<i>%</i>	<i>RMB'</i>	<i>%</i>
Construction contracting business				
Residential	3,531.1	42.5	4,281.5	50.1
Commercial	688.3	8.3	774.4	9.1
Industrial	2,524.8	30.3	2,200.7	25.7
Public works	1,474.0	17.7	1,191.3	13.9
	8,218.2	98.8	8,447.9	98.8
Other business	96.9	1.2	103.7	1.2
Total revenue	8,315.1	100.0	8,551.6	100.0

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue decreased by approximately 2.8% from approximately RMB8,551.6 million for the year ended 31 December 2022 to approximately RMB8,315.1 million for the year ended 31 December 2023, primarily because of a decrease in the construction contracting business amounting to approximately RMB229.8 million for the year ended 31 December 2023. Decrease in construction contracting business was primarily due to 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 2023. The revenue from residential and commercial construction contracting business for the year ended 31 December 2023 decreased by approximately RMB750.4 million and approximately RMB86.1 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 RMB282.7 million and approximately RMB324.1 million, respectively, for the year ended 31 December 2023 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.

Gross profit decreased by approximately 5.4% from approximately RMB363.6 million for the year ended 31 December 2022 to approximately RMB344.1 million for the year ended 31 December 2023, which was in line with decrease in revenue. The gross profit margin decreased from approximately 4.3% for the year ended 31 December 2022 to approximately 4.1% for the year ended 31 December 2023, such decrease was mainly due to an increase in material costs and labour costs in the construction contracting business. The gross profit margin of the construction contracting business decreased from 3.65% for the year ended 31 December 2022 to 3.56% for the year ended 31 December 2023.

Other income and gains

Other income and gains decreased by approximately RMB12.3 million from approximately RMB30.1 million for the year ended 31 December 2022 to approximately RMB17.8 million for the year ended 31 December 2023, primarily because of a decrease in government grants of approximately RMB11.7 million as the Group cannot meet some criteria of the government grants, such as the revenue and profits level in year of 2022.

Administrative expenses

The administrative expenses were stable at approximately RMB172.7 million and RMB173.0 million for the year ended 31 December 2022 and 2023, respectively, which was primarily due to the Group strictly controlled the costs.

Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, including trade receivables, other receivables and contract assets, increased by approximately 41.0% from approximately RMB92.0 million for the year ended 31 December 2022 to approximately RMB129.7 million for the year ended 31 December 2023, primarily due to the deterioration in the financial position of certain customers

Other expenses

Other expenses decreased by approximately RMB73.8% from approximately RMB30.1 million for the year ended 31 December 2022 to approximately RMB7.9 million for the year ended 31 December 2023, primarily due to a decrease in fair value loss in relation of fair value assessments of the bills receivables. 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 6.6% from approximately RMB43.8 million for the year ended 31 December 2022 to approximately RMB40.9 million for the year ended 31 December 2023. Such decrease was primarily due to a decrease in factoring activities and grant of discount on bills receivables.

Income tax credit

Income tax credit increased by approximately 1.1 times from approximately RMB0.7 million for the year ended 31 December 2022 to approximately RMB1.5 million for the year ended 31 December 2023, such increase was primarily because of an increase in deferred tax of approximately RMB1.8 million for the year ended 31 December 2023 in relation to impairment losses on trade receivables and contract assets, net. As a result, the effective tax rate increased from approximately -1.3% for the year ended 31 December 2022 to approximately -14.4% for the year ended 31 December 2023.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately 78.5% from approximately RMB55.8 million for the year ended 31 December 2022 to approximately RMB12.0 million for the year ended 31 December 2023. Net profit margin decreased from approximately 0.7% for the year ended 31 December 2022 to approximately 0.1% for the year ended 31 December 2023.

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 2023, the Group had cash and cash equivalents of approximately RMB263.6 million (2022: approximately RMB221.1 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 13.4% from approximately RMB2,771.0 million as at 31 December 2022 to approximately RMB3,142.0 million as at 31 December 2023, representing 46.3% and 49.7% 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 for the year ended 31 December 2023 as compared with the corresponding period in 2022.

Trade and bills receivables

Trade and bills receivables increased by approximately 7.6% from approximately RMB2,060.6 million as at 31 December 2022 to approximately RMB2,217.7 million as at 31 December 2023. Such increase was due to an increase in balance of bills receivables. The trade and bills receivables turnover days decreased from approximately 99 days as at 31 December 2022 to approximately 93 days as at 31 December 2023.

Trade and bills payables

Trade and bills payables increased by approximately 9.8% from approximately RMB3,438.2 million as at 31 December 2022 to approximately RMB3,775.7 million as at 31 December 2023. Such increase was primarily because of the extension of settlement period of the purchase of raw material with our suppliers. The trade and bills payables turnover days increased from approximately 145 days as at 31 December 2022 to approximately 163 days as at 31 December 2023.

Borrowings and charge on assets

As at 31 December 2023, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB665.8 million (2022: approximately RMB676.0

4.35% to 7.12% per annum). As at 31 December 2023, the long-term interest-bearing borrowings amounting to approximately RMB138.6 million (2022: RMB159.2 million) are repayable from 2025 to 2032 and the fixed interest rate is from 4.41% to 4.90%.

As at 31 December 2023, certain general banking facilities were secured by the buildings held by the Group of approximately RMB138.5 million (31 December 2022: approximately RMB84.2 million).

As at 31 December 2023, the Group did not pledge any trade receivables to secure the Group's bank loans (2022: nil).

Gearing ratio

The gearing ratio increased from approximately 13.2% as at 31 December 2022 to approximately 15.9% as at 31 December 2023. The increase was mainly attributable to an increase in net debt balance which is a result of a decrease in the pledged deposits of approximately RMB96.5 million, as at 31 December 2023.

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 2023, the capital expenditures were approximately RMB15.1 million (2022: approximately RMB29.4million). The capital expenditure incurred for the year ended 31 December 2023 was primarily related to the purchase of machinery and office equipments.

Capital commitments

As at 31 December 2023, the Group did not have any significant capital commitments (2022: nil).

Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities (2022: 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

and enhance customer satisfaction and market recognition. The Group will reinforce the concept of production cost component management, and pay close attention to the economic elements during the production process; it will accelerate technological innovation, expand digital and intelligent applications, and promote comprehensive management upgrades. Finally, the Group will reduce the inventory at full speed. The Group will persistently overcome the difficulties and resolutely put in place and accelerate resource optimization and allocation and industrial structural upgrade. The Group will innovate asset operation and management model and enhance the asset utilization efficiency and asset operation and management ability by leveraging multiple measures.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2023 and up to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

NON-COMPETITION AGREEMENT

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 2023.

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

DIRECTORS' COMPETING INTERESTS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (“**CG Code**”) previously set out in Appendix C1 to the Listing Rules. Throughout the year ended 31 December 2023 and up to the date of this announcement, the Company has fully complied with the Code Provisions and the CG Code for the year ended 31 December 2023.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix C3 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 2023.

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

EVENT AFTER THE REPORTING PERIOD

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

FINAL DIVIDEND

Proposal for profit distribution of 2023

Audited profit available for distribution to shareholders of the Company for the year 2023 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB779.8 million.

The Board has recommended profit distribution for 2023 of 2.0HK 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 Friday, 26 July 2024.

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.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold and pay the corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (which shall have the meaning as defined under the PRC Tax Law) whose names appear on the H Shares register of members of the Company on Thursday, 20 June 2024.

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual Shareholders whose names appear on the H Shares register of members of the Company on Thursday, 20 June 2024. Individual H Shareholders are entitled to certain tax preferential treatments according to the bilateral tax treaties between countries where the individual H Shareholders reside in and China and the bilateral tax

treaties between Chinese Mainland and Hong Kong or Macau. The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries which have bilateral tax treaties with China for individual income tax rate in respect of dividend of 10%. For individual H Shareholders who are residents of those countries that entered into agreements with China for individual income tax rates in respect of dividend of lower than 10%, the Company will make

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 May 2024, being the business day before the first day of closure of the register of members.

For the purpose of ascertaining shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Monday, 17 June 2024 to Thursday, 20 June 2024, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to establish entitlements to the final dividend, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 14 June 2024, being the business day before the first day of closure of the register of members. The members of the H shares whose names appear on the H share register of members on Thursday, 20 June 2024 will be entitled to receive the final dividend.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

AUDIT COMMITTEE

The Company has established an audit committee on 23 December 2015 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code set out in Appendix C1 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 2023, including the accounting principles and practices adopted by the Company, report prepared by the external auditors covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Company's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditors.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jujiang.cn). The 2023 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

Proposed Amendments to the Articles of Association

The Board proposed to amend the existing articles of association (the “**Articles**”) of the Company (the “**Proposed Amendments**”) for the purpose of (i) updating and bringing the Articles in line with the amendments to the Listing Rules which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders from 31 December 2023 onwards; and (ii) incorporate consequential and other housekeeping amendments.

The adoption of the Proposed Amendments and the adoption of the new Article is subject to the approval of the shareholders by way of a special resolution to be proposed at the AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the AGM, the existing Articles shall remain valid.

A circular containing, among other matters, details of the Proposed Amendments to the Articles, together with a notice convening the AGM will be published by the Company in due course.

On behalf of the Board
Jujiang Construction Group Co., Ltd
Mr. Lyu Yaoneng
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Zhejiang Province, the PRC, 28 March 2024

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