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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2020	2019	**Change**
	RMB'000	RMB'000	%
Revenue	**8,007,710**	7,055,146	13.50
Gross Profit	**392,747**	371,464	5.73
Gross Profit Margin	***4.90%***	*5.27%*	*(0.37)*
Profit for the year	**117,403**	138,372	(15.15)
Net Profit Margin	***1.47%***	*1.96%*	*(0.49)*
Basic and diluted earnings per share (RMB)	**0.22**	0.25	

The Board recommends the payment of a final dividend of 4.0HK cents (before tax) per share for the year ended 31 December 2020 (31 December 2019: 4.0HK cents (before tax) per share).

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Jujiang Construction Group Co., Ltd. (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the previous year as follows:

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue	5	**8,007,710**	7,055,146
Cost of sales		**(7,614,963)**	(6,683,682)
Gross profit		**392,747**	371,464
Other income and gains	5	**8,502**	7,803
Administrative expenses		**(126,773)**	(113,577)
Impairment losses on financial and contract assets, net		**(15,463)**	(18,807)
Other expenses		**(27,301)**	(1,008)
Finance costs	6	**(84,883)**	(64,196)
PROFIT BEFORE TAX	7	**146,829**	181,679
Income tax expense	8	**(29,426)**	(43,307)
PROFIT FOR THE YEAR		**117,403**	138,372
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**117,403**	138,372
Profit attributable to:			
Owners of the parent		**115,351**	133,714
Non-controlling interests		**2,052**	4,658
		117,403	138,372
Total comprehensive income attributable to:			
Owners of the parent		**115,351**	133,714
Non-controlling interests		**2,052**	4,658
		117,403	138,372
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	10	**0.22**	0.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**140,431**	135,201
Investment properties		**16,196**	-
Right-of-use assets		**19,287**	8,705
Goodwill		**1,162**	1,162
Other intangible assets		**102,728**	66,207
Deferred tax assets		**33,263**	24,277
Prepayments, other receivables and other assets		**-**	11,685
Total non-current assets		**313,067**	247,237
CURRENT ASSETS			
Inventories		**20,379**	37,515
Contract assets	12	**2,267,566**	2,564,120
Trade and bills receivables	11	**2,301,446**	1,774,881
Prepayments, other receivables and other assets		**576,782**	506,964
Pledged deposits		**122,431**	110,126
Cash and cash equivalents		**184,428**	273,991
Total current assets		**5,473,032**	5,267,597
CURRENT LIABILITIES			
Trade and bills payables	13	**2,901,455**	2,836,562
Other payables and accruals		**446,511**	486,314
Interest-bearing bank and other borrowings		**510,891**	407,300
Tax payable		**220,563**	207,456
Total current liabilities		**4,079,420**	3,937,632
NET CURRENT ASSETS		**1,393,612**	1,329,965
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,706,679**	1,577,202

	Notes	**2020**	2019
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**173,394**	140,938
Total non-current liabilities		**173,394**	140,938
Net assets		**1,533,285**	1,436,264
EQUITY			
Equity attributable to owners of the parent			
Share capital		**533,360**	533,360
Reserves		**972,606**	876,726
		1,505,966	1,410,086
Non-controlling interests		**27,319**	26,178
Total equity		**1,533,285**	1,436,264

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.

During the year ended 31 December 2020, the Group's principal activities were as follows:

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

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

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9 IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies* [3]
Amendments to IAS 8	*Definition of Accounting Estimates* [3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] No mandatory effective date yet determined but available for adoption
[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

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

4. OPERATING SEGMENT INFORMATION

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

(a) Construction contracting – provision of construction services;

(b) Others – provision of services on designing, surveying 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 resources 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.

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 2020	**Construction contracting**	**Others**	**Eliminations**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Segment revenue (note 5):				
Sales to external customers	**7,916,310**	**91,400**	**-**	**8,007,710**
Intersegment sales	**-**	**15,498**	**(15,498)**	**-**
Total revenue	**7,916,310**	**106,898**	**(15,498)**	**8,007,710**
Segment results	**150,582**	**2,508**	**(6,261)**	**146,829**
Income tax expense	**(28,482)**	**(944)**	**-**	**(29,426)**
Profit for the year	**122,100**	**1,564**	**(6,261)**	**117,403**
Segment assets	**5,551,350**	**383,092**	**(148,343)**	**5,786,099**
Segment liabilities	**4,044,428**	**288,915**	**(80,529)**	**4,252,814**
Other segment information:				
Interest income	**1,101**	**87**	**-**	**1,188**
Finance costs	**79,314**	**5,569**	**-**	**84,883**
Depreciation	**11,529**	**1,795**	**-**	**13,324**
Amortisation	**711**	**82**	**-**	**793**
Impairment losses on financial and contract assets, net	**15,206**	**257**	**-**	**15,463**
Capital expenditure*	**15,386**	**38,760**	**-**	**54,146**

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

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

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

Geographical information

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

Information about a major customer

No revenue was derived from services or sales to a single customer which accounted for 10% or more of the Group's revenue, including the provision of services or sales to a group of entities which are known to be under common control with any single customer during 2020 and 2019.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 **RMB'000**	2019 RMB'000
Revenue from contracts with customers	**8,007,710**	7,055,146

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

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

For the year ended 31 December 2019

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

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 2020

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

For the year ended 31 December 2019

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

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:

	2020 RMB'000	2019 RMB'000
Construction services	**220,306**	132,436
Sale of goods	**29,887**	6,676
Design, survey and consultancy	**1,940**	1,217
	252,133	140,329

(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 from one to three years.

Sale of construction materials and civil defense products

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

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

	2020	2019
	RMB'000	RMB'000
Total remaining performance obligations	**17,048,372**	14,432,840

Based on the information available to the Group at the end of the reporting period, the management of the Company expects the transaction price allocated to the contracts for projects under construction as at 31 December 2020, amounting to RMB10,810,380,000 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 2020, totalling to RMB6,237,992,000, 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.

	2020	2019
	RMB'000	RMB'000
Other income		
Interest income	**1,188**	1,382
Government grants*	**6,651**	5,668
	7,839	7,050
Gains		
Others	**663**	753
	8,502	7,803

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

6. FINANCE COSTS

	2020	2019
	RMB'000	RMB'000
Factoring expense	**41,475**	35,060
Interest on bank loans and other borrowings	**28,472**	25,210
Interest on discounted bills receivable	**17,651**	4,856
Interest on lease liabilities	**592**	-
	88,190	65,126
Less: Interest capitalised	**3,307**	930
	84,883	64,196

7. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	RMB'000
Cost of construction contracting (including depreciation)	**7,546,216**	6,620,397
Cost of others	**68,747**	63,285
Total cost of sales	**7,614,963**	6,683,682
Depreciation of items of property, plant and equipment	**11,544**	11,097
Depreciation of investment properties	**283**	-
Depreciation of right-use-assets	**1,497**	292
Amortisation of other intangible assets	**793**	762
Total depreciation and amortisation	**14,117**	12,151
Research and development costs:		
Current year expenditure	**2,662**	4,065
	2,662	4,065
Impairment of financial and contract assets, net:		
Impairment of trade receivables	**17,176**	16,790
(Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets	**(2,236)**	1,500
Impairment of contract assets	**523**	517
Total impairment losses, net	**15,463**	18,807
Lease payments not included in the measurement of lease liabilities	**313**	1,634
Auditors' remuneration	**2,227**	2,206
Employee benefit expenses (including directors' and supervisors' remuneration):	**79,896**	65,956
- Wages, salaries and allowances	**64,505**	52,478
- Social insurance	**13,262**	11,566
- Welfare and other expenses	**2,129**	1,912
Interest income	**(1,188)**	(1,382)
(Gain)/loss on disposal of items of property, plant and equipment, net	**(3)**	10
Fair value losses, net:		
bills receivable	**(20,446)**	**-**
Losses on disposal of a subsidiary	**(6,385)**	**-**
Foreign exchange differences, net	**(130)**	97

8. INCOME TAX EXPENSE

Most of the companies of the Group are subject to PRC Corporation Income Tax Law, which have been provided based on the statutory rate of 25% (2019: 25%) of the assessable profits of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate.

	2020	2019
	RMB'000	RMB'000
Current income tax – Mainland China		
- Charge for the year	**47,388**	52,253
- Overprovision in prior years	**(8,550)**	(4,866)
Deferred income tax	**(9,412)**	(4,080)
Tax charge for the year	**29,426**	43,307

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

	2020	2019
	RMB'000	RMB'000
Profit before tax	**146,829**	181,679
Income tax charge at the statutory income tax rate	**36,707**	45,420
Lower tax rate enacted by local authority	**(765)**	(1,819)
Effect on opening deferred tax of decrease in rates	**-**	47
Adjustments in respect of current tax of previous years	**(8,550)**	(4,866)
Expenses not deductible for tax	**629**	2,302
Deductible temporary difference not recognised	**-**	(148)
Additional deductible allowance for research and development expenses	**(300)**	(438)
Tax losses not recognised	**1,705**	2,809
Tax charge for the year at the effective rate	**29,426**	43,307

9. DIVIDENDS

	2020	2019
	RMB'000	RMB'000
Proposed final – RMB3.38 cents (2019: RMB3.63 cents) per ordinary share*	**18,031**	19,380
	18,031	19,380

* The Board recommends the payment of a final dividend of HK4.0 cents (before tax) per share. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of HKD against RMB as published by the People's Bank of China at 31 March 2021.

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year ended 31 December 2020.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	2020	2019
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**115,351**	133,714

	2020	2019
	'000	'000
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**533,360**	533,360

11. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables at amortised cost	**1,587,430**	1,346,529
Provision for impairment	**(69,198)**	(52,371)
Trade receivables, net	**1,518,232**	1,294,158
Bills receivable	**783,214**	480,723
	2,301,446	1,774,881

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2020, the Group did not pledge trade receivables to secure the Group's bank loans (2019: RMB 30,000,000).

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:

	2020 **RMB'000**	2019 RMB'000
Retentions in trade receivables	**52,196**	31,680
Provision for impairment	**(5,831)**	(2,147)
Retentions in trade receivables, net	**46,365**	29,533

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:

	2020 **RMB'000**	2019 RMB'000
Within 3 months	**1,006,589**	828,577
3 months to 6 months	**133,514**	140,195
6 months to 1 year	**218,531**	145,632
1 to 2 years	**92,193**	110,558
2 to 3 years	**45,775**	32,581
3 to 4 years	**9,370**	34,210
4 to 5 years	**12,260**	2,405
	1,518,232	1,294,158

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

	2020 **RMB'000**	2019 RMB'000
At beginning of the year	**52,371**	35,581
Impairment losses, net (note 7)	**17,176**	16,790
Disposal of a subsidiary	**(349)**	-
At end of the year	**69,198**	52,371

Increase in the loss allowance as a result of an increase in trade receivables which were past due for more than 4 years but within 5 years.

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

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 2020

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

As at 31 December 2019

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

Transferred financial assets that are not derecognised in their entirety

At 31 December 2020, the Group endorsed and discounted certain bills receivable (together, the "**Bills**"), with a carrying amount of approximately RMB688,212,000 in total (2019: RMB391,295,000). 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 recognized during the period to which the suppliers and financial institutions have recourse was approximately RMB688,212,000 (2019: RMB391,295,000) as at 31 December 2020.

Transferred financial assets that are derecognised in their entirety

(a) At 31 December 2020, the Group endorsed and discounted certain bills receivable (the "**Derecognised Bills**") with a carrying amount in aggregate of approximately RMB354,730,000 (2019: RMB 580,579,000). 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 2020 (2019: Nil).

During the reporting period, the Group has recognised RMB17,651,000 (2019: RMB 4,856,000) 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 2020 RMB'000	31 December 2019 RMB'000
Contract assets arising from:		
Construction services	**2,266,469**	2,555,463
Design, survey and consultancy	**5,830**	12,902
	2,272,299	2,568,365
Impairment	**(4,733)**	(4,245)
	2,267,566	2,564,120

Contract assets are initially recognised for revenue earned from construction, design, survey and consultancy services. Upon settlement with customers, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2020 was due to the early settlement in 2020.

During the year ended 31 December 2020, RMB523,000 (2019: RMB517,000) 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

	2020	2019
	RMB'000	RMB'000
Within one year	**28,635**	24,982
After one year	**94,063**	81,856
	122,698	106,838

At 31 December 2020, the expected timing of recovery or settlement for the remaining contract assets was subject to the specific contracts terms and the progress of the performance obligations.

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

	2020	2019
	RMB'000	RMB'000
At beginning of year	**4,245**	3,728
Impairment losses, net (note 7)	**523**	517
Disposal of a subsidiary	**(35)**	-
At end of year	**4,733**	4,245

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

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

	2020	2019
Expected credit loss rate	**0.21%**	0.17%
Gross carrying amount (RMB'000)	**2,272,299**	2,568,365
Expected credit losses (RMB'000)	**4,733**	4,245

13. TRADE AND BILLS PAYABLES

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

	2020	2019
	RMB'000	RMB'000
Within 6 months	**2,218,323**	2,329,209
6 months to 1 year	**315,259**	164,292
1 to 2 years	**169,429**	168,791
2 to 3 years	**113,449**	62,171
Over 3 years	**84,995**	112,099
	2,901,445	2,836,562

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

14. COMMITMENTS

As at the end of the reporting period, the Group did not have any significant commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

At the beginning of 2020, the outbreak of COVID-19 has brought a significant impact on China's economic development. In terms of the real estate market, the central government did not relax its control measures. Even in the first quarter of 2020 when the pandemic was at its worst, the central government continued to adhere to the policy keynote of "houses are used for accommodation rather than for speculation" and city-specific policies, and performed responsibilities of cities to achieve the long-term control objectives of stabilizing land prices, housing prices and expectations. After "freezing in the first quarter, restart in the second quarter, restoration in the third quarter and recovery in the fourth quarter", the new housing market in China is expected to reach 1.7 billion sq.m. in 2020, and the sales amount is expected to exceed RMB17 trillion, both reaching a historical high. According to the statistics of the National Bureau of Statistics of the People's Republic of China, for the year ended 31 December 2020, i) the total construction area of buildings was approximately 14.95 billion sq.m. (2019: approximately 14.42 billion sq.m.), representing an increase of approximately 3.7% as compared to the corresponding period in 2019; ii) total newly commenced construction area was approximately 5.12 billion sq.m. (2019: approximately 5.15 billion sq.m.), representing a decrease of approximately 0.6% as compared to the corresponding period in 2019; and iii) total contract amount of construction enterprises was approximately RMB59.55 trillion (2019: approximately RMB54.50 trillion), representing an increase of approximately 9.4% as compared to the corresponding period in 2019. Moreover, for the year ended 31 December 2020, the total value of the PRC construction industry was approximately RMB26.39 trillion (2019: approximately RMB24.84 trillion), representing a growth rate of approximately 6.2% as compared to the corresponding period in 2019. The growth of various data showed that the real estate industry and construction industry have overcome the gloom of the pandemic, undertaken the "14th Five-year Plan", strengthened the requirements of "high quality development", and accelerated the construction of a new development pattern with domestic large-scale cycles as the main theme and dual circulation by domestic and international mutual promotion. In the future, the construction industry will still be favored.

BUSINESS REVIEW

Looking back at 2020, the Group also experienced challenges under the severe impact of the COVID-19 pandemic on the industry. With vigorous prevention and control, the Group resumed operation and production quickly and returned to normal production and construction, gradually catching up with the delay of construction period due to the pandemic, and achieved an increase in output value and a year-on-year increase. During the year, the Group's revenue and gross profit were approximately RMB8,007.7 million and approximately RMB392.7 million respectively, representing an increase of approximately 13.5% and approximately 5.7% respectively as compared with the corresponding period of last year. Compared with approximately RMB14,432.8 million as at 31 December 2019, the backlog value increased by approximately 18.1% to approximately RMB17,048.4 million as at 31 December 2020.

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

	Year ended 31 December	
	2020	2019
	RMB'million	RMB'million
Opening value of backlog	**14,432.8**	11,239.2
Net value of new projects (Note 1)	**10,531.9**	10,155.2
Revenue recognized (Note 2)	**(7,916.3)**	(6,961.6)
Closing value of backlog (Note 3)	**17,048.4**	14,432.8

Notes:

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

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

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

Making the principal business prominent

In 2020, facing the challenges brought about by the COVID-19 outbreak, the Company overcame the difficulties and further optimized its business structure by making use of its strength in brand, management and qualified personnel. The Company will implement its business strategies and promote the growth of both business volume and quality.

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

	Year ended 31 December				
	2020		2019		Change
	RMB'million	**(%)**	RMB'million	(%)	%
Jiaxing City	**5,851.2**	**55.6**	2,478.2	24.4	136.1
Zhejiang Province (except Jiaxing City)	**1,564.3**	**14.8**	2,131.8	21.0	(26.6)
Other areas (except Zhejiang Province)	**3,116.4**	**29.6**	5,545.2	54.6	(43.8)
Total	**10,531.9**	**100.0**	10,155.2	100.0	3.7

The Group actively undertook and targeted large-scale projects, the proportion of contracts newly signed up with large customers for the year accounted for 34.55%, with 31 projects with a value of over RMB100 million and 10 projects with a value of over RMB300 million, optimising the regional market presence. The value of contracts newly signed up in Jiaxing City amounted to RMB5,851.2 million, with a significant increase of approximately 136.1% compared with the corresponding period in 2019, bringing out the advantages of the local market and consolidating the market share in Tongxiang and Jiaxing. Under the impact of the pandemic, the value of contracts newly signed up in Zhejiang Province (except for Jiaxing City) and other districts decreased, with businesses outside Jiaxing City and businesses outside Zhejiang Province accounted for 44.44% and 29.60%, respectively. The Group faced up to challenges, and continued to actively develop new markets, among which contracts newly signed up in the Henan market amounted to approximately RMB2.086 billion. We opened up markets in Luoyang, Anyang and Kaifeng, while businesses in districts such as Anhui and Jiangsu increased by almost RMB100 million, and even entered into the markets of Hubei, Chengdu, etc. We continued to maintain good collaboration with top real estate companies and quality customers as newly signed-up residential and commercial projects amounted to approximately RMB8.116 billion for the year, accounting for approximately 77.06%; industrial projects amounted to approximately RMB1.524 billion, accounting for approximately 14.48%; and public construction projects amounted to approximately RMB891.0 million, accounting for approximately 8.46%.

Excelling in professionalism

In addition to making the principal business prominent in 2020, the Group also stepped up the resources committed to the business development of various specialized sectors such as building, finishing, decoration, municipal services, foundations and groundwork, and enhanced the professional capabilities of these sectors in order to actively respond to the real estate situation, steadily promoted the sales of inventory housing and asset activation, and gradually transformed into asset operation and management. During the year, professional companies and subsidiaries developed steadily, among which the new contracts of construction, finishing and decoration companies amounted to approximately RMB94 million; the new contracts of municipal works companies amounted to approximately RMB415 million; and the specialized foundations and groundwork companies amounted to approximately RMB144 million.

The Group has leveraged its role as a provincial enterprise center and accelerated the research and development and application of new technologies and craftsmanship by combining post-doctoral workstations and the "industry-university-research" cooperation platforms of universities and institutions. The Company continued to carry out technical research on the deepened design of prefabricated construction and concrete prefabricated parts ("**PC**") as well as on the prefabricated installation of electromechanical pipelines. As a result, it obtained 1 national, 3 provincial and 6 municipal quality control ("**QC**") achievements as well as 12 national patents throughout the year. In addition, the Company obtained 5 technology projects above the municipal level, 3 green construction demonstration projects of new technologies at the provincial level and 3 projects at the municipal level.

During the year, the Group accelerated the commercial application of Building Information Modelling ("**BIM**") technology in project cost planning and process cost control. Through the implementation of various construction projects, the services scope covered various key sectors such as project construction cost, output value, materials, subcontracting settlement and project settlement. During the year, the Group won the second and third achievements of the 5th China Construction Engineering BIM Competition and the silver prize (comprehensive level) of the 3rd National Construction Engineering Cup in BIM Application Competition, which enhanced the core competitiveness and industry influence of the Company's BIM technology application. The Group carried out information technology build-up by deepening the development of I8 systems, improvement of the existing processes, acceleration of data processing, promotion of the successive launch of various business systems and standardization of a variety of management actions, and focused on deepening modules such as cost capital, labor management, collaborative office and i8 reporting and data decision-making center.

For the year ended 31 December 2020, the construction contracting business contributed approximately 98.8% of the revenue (for the year ended 31 December 2019: approximately 98.7%). The following table sets forth a breakdown of our revenue by business and project type for the years indicated:

	Year ended 31 December			
	2020		2019	
	RMB'million	**%**	RMB'million	%
Construction contracting business				
Residential	**4,529.6**	**56.6**	3,711.4	52.6
Commercial	**1,028.4**	**12.8**	912.2	12.9
Industrial	**1,498.5**	**18.7**	1,642.2	23.3
Public works	**859.8**	**10.7**	695.7	9.9
	7,916.3	**98.8**	6,961.5	98.7
Other business	**91.4**	**1.2**	93.6	1.3
Total revenue	**8,007.7**	**100.0**	7,055.1	100.0

FINANCIAL REVIEW

Revenue and gross profit margin

The revenue increased by approximately 13.5% from approximately RMB7,055.1 million for the years ended 31 December 2019 to approximately RMB8,007.7 million for the year ended 31 December 2020. As compared with the year ended 31 December 2019, the revenue from residential construction projects and public works projects has increased by approximately RMB818.2 million and approximately RMB164.1 million, respectively, for the year ended 31 December 2020, which was partially offset by a decrease in revenue from the industrial construction projects of approximately RMB143.7 million, respectively, for the year ended 31 December 2020. Increase in revenue from residential construction projects was a result of benefits of our business strategies 'major customers' and 'going out'. In addition, the continuing urbanization has engendered promising property markets in many places in the country for us to explore and develop. Increase in revenue from public works construction projects was a result of the benefit of the recognition of our brand in the region and focus of the public works as the government increased its investment in the infra-structure. However, as the economy is affected by the pandemic, the numbers and sizes of the industrial projects were reduced.

Gross profit increased by approximately 5.7% from approximately RMB371.5 million for the year ended 31 December 2019 to approximately RMB392.7 million for the year ended 31 December 2020. The gross profit margin decreased from approximately 5.27% for the year ended 31 December 2019 to approximately 4.90% for the year ended 31 December 2020, such decrease was mainly due to a decrease in gross profit margin of industrial construction projects and other business. The gross profit margin of the other business decreased from approximately 32.4% for the year ended 31 December 2019 to approximately 24.8% for the year ended 31 December 2020, primarily due to the keen competition in defense equipment market.

Other income and gains

Other income and gains increased by approximately RMB0.7 million from approximately RMB7.8 million for the year ended 31 December 2019 to approximately RMB8.5 million for the year ended 31 December 2020, primarily because of an increase in government subsidies in relation to the Group's contribution in local economy.

Administrative expenses

The administrative expenses increased by approximately 11.6% from approximately RMB113.6 million for the year ended 31 December 2019 to approximately RMB126.8 million for the year ended 31 December 2020 which primarily was due to an increase in salaries and employee benefits of approximately RMB15.7 million as the Group has offered salary increment and recruited a total of 36 new employees, including senior technology professionals, first class constructors and second class constructors, to meet its fast growing business.

Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, decreased by approximately 17.8% from approximately RMB18.8 million for the year ended 31 December 2019 to approximately RMB15.5 million for the year ended 31 December 2020, primarily due to a reversal of impairment loss on other receivables of approximately RMB2.2 million for the year ended 31 December 2020, while a provision of impairment loss on other receivables of approximately RMB1.5 million for the year ended 31 December 2019.

Other expense

The other expenses increased by approximately RMB26.3 million from approximately RMB1.0 million for the year ended 31 December 2019 to approximately RMB27.3 million for the year ended 31 December 2020, primarily due to loss on disposal of a subsidiary and loss on change in fair value of the bills receivables. In June 2020, the Company and an independent third party (the "**Purchaser**") entered into the share transfer agreement, pursuant to which the Company agreed to sell 100% of the equity interest in the wholly-owned subsidiary, Zhejiang Jujiang Construction Surveying and Design Co., Ltd.* (浙江巨匠建築勘察設計有限公司) to the Purchaser at a cash consideration of RMB3.0 million which is same as the paid-in share capital of the subsidiary. The Group recorded a loss of disposal of the subsidiary amounting to approximately RMB6.4 million for the year ended 31 December 2020. In addition, the Group recognised a loss on change in fair value of bills receivables amounting to approximately RMB20.4 million for the year ended 31 December 2020, such loss represented the credit risk of the bills receivables that the Group cannot clear the bills when the bills are expired. The calculation of the loss is the difference between fair value and face value of the bills receivables as at 31 December 2020. The loss increased significantly due to an increase in balance of the commercial acceptance bills with a lower credit rating.

Finance costs

The finance costs increased by approximately 32.2% from approximately RMB64.2 million for the year ended 31 December 2019 to approximately RMB84.9 million for the year ended 31 December 2020, primarily due to the increase of the Group in using receivable factoring and discounting bills for financing. The interest expenses in relation to the receivable factoring and discounting bills increased from approximately RMB39.9 million for the year ended 31 December 2019 to approximately RMB59.1 million for the year ended 31 December 2020.

Income tax expense

Income tax expenses decreased by 32.1% from approximately RMB43.3 million for the year ended 31 December 2019 to approximately RMB29.4 million for the year ended 31 December 2020 primarily due to a decrease in profits from the operation. The effective tax rate increased from approximately 23.8% for the year ended 31 December 2019 to 20.0% for the year ended 31 December 2020, primarily due to the Group reversed a provision of income tax of approximately RMB8.5 million in relation to over-provision of the income tax in prior years for the year ended 31 December 2020.

Profit for the year

Profit for the year decreased by approximately 15.2% from approximately RMB138.4 million for the year ended 31 December 2019 to approximately RMB117.4 million for the year ended 31 December 2020. Net profit margin decreased from approximately 1.96% for the year ended 31 December 2019 to approximately 1.47% for the year ended 31 December 2020, primarily due to a decrease in gross profit margin and an increase in other expenses for the year ended 31 December 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from cash generated from operating activities and interest-bearing bank and other borrowings. As of 31 December 2020 and 31 December 2019, the Group had cash and cash equivalents of approximately RMB184.4 million and approximately RMB274.0 million, respectively.

Treasury Policies

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

Contract assets

The contract assets decreased from approximately RMB2,564.1 million as of 31 December 2019 to approximately RMB2,267.6 million as of 31 December 2020, representing 48.7% and 41.4% of the total current assets as of the corresponding period. Decrease in the proportion of the contract assets to the total assets and absolute amounts of contract assets was primarily a result of the Group actively issued bills to the customers.

Trade and bills receivables

Trade and bills receivables increased by approximately 29.7% from approximately RMB1,774.9 million as at 31 December 2019 to approximately RMB2,301.4 million as at 31 December 2020. Such increase was due to the Group's active issuance of bills to customers for settlements and increase in line with the business growth. The trade and bills receivables turnover days increased from approximately 84 days as at 31 December 2019 to approximately 93 days as at 31 December 2020, and such increase was a result of an increase in bills receivable balance as the settlement period of bills receivables are within a range from 3 to 6 months.

Trade and bills payables

Trade and bills payables increased from approximately RMB2,836.6 million as at 31 December 2019 to approximately RMB2,901.5 million as at 31 December 2020, which was in line with the business growth. The trade and bills payables turnover days decreased from approximately 164 days as at 31 December 2019 to approximately 138 days as at 31 December 2020.

Borrowings and charge on assets

As at 31 December 2020, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB684.3million (31 December 2019: approximately RMB548.2 million). The short-term interest bearing borrowings amounting to approximately RMB510.9 million (31 December 2019: approximately RMB407.3 million) are repayable within one year and carried effective interest rate with a range from 4.05% to 15.0% per annum (31 December 2019: 2.88% to 15.0% per annum). A long-term interest-bearing borrowings amounting to approximately RMB163.3 million (31 December 2019: RMB140.9 million) are repayable from 2022 to 2030 and the interest rate is 10% lower than the base rate announced by the People's Bank of China.

As at 31 December 2020, certain general banking facilities were secured by the land use rights and buildings and trade receivables of approximately RMB88.7 million and nil, respectively (31 December 2019: approximately RMB91.0 million and RMB30.0 million).

Gearing ratio

The gearing ratio increased from 11.4% as at 31 December 2019 to approximately 24.6% as at 31 December 2020, primarily due to a decrease of cash and cash equivalents of approximately RMB89.6 million for the year end ended 31 December 2020 as compared with last year.

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

Capital Expenditure

For the year ended 31 December 2020, the capital expenditures were approximately RMB54.1million (2019: approximately RMB40.4 million) . The capital expenditure incurred for the year ended 31 December 2020 primarily related to the concession right of the Tongxiang City youth quality education complex project, purchase of machinery and construction of a new office building.

Capital Commitments

As at 31 December 2020, the Group did not have any significant commitments.

Contingent liabilities

As at 31 December 2020, the Group had no material contingent liabilities.

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2020.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had total of 1,038 employees (31 December 2019: 983 employees), of which 645 were based in Jiaxing City, and 393 were based in other areas of Zhejiang Province and in other provinces and regions of China. For the year ended 31 December 2020, the Group incurred total staff costs of approximately RMB79.9 million, representing an increase of approximately 21.1% as compared with corresponding period in 2019, mainly attributable to increase in headcount and salary incremental.

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

FUTURE PROSPECTS

The Group expects that 2021 will be a crucial year for the Group's comprehensive high-quality development and its first year of the "14th Five-year" period. Celebrating the 20th anniversary of its transformation, the Group adhered to the new development concepts of innovation, coordination, greening, openness and sharing. Based on its three-year action of comprehensive high-quality development, the Group will adhere to the general tone of work of steady and rapid progress, focus on reform, development and safety, coordinate development and safety with reform and innovation as the driving force as well as promote transformation and breakthrough. It will adhere to the system construction and value recognition under the leadership of Jujiang culture, gather full strength, increase the total economic volume, improve the development quality, enhance the recognition of the society and the market, and improve the satisfaction of customers and employees, so as to make a good start for its development during the "14th Five-year Plan" period and lay a solid foundation for the new round of rapid development.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2020 and up to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

NON-COMPETITION AGREEMENT

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

NON-COMPETITION

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

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

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

DIRECTORS' COMPETING INTERESTS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2020 and up to the date of this announcement, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below.

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

Save as disclosed above, the Company has complied with the CG Code for the year 2020. The Directors will review the corporate governance policies and compliance with the CG Code each financial year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules ("**Model Code**") as the Company's code of conduct regarding Directors' and supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from 1 January 2020 to 31 December 2020.

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 2020 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 2020

Audited profit available for distribution to shareholders of the Company for the year 2020 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB697,336,000.

The Board of Directors of the Company has recommended profit distribution for 2020 of 4.0 HK cents in cash (before tax) per share as the final dividend based on the number of shares held by H shareholders registered as at the close of business on the record date for profit distribution and dividend payment. The dividend will be denominated and declared in Hong Kong Dollar, and distributed to the domestic shareholders in RMB and to the overseas shareholders in Hong Kong Dollar. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of Hong Kong Dollar against RMB as published by the People's Bank of China one week preceding the date of the declaration of such dividend.

The Company expects to pay the dividend to shareholders on 26 July 2021.

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

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

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

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 30 April 2021 to 31 May 2021, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 29 April 2021, 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 18 June 2021 to 25 June 2021, both days inclusive, during which period no transfer of H shares of the Company will be registered. In order to establish entitlements to the final dividend, all transfer of H shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 17 June 2021, 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 25 June 2021 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 2020 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jujiang.cn) and the 2020 Annual Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "**AGM**") will be held on 31 May 2021. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

AUDIT COMMITTEE

The audit committee of the Company has reviewed together with the management and external auditor of the Company the accounting principles and policies adopted by the Group and discussed the internal control and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2020.

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

Zhejiang Province, the PRC, 31 March 2021

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

** for identification purposes only*