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 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	**2017**	**Change**
	RMB'000	RMB'000	%
Revenue	**6,895,993**	4,803,019	43.6
Gross Profit	**378,319**	276,692	36.7
Gross Profit Margin	***5.49%***	*5.76%*	*(0.27)*
Profit for the year	**172,868**	125,203	38.1
Net Profit Margin	***2.51%***	*2.61%*	*(0.10)*
Basic and diluted earnings per share (RMB)	**0.32**	0.23	

The Board recommends the payment of a final dividend of 4.0 HK cents (before tax) per share for the year ended 31 December 2018 (2017: Nil).

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 2018, 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 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Revenue	5	**6,895,993**	4,803,019
Cost of sales		**(6,517,674)**	(4,526,327)
Gross profit		**378,319**	276,692
Other income and gains	5	**6,569**	10,365
Administrative expenses		**(86,653)**	(66,632)
Impairment losses on financial and contract assets, net		**(13,645)**	(7,324)
Other expenses		**(2,416)**	(5,599)
Finance costs		**(59,126)**	(39,047)
PROFIT BEFORE TAX	6	**223,048**	168,455
Income tax expense	7	**(50,180)**	(43,252)
PROFIT FOR THE YEAR		**172,868**	125,203
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**172,868**	125,203
Profit attributable to:			
Owners of the parent		**171,096**	123,792
Non-controlling interests		**1,772**	1,411
		172,868	125,203
Total comprehensive income attributable to:			
Owners of the parent		**171,096**	123,792
Non-controlling interests		**1,772**	1,411
		172,868	125,203
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB)	8	**0.32**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**221,202**	132,559
Prepaid land lease payments		**8,706**	8,997
Goodwill		**1,162**	-
Other intangible assets		**2,803**	2,407
Deferred tax assets		**20,197**	17,113
Trade receivables	10	**-**	25,173
Prepayments, other receivables and other assets		**26,224**	40,412
Other non-current assets		**-**	15
Total non-current assets		**280,294**	226,676
CURRENT ASSETS			
Prepaid land lease payments		**291**	291
Inventories		**17,209**	12,028
Amounts due from contract customers	9/11	**-**	3,084,495
Contract assets	11	**3,077,317**	-
Trade and bills receivables	10	**1,470,703**	926,544
Prepayments, other receivables and other assets		**466,489**	437,571
Pledged deposits		**35,369**	18,752
Cash and cash equivalents		**167,406**	83,859
Total current assets		**5,234,784**	4,563,540
CURRENT LIABILITIES			
Trade and bills payables	12	**3,159,517**	2,586,026
Other payables and accruals		**439,085**	232,574
Amounts due to contract customers	9	**-**	132,125
Interest-bearing bank and other borrowings		**420,050**	549,561
Tax payable		**182,390**	159,044
Total current liabilities		**4,201,042**	3,659,330
NET CURRENT ASSETS		**1,033,742**	904,210
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,314,036**	1,130,886

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**-**	827
Total non-current liabilities		**-**	827
Net assets		**1,314,036**	1,130,059
EQUITY			
Equity attributable to owners of the parent			
Share capital		**533,360**	533,360
Reserves		**761,570**	590,474
		1,294,930	1,123,834
Non-controlling interests		**19,106**	6,225
Total equity		**1,314,036**	1,130,059

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 Gaoqiao Town, Jiaxing City, Zhejiang Province, the PRC. The Company's H shares were listed (the **"Listing"**) on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) on 12 January 2016 (the **"Listing Date"**).

During the year ended 31 December 2018, 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), a company controlled by Mr. Lyu Yaoneng, the chairman of the Company.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all IFRSs, 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 receivables which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated statements include the financial statements of the Company and its subsidiaries (collectively referred to as the **"Group"**) for the year ended 31 December 2018. 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC-Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*

Except for the amendments to the amendments to IFRS 2, IFRS 4, amendments to IAS 40, IFRIC 22 and Annual Improvements 2014–2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs amendments are described below:

(a) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

No significant effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	At 31 December 2017 (as previously presented) RMB'000	Effect of adoption of IFRS 15 RMB'000	At 1 January 2018 RMB'000
Amounts due from contract customers	3,084,495	(3,084,495)	-
Contract assets	-	3,084,495	3,084,495
Amounts due to contract customers	(132,125)	132,125	-
Advances from customers	(12,390)	12,390	-
Contract liabilities	-	(144,515)	(144,515)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on the statement of profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	IFRS 15 RMB'000	Previous IFRS RMB'000	Increase/ (decrease) RMB'000
Amounts due from contract Customers	(i)	-	3,077,317	(3,077,317)
Contract assets	(i)	3,077,317	-	3,077,317
Total assets		3,077,317	3,077,317	-
Amounts due to contract Customers	(ii)	-	151,301	(151,301)
Advance from customers	(ii)	-	17,712	(17,712)
Contract liabilities	(ii)	169,013	-	169,013
Total liabilities		169,013	169,013	-
Net assets		2,908,304	2,908,304	-

(i) Construction services

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as amounts due from contract customers in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB3,084,495,000 from amounts due from contract customers to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in amounts due from contract customers of RMB3,077,317,000 and an increase in contract assets of RMB3,077,317,000.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers as advances from customers in other payables and amounts due to contract customers. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB132,125,000 from amounts due to contract customers and RMB12,390,000 from advance from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB151,301,000 from amounts due to contract customers and RMB17,712,000 from advance from customers were reclassified to contract liabilities for the provision of construction and design service.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting

There are no significant transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement			IFRS 9 measurement	
	Note	Category	Amount RMB'000	Reclassification RMB'000	Amount RMB'000	Category
Financial assets						
Trade receivables	(i)	L&R[1]	799,772	-	799,772	AC[2]
Bills receivables		L&R	182,603	-	182,603	FVPL[3]
Financial assets included in prepayments, other receivables and other assets		L&R	507,333	-	507,333	AC
Pledged deposits		L&R	18,752	-	18,752	AC
Cash and cash equivalents		L&R	83,859	-	83,859	AC
		L&R	1,592,319	-	1,592,319	
Other assets				-		
Contract assets	(i)		3,084,495	-	3,084,495	
Financial liabilities				-		
Trade and bills payables		AC	2,586,026	-	2,586,026	AC
Financial liabilities included in other payables and accruals		AC	232,574	-	232,574	AC
Interest-bearing bank borrowings		AC	549,561	-	549,561	AC
			3,368,161	-	3,368,161	

1. L&R: Loans and receivables
2. AC: Financial assets or financial liabilities at amortised cost
3. FVPL: Financial assets at fair value through profit or loss

Note:

(i) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 3(a) to the financial statements.

Changes to the impairment calculation

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impact of adopting expected credit loss model under IFRS 9 was not significant and, therefore, the Group made no adjustment to reserves as of 1 January 2018 for the changes in impairment.

4. OPERATING SEGMENT INFORMATION

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

(a) Construction contracting – this segment engages in the provision of services relating to construction contracting in architecture;

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

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

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

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

Year ended 31 December 2017	Construction contracting	Others	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	4,751,245	51,774	-	4,803,019
Intersegment sales	-	4,072	(4,072)	-
Total revenue	4,751,245	55,846	(4,072)	4,803,019
Segment results	159,532	10,323	(1,400)	168,455
Income tax expense	(39,930)	(3,322)	-	(43,252)
Profit for the year	119,602	7,001	(1,400)	125,203
Segment assets	4,919,049	118,542	(247,375)	4,790,216
Segment liabilities	3,740,491	71,191	(151,525)	3,660,157
Other segment information:				
Interest income	378	54	-	432
Finance costs	35,137	3,910	-	39,047
Depreciation	7,966	619	-	8,585
Amortisation	681	45	-	726
Impairment losses recognised in the statement of profit or loss	7,314	10	-	7,324
Capital expenditure[1]	6,313	313	-	6,626

Note:

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

Geographical information

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

Information about a major customer

Revenue from continuing operations of approximately RMB711,011,000 (2017: RMB83,242,000) 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:

	2018	2017
	RMB'000	RMB'000
Revenue from contracts with customers	**6,895,993**	-
Construction contracting	**-**	4,751,245
Others	**-**	51,774
	6,895,993	4,803,019

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

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

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

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

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:

	2018
	RMB'000
Construction contracting	132,308
Design, survey and consultancy	11,820
Sale of construction materials and civil defense products	387
	144,515

(ii) Performance obligations

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

Construction contracting

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

Design, survey and consultancy

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

Sale of construction materials and civil defense products

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

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB’000
Total remaining performance obligations	11,239,230

Based on the information available to the Group at the end of each reporting period, the management of the Company expects the transaction price allocated to the contracts under construction as at 31 December 2018 will be recognised as revenue in the period of next six months to three years, amounting to RMB5,637,112,000.

The transaction price allocated to the contracts which are signed but not yet commenced as at 31 December 2018 amounted to RMB5,602,118,000. They will normally be recognised as revenue in six months to three years once the construction permits are obtained by the customers.

	2018	2017
	RMB’000	RMB’000
Other income		
Interest income	**476**	432
Government grants[1]	**5,276**	1,031
	5,752	1,463
Gains		
Dividend income from available-for-sale investment	**-**	4,680
Gain on disposal of available-for-sale investment	**-**	164
Others	**817**	4,058
	817	8,902
	6,569	10,365

[1] Government grants consisted primarily of incentive fund received from finance bureau in support of construction service.

6. PROFIT BEFORE TAX

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

	2018 **RMB'000**	2017 RMB'000
Cost of construction contracting (including depreciation)	**6,462,700**	4,489,851
Cost of others	**54,974**	36,476
Total cost of sales	**6,517,674**	4,526,327
Depreciation of items of property, plant and equipment	**8,524**	8,585
Amortisation of prepaid land lease payments	**291**	291
Amortisation of intangible assets	**540**	435
Total depreciation and amortisation	**9,355**	9,311
Impairment of financial and contract assets, net:		
Impairment of trade receivables	**4,923**	11,413
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	**4,994**	(4,089)
Impairment of contract assets	**3,728**	-
Total impairment losses, net	**13,645**	7,324
Minimum lease payments under operating leases	**1,215**	796
Auditors' remuneration	**2,328**	2,830
Employee benefit expenses (including directors' and supervisors' remuneration):	**51,082**	38,855
- Wages, salaries and allowances	**39,714**	32,237
- Social insurance	**9,338**	5,442
- Welfare and other expenses	**2,030**	1,176
Interest income	**(476)**	(432)
Gain on disposal of items of property, plant and equipment, net	**(316)**	(2,998)

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	RMB'000
Current income tax – Mainland China		
- Charge for the year	**60,657**	45,374
- Over provision in prior years	**(7,393)**	(900)
Deferred income tax	**(3,084)**	(1,222)
Tax charge for the year	**50,180**	43,252

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

	2018	2017
	RMB'000	RMB'000
Profit before tax	**223,048**	168,455
Income tax charge at the statutory income tax rate	**55,762**	42,114
Income not subject to tax	**-**	(1,170)
Lower tax rate enacted by local authority	**(84)**	-
Expenses not deductible for tax	**1,094**	1,578
Adjustments in respect of current tax of previous years	**(7,393)**	(900)
Deductible temporary difference not recognised	**148**	-
Tax losses not recognised	**653**	1,630
Tax charge for the year at the effective rate	**50,180**	43,252

8. 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 2018.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018 and 2017.

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

	2018	2017
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**171,096**	123,792

	2018	2017
	'000	'000
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**533,360**	533,360

9. CONSTRUCTION CONTRACTS

	2018 RMB'000	2017 RMB'000
Amounts due from contract customers	-	3,084,495
Amounts due to contract customers	-	(132,125)
	-	2,952,370
Accumulated contract costs incurred plus recognised profits less recognised losses to date	-	31,689,928
Less: Accumulated progress billings received and receivable	-	(28,737,558)
	-	2,952,370

10. TRADE AND BILLS RECEIVABLES

Trade receivables represented receivables for contract works. The payment terms of contract work receivables are stipulated in relevant contracts. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period offered by the Group is one to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

	2018 RMB'000	2017 RMB'000
Trade receivables at amortised cost	**1,083,475**	799,772
Provision for impairment	**(35,581)**	(30,658)
Trade receivables, net	**1,047,894**	769,114
Bills receivable at fair value through profit or loss	**422,809**	182,603
	1,470,703	951,717
Portion classified as non-current assets [1]	**-**	(25,173)
Current portion	**1,470,703**	926,544

(1) The non-current portion of trade receivables mainly represents the amounts of unbilled retentions held by customers at the end of each of the reporting period, which will be paid at the end of the retention period. Such retention is reclassified to contract assets as at 31 December 2018.

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

	2018 RMB'000	2017 RMB'000
Retentions in trade receivables	**63,444**	69,894
Provision for impairment	**(800)**	(146)
Retentions in trade receivables, net	**62,644**	69,748
Portion classified as non-current assets	**-**	(25,173)
Current portion	**62,644**	44,575

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:

	2018	2017
	RMB'000	RMB'000
Within 3 months	**533,645**	338,663
3 months to 6 months	**96,859**	63,112
6 months to 1 year	**240,397**	141,979
1 to 2 years	**79,647**	181,790
2 to 3 years	**78,317**	19,576
3 to 4 years	**8,574**	13,106
4 to 5 years	**1,506**	7,020
Over 5 years	**8,949**	3,868
	1,047,894	769,114

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

	2018	2017
	RMB'000	RMB'000
At beginning of the year	**30,658**	19,245
Impairment losses, net (note 6)	**4,923**	11,413
At end of the year	**35,581**	30,658

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than five years and are not subject to enforcement activity.

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

As at 31 December 2018

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

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of approximately RMB10,598,000 with aggregate carrying amounts before provision of approximately RMB10,598,000 as at 31 December 2017.

The ageing analysis of the trade receivables as at 31 December 2017 that were neither individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017
	RMB'000
Neither past due nor impaired	403,257
Past due within 1 year but not impaired	201,454
	604,711

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom that was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

11. CONTRACT ASSETS

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	RMB'000	RMB'000
Contract assets arising from:			
Construction services	3,066,983	3,084,495	-
Design, survey and consultancy	14,062	-	-
	3,081,045	3,084,495	-
Impairment	(3,728)	-	-
	3,077,317	3,084,495	-

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 was the result of the increase in the provision of construction services at the end of the year. During the year ended 31 December 2018, RMB3,728,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 10 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

Retention receivables

	RMB'000
Within one year	15,143
More than one year	26,056
	41,199

The remaining contract assets of RMB3,039,846,000 are expected to be recovered or settled within 3 years upon completion of services and acceptance by the customer.

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

	2018
	RMB'000
At beginning of year	-
Impairment losses, net (note 6)	3,728
At end of year	3,728

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:

As at 31 December 2018	Expected loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Construction services	0.12%	3,081,045	3,728

12. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	RMB'000
Within 6 months	**2,515,938**	1,272,495
6 months to 1 year	**119,275**	725,478
1 to 2 years	**284,268**	300,129
2 to 3 years	**95,754**	233,826
Over 3 years	**144,282**	54,098
	3,159,517	2,586,026

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

13. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Proposed final – RMB3.43 cents (2017: nil) per ordinary share[1]	**18,300**	-
	18,300	-

[1] The Board recommends the payment of a final dividend of HK4.00 cents (before tax) per share. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of HKD against RMB as published by the People's Bank of China at 29 March 2019.

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

14. COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, China's real estate regulatory policy entered a new stage. In addition to curbing irrational demand, the government placed emphasis on increasing effective supply and resolving the mismatch between supply and demand on the supply side. According to the statistics of the National Bureau of Statistics of the People's Republic of China, for the year ended 31 December 2018, i) total housing construction area in China was approximately 14.08920 billion sq.m. (31 December 2017: approximately 13.17195 billion sq.m.), representing an increase of 7.0% from the corresponding period of 2017; ii) total newly commenced area in China was approximately 5.58778 billion sq.m. (31 December 2017: approximately 5.21654 billion sq.m.), representing an increase of 7.1% from the corresponding period of 2017; and iii) total contract amount of PRC construction enterprises was approximately RMB49.4409 trillion (31 December 2017: approximately RMB43.9524 trillion), representing an increase of 12.5% from the corresponding period of 2017. Moreover, total value of the PRC construction industry increased by 9.9% year-on-year to approximately RMB23.5086 trillion for the year ended 31 December 2018 (31 December 2017: approximately RMB21.3954 trillion). Despite new challenges arising from regulatory policies, the improvement of various indicators reflected the strong momentum for the construction sector and the demand for the industry is expected to remain on the rise.

BUSINESS REVIEW

In 2018, the Group pushed forward the three main strategies of "major customers", "going out" and "quality business" developed in the previous year and achieved outstanding results and progress. During the year, the net value of new projects increased significantly by approximately 38.1 % to approximately RMB10.1 billion as compared with the same period of last year. As at 31 December 2018, the outstanding backlog in terms of contract value was approximately to RMB11.2 billion.

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

	Year ended 31 December	
	2018	2017
	RMB'million	RMB'million
Opening value of backlog	**7,976.8**	5,422.6
Net value of new projects[(1)]	**10,087.1**	7,305.4
Revenue recognized[(2)]	**(6,824.7)**	(4,751.2)
Closing value of backlog[(3)]	**11,239.2**	7,976.8

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, such amounts are before deducting business tax.

(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 of the end of the relevant year indicated.

"Major Customers"

The Group advanced the "major customers" strategy in 2018. While maintaining existing good relationship with top real estate companies, we commenced cooperation with Greenland Holding Group Corporation Limited(綠地控股集團股份有限公司), which is a major property enterprise in China. We were awarded new commercial and residential projects of RMB4.88 billion, accounting for 48.4% of new contracts. Meanwhile, the Group pursued development of industrial projects by strengthening the relationship with industrial enterprises, including Tongkun Group Co., Ltd.*(桐昆集團股份有限公司), Jushi Group Co., Ltd. ("Jushi") (巨石集團有限公司), Zhejiang Huayou Cobalt Co., Ltd. ("Zhejiang Huayou") (浙江華友鈷業股份有限公司) and Xin Feng Ming Group Co., Ltd. (新鳳鳴集團股份有限公司). This has contributed new industrial projects of RMB3.35 billion, accounting for 33.2% of new contracts. With a focus on large-scale projects, our major customers played increasingly important role in our business and projects over RMB100 million accounted for over 79.7% in our portfolio.

"Going Out"

Supported by "major customers", the Group not only strengthened market position in Jiaxing,Tongxiang, but also adopted the "Going Out" development approach with targeted measures. As a result, it secured new contracts outside of Zhejiang Province, which accounted for over 26.9% of our business. The Group intensively developed the Henan market and expanded to neighboring areas from Zhengzhou, which boosted our market share. The contract amount reached approximately RMB1.31 billion for the year, accounting for 48.3% of the total new contract amount in other areas (except Zhejiang Province), and we have established strategic cooperation with local major players in the property sector, such as Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司), Zhengzhou Meisheng Real Estate Development Co., Ltd.* (鄭州美盛房地產開發有限公司) and Zhengzhou Kangqiao Real Estate Development Co., Ltd.* (鄭州康橋房地產開發有限責任公司). At the same time, we have undertaken projects of approximately RMB1.36 billion in Ningbo, Hangzhou, Huzhou, Taizhou, Quzhou and other cities in Zhejiang Province.

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

	Year ended 31 December				
	2018		2017		Change
	RMB'million	**(%)**	RMB'million	(%)	%
Jiaxing City	**6,015.4**	**59.6**	3,753.0	51.4	60.3
Zhejiang Province (except Jiaxing City)	**1,360.7**	**13.5**	1,751.0	24.0	(22.3)
Other areas (except Zhejiang Province)	**2,711.0**	**26.9**	1,801.4	24.6	50.5
Total	**10,087.1**	**100.0**	7,305.4	100.0	

"Quality business"

In 2018, the Group negotiated for a number of Engineering Procurement Construction ("**EPC**") projects and won the bid for five of them. Contract amount obtained from public project bidding and tendering exceeded RMB400 million. We enhanced direct operation and management by building a team for the management of Buttonwood+ Project in Wuzhen and Kangming Road Primary School project, thereby developing a preliminary replicable EPC project management model. On 13 November 2018, the Group acquired 80% equity interests in a subsidiary that had won the public-private partnership ("**PPP**") project for the Tongxiang City Youth Quality Education Practice Base. The acquisition has brought us the first PPP project of the Group. Besides, the Group also explored projects abroad and followed up the overseas investment projects of Jushi, Huayou and other clients so as to seek opportunities for international expansion.

The Group has always been committed to innovation in production technology. Leveraging the "Industry-Academic Research" platform, the "Academician Workstations" and other resources, it expedited the enhancement of new technology and techniques. In 2018, it obtained the certification of three Provincial Construction Techniques, as well as one national, two provincial and three municipal QC achievements. It was also granted two national invention patents and four utility model patents. By transforming technology into productivity, the Group focused on standardized construction, refined management and other aspects of technical management to highlight its image as a standardized construction company. We also increased the technical application of the Building Information Model ("BIM") and established the project-based BIM5D platform in BIM technology application projects, thereby generating the form for initial data analysis. During the year, the Group won a total of eight quality projects and developed 20 standardized sites, including eight provincial sites. Among which, the Zhenshi Headquarters Construction Project was selected as the Excellent Example of Internet Development in the Construction Industry for the BIM technology project management, while Phase II of the Kanglaideng Garden Hotel Project received the Second Prize in the 1st "Master Cup" National BIM Competition in 2018.

For the year ended 31 December 2018, approximately 99.0% of the revenue was contributed by the construction contracting business. The Group recorded revenue of approximately RMB6,896.0 million for the year ended 31 December 2018, representing an increase of 43.6% year-by-year. The net profit for the year ended 31 December 2018 as compared to that for the year ended 31 December 2017 increased by 38.1% to approximately RMB172.9 million. The following table sets forth a breakdown of our revenue by business and project type for the years indicated:

	Year ended 31 December			
	2018		2017	
	RMB'million	**%**	RMB'million	%
Construction contracting business				
Residential	**3,329.3**	**48.3**	2,423.8	50.5
Commercial	**1,012.8**	**14.7**	1,506.4	31.4
Industrial	**1,898.9**	**27.5**	618.0	12.9
Public works	**583.7**	**8.5**	203.0	4.2
	6,824.7	**99.0**	4,751.2	99.0
Other business	**71.3**	**1.0**	51.8	1.0
Total revenue	**6,896.0**	**100.0**	4,803.0	100.0

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 43.6% from approximately RMB4,803.0 million for the year ended 31 December 2017 to approximately RMB6,896.0 million for the year ended 31 December 2018, primarily because of increase of construction contracting business amounting to approximately RMB2,073.5 million and an increase of other business amounting to approximately RMB19.5 million for the year ended 31 December 2018. Increase in construction contracting business was a result of an increase in revenue from residential construction contracting business, industrial contracting business and public work construction contracting business amounting to approximately RMB905.5 million, RMB1,280.9 million and RMB380.7 million, respectively, which was offset by a decrease in revenue from commercial construction contracting business amounting to RMB493.6 million. Such increase was due to benefits of the strategies of the Group, 'major customers', 'going out', and 'quality business', the net value of new projects increased significantly by 38.1%, especially for the residential construction contracting business and industrial construction contracting business. Decrease in commercial construction contracting business for the year ended 31 December 2018 is a result of the fact that some of the major projects were nearly completed in 2017, backlog values of the commercial contracting projects was approximately RMB1.4 billion as at 31 December 2018 which is expected to be completed before year ended 31 December 2020.

Gross profit increased by approximately 36.7% from approximately RMB276.7 million for the year ended 31 December 2017 to approximately RMB378.3 million for the year ended 31 December 2018 mainly due to the increase in business activities of the construction contracting business for the reasons disclosed above. The gross profit margin decreased from approximately 5.76% for the year ended 31 December 2017 to approximately 5.49% for the year ended 31 December 2018, such decrease was mainly due to the decrease in gross profit margins of the construction contracting business as the profits margin of the residential construction contracting business decreased from 5.77% for the year ended 31 December 2017 to 5.39% for the year ended 31 December 2018.

Other income and gains

Other income and gains decreased by approximately 36.6% from approximately RMB10.4 million for the year ended 31 December 2017 to approximately RMB6.6 million for the year ended 31 December 2018 primarily because the Group received a dividend income from available-for-sale investment of approximately RMB4.7 million for the year ended 31 December 2017 as no such income were incurred for the year ended 31 December 2018.

Administrative expenses

The administrative expenses increased by approximately 30.0% from approximately RMB66.6 million for the year ended 31 December 2017 to approximately RMB86.7 million for the year ended 31 December 2018 which primarily because (i) an increase in salaries and employee benefits of approximately RMB11.8 million due to increase in number of staff and salaries increment and (ii) an increase in bank charges of approximately RMB5.8 million in relation to financing arrangement and issuance of guarantee letter for the project performance guarantee, for the year ended 31 December 2018.

Finance costs

Finance costs increased by approximately 51.4% from approximately RMB39.0 million for the year ended 31 December 2017 to approximately RMB59.1 million for the year ended 31 December 2018. Such increase was primarily due to the Group used receivable factoring and discounting bills to obtain financing, as a result the Group incurred an aggregated interest of approximately RMB32.6 million for the year ended 31 December 2018, while no such transaction were incurred for the year ended 31 December 2017.

Income tax expense

Income tax expenses increased by 16.0% from approximately RMB43.3 million for the year ended 31 December 2017 to approximately RMB50.2 million for the year ended 31 December 2018 primarily because of an increase in the provision of tax as a result of the increased profit. The effective tax rate decreased from 25.7% for the year ended 31 December 2017 to 22.5% for the year ended 31 December 2018 primarily because the Group reversed a tax provision of approximately RMB7.4 million for the year ended 31 December 2018.

Profit for the year

Profit for the year increased by approximately 38.1% from approximately RMB125.2 million for the year ended 31 December 2017 to approximately RMB172.9 million for the year ended 31 December 2018. Net profit margin decreased from approximately 2.61% for the year ended 31 December 2017 to approximately 2.51% for the year ended 31 December 2018, primarily due to a decrease in gross profits margin which offset by decrease in effective tax rate for the year ended 31 December 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from cash generated from operating activities, interest-bearing bank and other borrowings. As of 31 December 2018 and 2017, the Group had cash and cash equivalents of approximately RMB167.4 million and approximately RMB83.9 million, respectively. Increase in cash and cash equivalents is a result of improvement of net cash flows from operating activities. The cash inflows from operating activities increased from approximately RMB153.2 million for the year ended 31 December 2017 to approximately RMB371.1 million for the year ended 31 December 2018.

Treasury Policies and Objectives

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, 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/ amounts due from contract customers

The contract assets/ amounts due from contract customers decreased from approximately RMB3,084.5 million as of 31 December 2017 to approximately RMB3,077.3 million as of 31 December 2018, representing 67.6% and 58.8% of the total current assets as of the same period. The proportion of the contract assets/ amounts due from contract customers to the total current assets was decreased due to the Group strict control over the billings process. Decrease in absolute amounts of contract assets/ amounts due from contract customers primarily because of the Group actively issued bills to the customers.

Trade and bill receivables

Trade and bills receivables increased by approximately 54.5% from approximately RMB951.7 million as at 31 December 2017 to approximately RMB1,470.7 million as at 31 December 2018. Such increase was in line with the expansion of the business. The trade and bills receivables turnover days increased from approximately 60 days as at 31 December 2017 to approximately 63 days as at 31 December 2018, and such increase was a result of the increase in bill receivables balance as the bill receivables have a longer settlement period.

Trade and bill payables

Trade and bill payables increased from approximately RMB2,586.0 million as at 31 December 2017 to approximately RMB3,159.5 million as at 31 December 2018. Such increase was in line with the expansion of the business. The trade and bill payables turnover days decreased from approximately 198 days as at 31 December 2017 to approximately 161 days as at 31 December 2018, such decrease was a result of improvement of the operating cash flow.

Borrowings and charge on assets

As of 31 December 2018, the Group relied on interest-bearing bank and other borrowings in the amount of approximately RMB420.1 million (31 December 2017: approximately RMB549.6 million) which are repayable within 1 year and carried effective interest rate with a range from 3.9% to 6.5% per annum (31 December 2017: 4.4% to 20.4% per annum).

As at 31 December 2018, certain general banking facilities were secured by the land use rights and buildings of approximately RMB93.2 million (31 December 2017: approximately RMB95.5 million).

Gearing ratio

The gearing ratio decreased from 39.6% as at 31 December 2017 to 16.5% as at 31 December 2018. The decrease was mainly attributable to a steady increase in the total equity during the year and repayments of the bank loans.

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

Capital expenditures increased from approximately RMB6.6 million for the year ended 31 December 2017 to approximately RMB98.9 million for the year ended 31 December 2018. During the year ended 31 December 2018, the Group purchased property, plant and equipment in acquisition of subsidiary and purchased the construction equipment for business expansion.

Capital Commitments

As at 31 December 2018, the Group did not have any significant commitments.

Contingent liabilities

As at 31 December 2018, 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

On 13 November 2018, the Company and a third party (the "Vendor") entered into the share transfer agreement, pursuant to which the Company agreed to acquire 80% of the equity interest in the Tongxiang City Youth Quality Education Practice Base Co., Ltd.*(桐鄉市青少年素質教育實踐基地有限責任公司) from the Vendor at a cash consideration of RMB48,000,000. The transaction was completed on 13 November 2018 .

For more details of the transaction, please refer to the announcements of the Company dated 13 November 2018.

Save as disclosed herewith, the Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2018.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2018, the Group had total of 851 employees (31 December 2017: 727 employees), of which 617 were based in Jiaxing City, and 234 were based in other areas in Zhejiang Province and in other provinces and regions in China. In 2018, the Group incurred total staff costs of approximately RMB51.1 million, representing an increase of approximately 31.5% as compared with those in 2017, mainly attributable to 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 will push forward the business strategy centering on "Major Customers". It will strengthen the "long-term" operation with existing major customers, enhance customer database, establish the evaluation system for customers' needs, focus on customers' requirements, improve tracking management, research and analysis and undertake businesses specific to customers' needs. At the same time, the Group will optimize internal management by implementing more stringent risk control, strengthening internal cost management, upgrading production technology management and improving operations supervision and management, so as to achieve high-quality development on all fronts.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2018 and up to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

NON-COMPETITION AGREEMENT

To ensure that competition will not exist in the future, the Mr. Lv Yaoneng, Jujiang Holdings and Jujiang Equity Investment as controlling shareholders (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 Company) 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 2018 and up to the date of this announcement, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group do not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Lv 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 2018. 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 2018 to 31 December 2018.

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 2018 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 2018

Audited net profit attributable to the holders of ordinary shares of the Company for the year 2018 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB174,759,000. Together with undistributed profit of approximately RMB353,955,000 carried forward at the beginning of the year and after provision for statutory surplus reserves of approximately RMB17,474,000, profit available for distribution to shareholders amounted to approximately RMB511,240,000.

The Board of Directors of the Company has recommended profit distribution for 2018 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 23 August 2019.

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[2008]897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[2009]124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[1993]45號文件廢止後有關個人所得稅徵管問題的通知》 (國稅函[2011]348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 28 May 2019 to 28 June 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 27 May 2019, 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 5 July 2019 to 10 July 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 4 July 2019, 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 10 July 2019 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 2018 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 2018 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 2018 Annual Report 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.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "**AGM**") will be held on 28 June 2019. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

AUDIT COMMITTEE

The audit committee of the Company has reviewed together with the management and external auditor of the Company has reviewed the accounting principles and policies adopted by the Group and discussed the internal control and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2018.

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

Zhejiang Province, the PRC, 29 March 2019

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*