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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2022	2021	Change
	RMB'000	RMB'000	%
Revenue	4,214,634	5,108,561	(17.50)
Gross profit	171,704	226,014	(24.03)
<i>Gross profit margin</i>	4.07%	4.42%	(0.35)
Profit for the period	34,514	76,604	(54.94)
<i>Net profit margin</i>	0.82%	1.50%	(0.68)
Basic and diluted earnings per share (RMB)	0.07	0.14	

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Jujiang Construction Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021. The interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30	
		June	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	4,214,634	5,108,561
Cost of sales		<u>(4,042,930)</u>	<u>(4,882,547)</u>
Gross profit		171,704	226,014
Other income and gains	5	18,938	7,377
Administrative expenses		(81,417)	(69,275)
Impairment losses on financial and contract assets, net		(51,368)	(26,729)
Other expenses		(230)	(113)
Finance costs	6	<u>(19,511)</u>	<u>(35,840)</u>
PROFIT BEFORE TAX	7	38,116	101,434
Income tax expense	8	<u>(3,602)</u>	<u>(24,830)</u>
PROFIT FOR THE PERIOD		34,514	76,604
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>34,514</u>	<u>76,604</u>
Profit attributable to:			
Owners of the parent		34,915	76,447
Non-controlling interests		<u>(401)</u>	<u>157</u>
		<u>34,514</u>	<u>76,604</u>
Total comprehensive income attributable to:			
Owners of the parent		34,915	76,447
Non-controlling interests		<u>(401)</u>	<u>157</u>
		<u>34,514</u>	<u>76,604</u>
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	10	<u>0.07</u>	<u>0.14</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		180,909	174,606
Investment Properties		15,344	15,628
Right-of-use assets		21,077	22,418
Goodwill		1,162	1,162
Other intangible assets		91,727	95,758
Deferred tax assets		55,561	47,146
Long term deferred assets		123,577	127,693
		<hr/>	<hr/>
Total non-current assets		489,357	484,411
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		25,808	24,169
Non-currents assets due within one year		8,028	7,791
Trade and bills receivables	12	2,016,315	2,578,408
Contract assets	11	1,899,572	2,062,956
Prepayments, other receivables and other assets		874,316	623,624
Financial assets at fair value through profit or loss		10,419	10,291
Pledged deposits		145,766	123,239
Cash and bank balances		277,547	248,167
		<hr/>	<hr/>
Total current assets		5,257,771	5,678,285
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	13	2,764,887	3,173,687
Other payables and accruals		467,482	483,496
Interest-bearing bank and other borrowings		509,839	507,529
Tax payable		221,828	218,029
		<hr/>	<hr/>
Total current liabilities		3,964,036	4,382,741
		<hr/>	<hr/>
NET CURRENT ASSETS		1,293,735	1,295,544
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,783,092	1,779,955
		<hr/>	<hr/>

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		<u>159,363</u>	<u>171,983</u>
Total non-current liabilities		<u>159,363</u>	<u>171,983</u>
Net assets		<u>1,623,729</u>	<u>1,607,972</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		533,360	533,360
Reserves		<u>1,064,512</u>	<u>1,048,354</u>
		1,597,872	1,581,714
Non-controlling interests		<u>25,857</u>	<u>26,258</u>
Total equity		<u>1,623,729</u>	<u>1,607,972</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial information, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021. The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousands, except when otherwise indicated.

This interim condensed consolidated financial information has not been audited.

2. CHANGES IN THE GROUP’S ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. 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, training and consulting relating to construction contracting in architecture and sale of civil defence products.

The Group's revenue from external customers from each operating segment is set out in note 4 to the interim condensed consolidated financial information.

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

For the six months ended 30 June 2022	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue				
Sales to external customers	4,184,646	29,988	-	4,214,634
Intersegment sales	-	8,615	(8,615)	-
Total revenue	4,184,646	38,603	(8,615)	4,214,634
Profit before tax for the period	43,593	(1,546)	(3,931)	38,116
Income tax expense	(3,998)	188	208	(3,602)
Segment results	39,595	(1,358)	(3,723)	34,514
Other segment information:				
Interest income	5,994	10	-	6,004
Finance costs	14,201	5,310	-	19,511
Depreciation	7,272	1,718	-	8,990
Amortisation	358	3,831	-	4,189
Impairment losses recognised in profit or loss	51,250	118	-	51,368
Capital expenditure ¹	13,223	17,645	(16,977)	13,891
As at 30 June 2022	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	5,578,163	362,404	(193,439)	5,747,128
Segment liabilities	3,976,255	250,302	(103,158)	4,123,399

Note:

¹ Capital expenditure mainly consists of additions to property, plant and equipment and other intangible assets.

For the six months ended 30 June 2021	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue				
Sales to external customers	5,076,180	32,381	-	5,108,561
Intersegment sales	-	7,080	(7,080)	-
Total revenue	<u>5,076,180</u>	<u>39,461</u>	<u>(7,080)</u>	<u>5,108,561</u>
Profit before tax	107,667	(4,903)	(1,330)	101,434
Income tax expense	(24,757)	(73)	-	(24,830)
Segment results	<u>82,910</u>	<u>(4,976)</u>	<u>(1,330)</u>	<u>76,604</u>
Other segment information:				
Interest income	427	5	-	432
Finance costs	31,483	4,357	-	35,840
Depreciation	5,895	1,613	-	7,508
Amortisation	340	14	-	354
Impairment losses recognised/(reversed) in profit or loss	26,931	(202)	-	26,729
Capital expenditure ¹	<u>17,660</u>	<u>7,071</u>	<u>-</u>	<u>24,731</u>
As at 31December 2021	Construction contracting RMB'000 (Audited)	Others RMB'000 (Audited)	Eliminations RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	<u>5,947,503</u>	<u>370,842</u>	<u>(155,649)</u>	<u>6,162,696</u>
Segment liabilities	<u>4,371,544</u>	<u>270,814</u>	<u>(87,634)</u>	<u>4,554,724</u>

Note:

- ¹ Capital expenditure mainly consists of additions to property, plant and equipment and other intangible assets.

4. REVENUE

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or service			
Construction contracting	4,184,646	-	4,184,646
Design, survey, training and consultancy	-	15,044	15,044
Sale of construction materials and civil defence products	-	14,944	14,944
Total revenue from contracts with customers	4,184,646	29,988	4,214,634
Geographical markets			
Mainland China	4,184,646	29,988	4,214,634
Total revenue from contracts with customers	4,184,646	29,988	4,214,634
Timing of revenue recognition			
Services transferred over time	4,184,646	5,301	4,189,947
Goods transferred at a point in time	-	24,687	24,687
Total revenue from contracts with customers	4,184,646	29,988	4,214,634

For the six months ended 30 June 2021

	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or service			
Construction contracting	5,076,180	-	5,076,180
Design, survey, training and consultancy	-	10,745	10,745
Sale of construction materials and civil defence products	-	21,636	21,636
Total revenue from contracts with customers	5,076,180	32,381	5,108,561
Geographical markets			
Mainland China	5,076,180	32,381	5,108,561
Total revenue from contracts with customers	5,076,180	32,381	5,108,561
Timing of revenue recognition			
Services transferred over time	5,076,180	5,578	5,081,758
Goods transferred at a point in time	-	26,803	26,803
Total revenue from contracts with customers	5,076,180	32,381	5,108,561

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

For the six months ended 30 June 2022

	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External customers	4,184,646	29,988	4,214,634
Intersegment sales	-	8,615	8,615
	<u>4,184,646</u>	<u>38,603</u>	<u>4,223,249</u>
Intersegment adjustments and eliminations	-	(8,615)	(8,615)
Total revenue from contracts with customers	<u>4,184,646</u>	<u>29,988</u>	<u>4,214,634</u>

For the six months ended 30 June 2021

	Construction contracting RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External customers	5,076,180	32,381	5,108,561
Intersegment sales	-	7,080	7,080
	<u>5,076,180</u>	<u>39,461</u>	<u>5,115,641</u>
Intersegment adjustments and eliminations	-	(7,080)	(7,080)
Total revenue from contracts with customers	<u>5,076,180</u>	<u>32,381</u>	<u>5,108,561</u>

5. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<u>Other income</u>		
Bank interest income	6,004	432
Government grant	10,616	1,815
Others interest income from financial assets at fair value through profit or loss	244	331
Others*	1,038	2,520
	<u>17,902</u>	<u>5,098</u>
<u>Gains</u>		
Fair value gains, net: Financial assets at fair value through profit or loss	1,036	2,279
	<u>18,938</u>	<u>7,377</u>

Note:

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Factoring expense	2,320	16,889
Interest on bank loans	15,710	15,578
Interest on discounted bills receivable	1,136	3,005
Interest on lease liabilities	345	368
	<u>19,511</u>	<u>35,840</u>

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of construction contracting (including depreciation and research and development costs)	4,021,724	4,858,320
Cost of others	21,206	24,227
	<u>4,042,930</u>	<u>4,882,547</u>
Total cost of sales		
Depreciation of items of property, plant and equipment	7,365	5,961
Depreciation of investment properties	284	284
Depreciation of right-of-use assets	1,341	1,263
Amortisation of intangible assets	4,189	354
	<u>13,179</u>	<u>7,862</u>
Total depreciation and amortisation		
Research and development costs:		
Current period expenditure	155,816	1,486
	<u>155,816</u>	<u>1,486</u>
Impairment of trade receivables	15,458	11,021
Impairment of contract assets	26,018	12,113
Impairment of financial assets included in prepayments, other receivables and other assets	9,892	3,595
	<u>51,368</u>	<u>26,729</u>
Total impairment losses, net		
Auditor's remuneration	1,071	947
Employee benefit expenses (including directors' and supervisors' remuneration):	50,568	42,190
- Wages, salaries and allowances	38,470	33,405
-Social insurance	11,652	7,691
-Welfare and other expenses	446	1,094
Interest income	(6,004)	(432)

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% (2021: 25%) of the assessable profits of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain PRC entities of the Company, which were taxed at 15%.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax – Mainland China		
Charge for the period	12,587	33,007
Over-provision in prior years	(570)	(2,110)
Deferred income tax	(8,415)	(6,067)
	<u>3,602</u>	<u>24,830</u>
Tax charge for the period	<u>3,602</u>	<u>24,830</u>

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:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	38,116	101,434
Income tax charge at the statutory income tax rate (25%)	9,529	25,358
Lower tax rate enacted by local authority	(3,209)	(85)
Additional deductible allowance for research and development expenses	(2,604)	(167)
Income not subject to tax	(34)	-
Expenses not deductible for tax purposes	232	658
Adjustments in respect of current tax of previous periods	(570)	(2,110)
Tax losses not recognised	258	1,176
	<u>3,602</u>	<u>24,830</u>
Tax charge for the period at the effective rate	<u>3,602</u>	<u>24,830</u>

9. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Declared and paid final dividend		
- RMB3.43 cents (2021: RMB3.30 cents) per ordinary share*	18,757	17,627
	<u>18,757</u>	<u>17,627</u>

11. CONTRACT ASSETS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Contract assets arising from:		
Construction services	1,966,207	2,099,416
Design, survey and consultancy	<u>2,398</u>	<u>6,555</u>
	1,968,605	2,105,971
Impairment	<u>(69,033)</u>	<u>(43,015)</u>
	<u>1,899,572</u>	<u>2,062,956</u>

12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables at amortised cost	1,474,581	1,848,242
Provision for impairment	<u>(150,771)</u>	<u>(135,313)</u>
Trade receivables, net	1,323,810	1,712,929
Bills receivables at fair value	<u>692,505</u>	<u>865,479</u>
	<u>2,016,315</u>	<u>2,578,408</u>

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

As at 30 June 2022, the Group has not pledged any trade receivables to secure the Group's bank loans (31 December 2021: RMB 58,263,000).

An ageing analysis of the trade receivables, including retentions based on the due date and others based on the billing date and net of loss allowance, as at the end of the reporting period is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 3 months	560,653	997,961
3 months to 6 months	182,851	113,836
6 months to 1 year	258,497	265,793
1 to 2 years	224,356	283,011
2 to 3 years	84,127	33,032
3 to 4 years	10,092	15,962
4 to 5 years	3,234	3,334
	<u>1,323,810</u>	<u>1,712,929</u>

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
At beginning of the period/year	135,313	69,198
Impairment losses, net	<u>15,458</u>	<u>66,115</u>
At end of the period/year	<u>150,771</u>	<u>135,313</u>

13. TRADE AND BILLS PAYABLES

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 6 months	1,875,576	2,560,271
6 months to 1 year	465,881	265,793
1 to 2 years	276,242	241,724
2 to 3 years	80,453	69,923
Over 3 years	66,735	35,976
	<u>2,764,887</u>	<u>3,173,687</u>

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

14. COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2022, as the PRC accelerated the establishment of the new development landscape, the construction industry ramped up its transformation and upgrade, resulting in both opportunities and challenges. Under the impact of the pandemic, external politics and economic environment had become increasingly complicated, severe and uncertain. As a labour-intensive industry, the construction industry was restrained by the fluctuating pandemic. Profit margin shrank due to increasing economic downward pressure, slowdown in the overall development pace of the construction industry and continuous increase in construction material costs.

Since 2021, the domestic real estate market has demonstrated a downward trend with several mid-to-large real estate enterprises experiencing difficulties. The situation is further aggravated by the recent “suspension of loans” for uncompleted construction projects. Being in the upstream of the real estate industry chain, the construction industry has also been considerably impacted and witnessed escalating market competition and accelerating industry consolidation and restructuring. Despite the introduction of a series of stabilising policies for the property market by local governments and regulatory authorities, the recovery of the real estate industry has remained sluggish. As a result, stabilisation of the real estate market has become one of the primary economic targets of the Central Government in the second half of the year. As the ongoing slowdown in population growth and urbanisation rate has caused a relatively significant negative impact on the rigid demand for real estate, the residential construction sector will experience greater growth pressure in the future in the real estate inventory-centric era and under the keynote of “houses are for inhabitation, not for speculation”.

The government and local authorities have successively introduced a series of supporting and stimulating policies for the construction industry and its related upstream and downstream industries to promote its healthy development in the long run. In January 2022, the “14th Five-year Plan” Construction Industry Development Plan” (「十四五」建築業發展規劃) issued by the Bureau of Housing and Urban-Rural Development proposed that the construction industry shall shift its effort from rapid development to quality development, from expansion in “quantity” to increase in “quality”; stipulated seven major tasks, such as facilitating the co-development of intelligent construction and new construction industrialisation, improving the operating mechanism of the construction market, polishing the engineering and construction organisation model, refining the construction quality and safety assurance system and promoting the pace of “external expansion” of the construction industry. In addition, “Certain Opinions of the General Office of the People’s Government of Zhejiang Province on Further Supporting the Improvement and Strengthening of the Construction Industry” (浙江省人民政府辦公廳關於進一步支持建築業做優做強的若干意見) were promulgated in July 2022 to help resolve difficulties faced by construction enterprises in their operation and development and provide full support in aspects such as project undertaking, competitiveness improvement, external expansion and taxation.

In the first half of 2022, given the consistent introduction of growth stabilisation policies, the infrastructure industry demonstrated an upward trend and the construction industry, in turn, remained resilient to a certain extent. According to the data of the National Bureau of Statistics of the People’s Republic of China, for the six months ended 30 June 2022, the total value of the PRC construction industry was approximately RMB12.9 trillion, representing a period-to-period growth of 7.6% as compared to 2021; total construction area of buildings of the PRC construction industry was approximately 12.07 billion sq.m., representing a period-to-period increase of 1.2% as compared to 2021. National sales area of commercial property was approximately 689 million sq.m., representing a period to period decrease of 22.2% as compared to 2021; sales amount of commercial property was approximately RMB6.6 trillion, representing a period to period decrease of 28.9% as compared to 2021. In addition, according to the data of the China Association of Construction Enterprises for the six months ended 30 June 2022, contract amount of PRC construction enterprises was approximately RMB49.0 trillion, representing a period-to-period increase of approximately 10.5% as compared to 2021. New contract amount was approximately RMB14.9 trillion, representing a period-to-period increase of approximately 3.9% as compared to 2021. In light of the above, despite pressure brought about by the pandemic, costs and slowdown of the real estate industry, the construction industry maintained a stable status as the backbone of the national economy. Given the escalating market competition in the construction industry, construction enterprises shall strictly follow the policy trend, adhere to high-quality development, and pursue breakthrough in various directions, such as intelligent manufacturing and green construction, to take better advantage of their competitive edges.

BUSINESS REVIEW

Looking back into the first half of 2022, the Group earnestly implemented the development plan for the “14th Five-year Plan” period at all levels, adhered to the keynote of progressing in stability, spared no efforts on technology innovation, quality enhancement and transformation upgrade, and established a positive, sound and comprehensive high-quality development layout. The Group’s revenue and net profit for the six months ended 30 June 2022 were approximately RMB4,214.6 million and approximately RMB34.5 million, respectively, representing a decrease of approximately 17.5% and a decrease of approximately 54.9%, respectively, from the corresponding period of the previous year. The value of backlog increased by approximately 0.4% to approximately RMB17,741.5 million as at 30 June 2022 as compared to that of approximately RMB17,660.0 million as at 30 June 2021.

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

	For the six months ended 30 June	
	2022	2021
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Opening value of backlog	18,762.9	17,048.4
Net value of new projects ⁽¹⁾	3,163.3	5,687.8
Revenue recognized ⁽²⁾	(4,184.7)	(5,076.2)
Closing value of backlog ⁽³⁾	<u>17,741.5</u>	<u>17,660.0</u>

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 period indicated.
- (2) Revenue recognised means the revenue that has been recognised during the relevant period 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 reached 100% as at the end of the relevant period indicated.

Accelerating transformation upgrade to commence overseas business

In the first half of 2022, faced with challenges and opportunities of the industry, the Group adhered to the three major business strategies of “major customers, quality business and market expansion” to enhance business quality, resulting in a net value of newly contracted project of approximately RMB3,163.3 million. In terms of major customer expansion, the Group’s newly contracted industrial enterprise projects in the first half accounted for approximately 55.6% of the total amount of contracts, while major real estate enterprise projects accounted for approximately 38.6% and tourism enterprise projects accounted for approximately 5.4%. In the first half of the year, there were nine projects with a contract amount over RMB100 million and four projects with a contract amount over RMB300 million.

With regards to the market layout, the Group further consolidated its share of the local market and made use of its local advantage. Newly contracted local businesses in Jiaxing city accounted for approximately 27.1% of total amount of contracts, among which, newly contracted business in Tongxiang city accounted for approximately 17.1%. The “market expansion” strategy continued to be steadily implemented, with focus on undertaking large-scale and influential projects. Business undertaking outside the province accounted for approximately 41.4%, representing a decrease of approximately 24.4% over last year.

The Group won the civil engineering project for the ferro-nickel production line and ancillary buildings of Zhenshi Group’s new project in Indonesia. The project is located at Sulawesi, Indonesia and the first overseas project won by the Group, which marks a substantial breakthrough of the Group in overseas business operation and kickstarts the new journey of overseas “market expansion” as a milestone of the Group.

Adhering to quality enhancement and pursuing high-quality development

The Group adheres to a target-oriented approach and consistently emphasises project quality to strictly implement construction duration requirement and ensure smooth completion with high quality at a high standard and garner customers' recognition and praise through outstanding service and quality. In the first half of the year, newly added projects, such as the construction project with an annual production capacity of 2,000 industrial robots and Jushi 238 construction, made satisfactory progress. In particular, the intelligent visual Internet-of-Things park project in Tongxiang Economic Development Zone was completed and delivered four months in advance and recognised by the construction entity.

In the first half of 2022, the Group proactively established quality construction and standardised construction sites and improved quality advantage to obtain one provincial quality construction and seven city and county-level quality constructions. Upon passing the assessment of the Management Institution of High Tech Enterprise Recognition of Zhejiang Province, the Group was officially recognised as a "national high tech enterprise". During the six months ended 30 June 2022, the Group obtained honours and titles such as Advanced Construction Enterprise of Zhejiang Province, First Batch of Model Commercial Buildings of "Strong Party Building, Robust Development" of Jiaxing, Advanced Construction Enterprise of Jiaxing, "Top 10 Accomplished Enterprise" of Tongxiang. Meanwhile, the relocation construction of Chinese Medicine Hospital of Tongxiang undertaken by the Group obtained the provincial "outstanding red construction site" title. In the "National Top 500 Enterprises of Zhe Shang 2022" officially published by the *Zhe Shang* magazine, the Group ranked 171st, improving by 12 places over last year.

Advancing technological innovation with completion of R&D in intelligent construction site AI platform 2.0

As always, in addition to promoting the business quality of the principal business, the Group has also enhanced the professional abilities, expanded business in various specialised fields such as decorative foundation, municipal and fire protection, etc., through extending to upstream and downstream of the industrial chain. During the six months ended 30 June 2022, driven by the contracting business of engineering, procurement and construction, various specialised sectors made orderly progress. In particular, the new contracts signed up of decorative foundations, municipal and fire protection amounted to approximately RMB16.1 million, approximately RMB1.0 million and approximately RMB76.3 million, respectively.

In compliance with the standard requirement of high-tech enterprise, the Group promoted technological innovation and utilised platforms such as provincial enterprise technological centre and "industry-university-research" to facilitate the shift of focus of technological innovation to releasing production capacity through innovative R&D in various technology projects. In the first half of 2022, it obtained two provincial quality assurance achievements. In 2020, the Group established the Yunjiang Digital Construction Technology Research Institute and endeavoured to enhance digitalisation and intelligent management level through exploring and applying "BIM + intelligent management system". After two years of development, the Yunjiang Institute has refined its development direction, approach and positioning to cater for market demand and continue to evolve.

In terms of the application of BIM technology, in view of the increasing awareness and recognition of BIM technology in projects, the complementary implementation level has been gradually rising, with satisfactory overall feedback in relation to the application results. In the first half of 2022, commercial application services commenced for seven projects, including two new headquarter building projects, the relocation and construction project of a Chinese medicine hospital and the Puyuan Zijinyuan project. In addition, the intelligent construction site AI platform has completed the research and development of V2.0 quality management and safety management. After a half-year effort, the intelligent control centre completed the admission of 23 projects, including 19 projects within the province and 4 projects outside the province, with 177 video admission channels in total. In particular, Tongxiang residential construction monitoring cloud platform, as the first government cooperation project, had completed the initiation of Tongxiang labour real name system and video surveillance aggregation trial operation, which will be fully implemented subsequently.

For the six months ended 30 June 2022, approximately 99.3% of the revenue was contributed by the construction contracting business(six months ended 30 June 2021: 99.4%).

	For the six months ended 30 June			
	2022		2021	
	RMB'million (Unaudited)	%	RMB'million (Unaudited)	%
Construction contracting business				
Residential	1,967.1	46.7	2,719.3	53.2
Commercial	417.8	9.9	1,158.9	22.7
Industrial	1,221.1	29.0	916.7	18.0
Public works	578.7	13.7	281.3	5.5
	<u>4,184.7</u>	<u>99.3</u>	<u>5,076.2</u>	<u>99.4</u>
Other business				
Design, survey, training and consultancy	15.0	0.4	10.8	0.2
Sale of construction materials and civil defence products	14.9	0.3	21.6	0.4
	<u>29.9</u>	<u>0.7</u>	<u>32.4</u>	<u>0.6</u>
Total revenue	<u>4,214.6</u>	<u>100.0</u>	<u>5,108.6</u>	<u>100.0</u>

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue decreased by approximately 17.5% from approximately RMB5,108.6 million for the six months ended 30 June 2021 to approximately RMB4,214.6 million for the six months ended 30 June 2022, primarily because of a decrease in the construction contracting business amounting to approximately RMB891.5 million for the six months ended 30 June 2022. Decrease in construction contracting business was primarily due to the progress of the construction projects being affected by the COVID-19-related prevention and control measures (including the extended period of lock-down as well as enhanced mandatory quarantine measures and scalable nucleic acid testing orders in place from time to time) implemented at places where the construction projects were located during the six months ended 30 June 2022, the downturn in property market in general and the decrease in the amount of net values of new projects undertaken by the Group during the six months ended 30 June 2022. The revenue from residential and commercial construction contracting business for the six months ended 30 June 2022 were decreased by approximately RMB752.2 million and approximately RMB741.1 million, respectively, as compared with the corresponding period in last year. Such decrease was partly offset by an increase in public and industrial construction contracting business of approximately RMB297.4 million and approximately RMB304.4 million, respectively, for the six months ended 30 June 2022 as compared with the corresponding period in last year. The Group increased its resources and focused in public and industrial construction contracting business to reduce its business risks and maintain the business growth.

Gross profit decreased by approximately 24.0% from approximately RMB226.0 million for the six months ended 30 June 2021 to approximately RMB171.7 million for the six months ended 30 June 2022, which was in line with the decrease in revenue. However, the gross profit margin decreased from approximately 4.42% for the six months ended 30 June 2021 to approximately 4.07% for the six months ended 30 June 2022, such decrease was mainly due to the decrease in gross profits margins of the construction contracting business, especially for the residential and public construction contracting business. The decrease in gross profits margins of the construction contracting business was a result of i) the further compressed pricing of the construction contracts as the PRC government sets a ceiling on the residential property markets, even the pricing policy, and ii) an increase in the raw material costs. The gross profit margin of the construction contracting business decreased from 4.29% for the six months ended 30 June 2021 to 3.89% for the six months ended 30 June 2022.

Other income and gains

Other income and gains increased by approximately RMB11.5 million from approximately RMB7.4 million for the six months ended 30 June 2021 to approximately RMB18.9 million for the six months ended 30 June 2022, primarily because of i) an increase in government grants of approximately RMB 8.8 million in relation to the Government based on the assessment results of the Company in the construction industry to grant a subsidy of approximately RMB8.0 million for the six months ended 30 June 2022, and ii) an increase in interest income of approximately RMB5.6 million, which was mainly related to an increase in unrealised financial income generated by the educational complex as the complex was commenced the operation in March 2021.

Administrative expenses

The administrative expenses increased by approximately 17.5% from approximately RMB69.3 million for the six months ended 30 June 2021 to approximately RMB81.4 million for the six months ended 30 June 2022 which was primarily due to an increase in salaries and employee benefits of approximately RMB8.1 million and depreciation and amortisation expenses of approximately RMB3.9 million. For the six months ended 30 June 2022, the Group continued to expand its workforces and pay a special bonus of approximately RMB3.2 million as well as an increase in contribution of the social security under the government policy. In addition, increase in depreciation and amortisation expenses are mainly attributing to the amortisation of the intangible assets in relation to the educational complex.

Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, including trade receivables and other receivables, increased significantly by approximately 92.5% from approximately RMB26.7 million for the six months ended 30 June 2021 to approximately RMB51.4 million for the six months ended 30 June 2022, primarily due to the downturn in property market, especially for a series of negative news and announcements over the financial conditions of certain listed property developers, which heightened the credit risk of certain customers.

Other expenses

Other expenses increased by approximately RMB0.1 million from approximately RMB0.1 million for the six months ended 30 June 2021 to approximately RMB0.2 million for the six months ended 30 June 2022, there was no significant change.

Finance costs

Finance costs decreased by approximately 45.5% from approximately RMB35.8 million for the six months ended 30 June 2021 to approximately RMB19.5 million for the six months ended 30 June 2022. Such decrease was primarily due to a decrease in the number of customers of the Group using factoring settlement, resulting in a decrease in factoring fee.

Income tax expense

Income tax expense decreased by approximately 85.5% from approximately RMB24.8 million for the six months ended 30 June 2021 to approximately RMB3.6million for the six months ended 30 June 2022 primarily because of significant decrease in profits from the operation. The effective tax rate decreased from approximately 24.5% for the six months ended 30 June 2021 to 9.5% for the six months ended 30 June 2022 primarily because the Company obtained approval from the relevant tax bureau to be taxed as an advanced and new technology enterprise for the calendar years from 2021 to 2023 in second half of 2021. Pursuant to the relevant tax regulations, the Company is entitled to a preferential tax rate of 15%. In addition to the preferential PRC Corporate Income Tax rate, the Company is also entitled to an additional tax deductible allowance calculated at 75% of its qualified research and development costs incurred, as a result, the effective tax rate decreased for the six months ended 30 June 2022.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately 54.9% from approximately RMB76.6 million for the six months ended 30 June 2021 to approximately RMB34.5 million for the six months ended 30 June 2022. Net profit margin decreased from approximately 1.5% for the six months ended 30 June 2021 to approximately 0.8% for the six months ended 30 June 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from cash generated from operating activities and interest-bearing bank and other borrowings. As at 30 June 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately RMB277.5 million and approximately RMB248.2 million, respectively.

Treasury policies

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

Contract assets

The contract assets decreased by approximately 7.9% from approximately RMB2,063.0 million as at 31 December 2021 to approximately RMB1,900.0 million as at 30 June 2022, representing 36.3% and 36.1% of the total current assets as at the end of the corresponding periods. The decrease in absolute amounts was primarily attributing to increased billings to our customers after the completion of the projects and decrease in revenue.

Trade and bills receivables

Trade and bills receivables decreased by approximately 21.8% from approximately RMB2,578.4 million as at 31 December 2021 to approximately RMB2,016.3 million as at 30 June 2022. Such decrease was due to the settlement by our customers was made in a more timely manner after the Group tightened the collection policy under the downturn in property market and decrease in revenue. The trade and bills receivables turnover days increased from approximately 89 days as at 31 December 2021 to approximately 99 days as at 30 June 2022.

Trade and bills payables

Trade and bills payables decreased by approximately 12.9% from approximately RMB3,173.7 million as at 31 December 2021 to approximately RMB2,764.9 million as at 30 June 2022. Such decrease was due to the decrease in revenue. The trade and bills payables turnover days increased from approximately 114 days as at 31 December 2021 to approximately 134 days as at 30 June 2022.

Borrowings and charge on assets

As at 30 June 2022, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB669.2 million (31 December 2021: approximately RMB679.5 million). The short-term interest bearing borrowings amounting to approximately RMB509.8 million (31 December 2021: approximately RMB507.5 million) are repayable within 1 year and carried effective interest rate with a range from 4.35% to 6.88% per annum (31 December 2021: 4.00% to 12.0% per annum). As at 30 June 2022, the long-term interest-bearing borrowings amounting to approximately RMB159.4 million (31 December 2021: RMB172.0 million) are repayable from 2023 to 2031 and the interest rate is at the range from 4.41% to 4.9%.

As at 30 June 2022, certain general banking facilities were secured by the buildings of approximately RMB85.3 million (31 December 2021: approximately RMB86.4 million).

Gearing ratio

The gearing ratio decreased from 18.9% as at 31 December 2021 to approximately 15.1% as at 30 June 2022. The decrease was mainly attributable to improvement of cash management as net cash inflow from operating activities of approximately RMB70.6 million.

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

Capital expenditure

For the six months ended 30 June 2022, the capital expenditures were approximately RMB13.9 million (six months ended 30 June 2021: approximately RMB24.7 million). The capital expenditure incurred for the six months ended 30 June 2022 was primarily related to construction of a new office building next to the headquarter of our Group.

Capital commitments

As at 30 June 2022, the Group did not have any significant commitments (31 December 2021: nil).

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: nil).

Fluctuation of RMB exchange rate and foreign exchange risks

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, the Group had no significant investments held, material acquisitions and disposals during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets as at 30 June 2022.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 1,140 employees, of which 635 were based in Jiaxing City, and 505 were based in other areas in Zhejiang Province and in other provinces and regions in China. For the six months ended 30 June 2022, the Group incurred total staff costs of approximately RMB50.6 million, representing an increase of approximately 19.9% as compared with the same period in 2021, 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

Looking forward, the construction industry will continue to embrace the “new economy” and proactively participate in the “Dual Carbon” national strategy, leading to a promising future for green construction. Currently, the PRC's economy is faced with downward pressure. In light of the keynote of stabilising growth, the construction industry is likely to benefit from development opportunities driven by policies. Meanwhile, under the real estate regulatory policy, real estate development and investment will face pressure of growth. The restructuring of manufacture industry and the new urbanisation construction will bring about the introduction of urban renewal, old city renovation and indemnificatory housing projects as well as medical and other infrastructure to make up for shortfalls, which will provide a certain degree of relief for the impact of real estate policy on the construction industry. Under the influence of the above factors, the construction industry is expected to maintain a recovery trend.

With “comprehensively improving core competitiveness” as the guidance and “enhancing quality and efficiency” as the means, the Group will further promote all-range quality corporate development. The Group will centre around its development plan for the “14th Five-year Plan” to uphold the keynote of progressing in stability, respond positively, take proactive measures, enhance quality and efficiency, achieve breakthroughs, facilitate digitalised management and intelligent construction site development, and improve core competitiveness. The Group will actively address local planning and government demand and undertake brand-defining, scalable and influential government-funded projects. It will pay close attention to customer demands, precisely capture operation and breakthrough points to create value for customers and ensure the expansion and increment of businesses from core major customers. Furthermore, through the promotion of BIM technology and the integration of various aspects of intelligent construction site, such as project costs, material management and quality management, it will develop the overall service advantage of the Yunjiang Institute to speed up the development progress of intelligent construction site products.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2022 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.

DIRECTORS' COMPETING INTERESTS

Save as disclosed in this announcement, none of the controlling shareholders of the Company, 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 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 six months ended 30 June 2022 and up to the date of this announcement, the Company has fully complied with the Code Provisions. The Directors will review our 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 2022 to 30 June 2022.

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no major events subsequent to 30 June 2022 which would materially affect the Group’s operating and financial performance as at the date of this announcement.

PUBLICATION OF THE CONDENSED CONSOLIDATED INTERIM RESULTS AND 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jujiang.cn>) and the 2022 Interim 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.

AUDIT COMMITTEE

The Audit Committee has discussed 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 of the Group. The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022, and is of the opinion that the financial statements comply with the applicable accounting standards.

By order of the Board
Jujiang Construction Group Co., Ltd.
Mr. Lyu Yaoneng
Chairman

Zhejiang Province, the PRC, 17 August 2022

As at 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. Ma Tao, and Mr. Wong Kai Wai, as independent non-executive Directors.

** for identification purposes only*