博大绿泽
BROAD GREENSTATE

China Greenland Broad Greenstate Group Company Limited
中國綠地博大綠澤集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code：1253

ANNUAL REPORT 2017

博大精深

博採眾長 Eclectic ◆ 大有作為 Accomplishment ◆ 精益求精 Excelsior ◆ 深生不息 Continuous

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Corporate Information

Company Name

China Greenland Broad Greenstate Group Company Limited

Place of Listing of Shares

The Stock Exchange of Hong Kong Limited — main board

Stock Code

1253

Stock Name

GREENLAND BROAD

Board of Directors

Executive Directors

Mr. Wu Zhengping *(Chairman and chief executive officer)*
Ms. Xiao Li *(Deputy general manager)*
Ms. Zhu Wen *(Administrative manager)*
Ms. Chen Min *(Deputy financial controller) (appointed on 13 April 2017)*

Independent Non-executive Directors

Mr. Dai Guoqiang
Dr. Jin Hexian
Dr. Chan Wing Bun *(appointed on 13 March 2018)*
Mr. Zhang Qing *(resigned on 29 December 2017)*

Company Secretary

Ms. Ho Siu Pik, *FCIS, FCS(PE)*

Authorized Representatives

Ms. Zhu Wen
Ms. Ho Siu Pik

Audit Committee

Dr. Chan Wing Bun *(Chairman) (appointed on 13 March 2018)*
Mr. Dai Guoqiang
Dr. Jin Hexian
Mr. Zhang Qing *(resigned on 29 December 2017)*

Remuneration Committee

Dr. Jin Hexian *(Chairman)*
Mr. Dai Guoqiang
Ms. Zhu Wen

Nomination Committee

Mr. Dai Guoqiang *(Chairman)*
Ms. Xiao Li
Dr. Jin Hexian

Registered Office

The offices of Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Headquarters and Principal Place of Business in the PRC

Floor 9, Block D3, 5th Building
Hongqiao World Center, 1588 Lane
Zhuguang Road
Shanghai, the PRC

Corporate Information (Continued)

Place of Business in Hong Kong

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Hong Kong Legal Advisor

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bank

Bank of Shanghai Changning Branch

Company Website

www.greenland-broadgreenstate.com.cn

Financial Highlights

	For the year ended 31 December 2017 RMB'000	2016 RMB'000	Change RMB'000	%
Revenue	**1,336,327**	724,805	611,522	84.4
Gross Profit	**355,652**	271,090	84,562	31.2
Profit before taxation	**178,248**	205,322	(27,074)	(13.2)
Net profit attributable to owners of the Parent	**155,619**	151,707	3,912	2.6

	31 December 2017 RMB'000	2016 RMB'000	Change RMB'000	%
Total assets	**4,015,710**	1,811,454	2,204,256	121.7
Total equity attribute to owners of the Parent	**842,637**	651,117	191,520	29.4

	For the year ended 31 December 2017	2016
Profitability ratio (%)		
Gross profit margin	**26.6**	37.4
Net profit margin	**11.6**	20.9
Return on assets	**3.9**	8.4
Return on equity	**18.5**	23.3

	31 December 2017	2016
Working Capital data		
Current ratio (time)	**1.2**	1.1
Gearing ratio (%)	**74.1**	58.1

Five-Year Financial Summary

	2017	2016	2015	2014	2013
Profitability data					
Revenue	**1,336,327**	724,805	622,693	530,109	289,883
Gross profit	**355,652**	271,090	228,232	189,932	83,315
Profit before taxation	**178,248**	205,322	200,735	148,259	71,598
Net profit attributable to owners of the Parent	**155,619**	151,707	150,506	109,342	53,500
Profitability ratios (%)					
Gross profit margin	**26.6**	37.4	36.7	35.8	28.7
Net profit margin	**11.6**	20.9	24.2	20.6	18.5
Assets and liabilities data (RMB'000)					
Non-current assets	**899,091**	546,330	363,868	34,542	33,626
Current assets	**3,116,619**	1,265,124	1,009,264	785,849	247,861
Current liabilities	**2,677,191**	1,153,292	812,303	376,247	271,074
Non-current liabilities	**425,534**	6,145	6,481	111,378	1,542
Total equity attributable to owners of the Parent	**842,637**	651,117	553,448	331,866	8,871
Working Capital data					
Current ratio (time)	**1.2**	1.1	1.2	2.1	0.9
Gearing ratio (%)	**74.1**	58.1	42.9	69.3	96.4

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Greenland Broad Greenstate Group Company Limited, and its subsidiaries, I am pleased to present to our shareholders the audited consolidated annual results of the Group for the year ended 31 December 2017. In recent years, the PPP market in China has developed rapidly. According to the statistics of the PPP Center of the Ministry of Finance, by the end of September 2017, the number of recorded projects in the National PPP Integrated Information Platform Project Database was 14,220 and the total investment reached RMB17.8 trillion, covering 31 provinces, autonomous regions, municipalities and Xinjiang Production and Construction Corps as well as 19 sectors.

Chairman's Statement (Continued)

In line with the development of PPP in recent years, the Group has obtained more comprehensive ability in project planning through qualification upgrades and industry mergers and acquisitions, and has successfully provided customers with more comprehensive "one-stop" ecological construction solutions. Currently, the Group has a number of Grade One qualifications for contracting and two Grade One qualifications for design. Our leading position in the industry has greatly enhanced our competitiveness in the industry and established stronger competitive advantage in project bidding.

During the Reporting Period, the Group completed 5 large projects and contracted 9 new large projects, total revenue was RMB1.3 billion, up 84.4% from the same period of 2016. The Group's gross profit and gross profit margin was RMB355.7 million and 26.6% respectively, net profit was RMB155.6 million. During the Reporting Period, the Group enhanced its core ecological construction capability by leveraging on strong brand and resource effect of Greenland. Meanwhile, the Group expanded its industrial chain based on ecological construction and achieved satisfactory results with synergies in various aspects including environmental governance and cultural tourism operations.

Market Review

In October 2017, the report delivered during the 19th CPC National Congress put forward a number of slogans, such as "The construction of ecological civilization is a millennium plan for the sustainable development of the PRC", "Ecological civilization construction has implications for the times that we currently live and will benefit future generations that follow", "The modernization we intend to build is the one with harmony between mankind and nature" and "Speeding up the reform of the ecological civilization and establishing beautiful China", and included "beauty" in the general task of building the socialism with Chinese characteristics for the first time. This shows that the construction of ecological civilization is of great importance to the future development of China, and the establishment of a beautiful and harmonious ecological environment is important to meet the demand of the people for better lives.

Continuous progress in the construction of ecological civilization has brought about new development opportunities for the traditional landscaping industry. PPP projects in operation have been steadily increasing since 2017. In January 2018, the fourth batch of demonstrative PPP projects introduced by 19 ministries and commissions including the Ministry of Finance is to be released. Despite decreased size of this batch of projects, the quality is expected to improve substantially. With the aim to overcome deficiencies, the demonstration projects focus on areas such as development of regions of extreme poverty, construction of beautiful countryside, ecological environment governance and basic public service supply etc. Priority will be given to support the existing projects, and the leadership of demonstration projects will effectively stimulate market dynamics and enhance the development quality and efficiency. The Group can also take advantage of the maturity and standardization of the PPP model to gain market edge and maintain rapid growth.

Multi-strategy synergetic development based on ecological construction

According to the "National Urban Ecological Protection and Building Plan (2015-2020)", the green space ratio of urban construction areas will reach 38.9%, the green coverage ratio of urban construction areas will reach 43.0% and the green space per capita in the city will reach 14.6 square meters by 2020. In recent years, the landscaping market has maintained rapid growth as the central government pays more attention to the ecological environmental protection. "Landscaping +" is expected to be an important direction and trend for the development of the traditional landscaping industry under the current stage. Through creation of landscaping ecology and restoration of environmental governance technologies, the ecological environment may be constructed, repaired and maintained, and the uniqueness and attractiveness of the ecological environment may be protected.

Chairman's Statement (Continued)

Actively transforming to PPP projects through thorough consideration

Over the past three years, the compound annual growth rate of the number of PPP projects in progress and the investment in China was 28.5% and 26.2% respectively. With regulation on the PPP projects and the introduction of risk control policies by the government, the overall growth remains at a high level and presents a more sustainable development trend despite a slower growth rate. During the Reporting Period, the number of PPP projects in progress in China recorded a new high. As of 31 December 2017, the municipal projects in operation continued to lead the growth, and the top three demonstration projects in operation are municipal projects, transportation projects, ecological construction and environmental protection projects.

The Group will focus on transformation to the ecological construction and promotion of the awarded large-scale PPP projects this year. Currently, the Group's customers mainly consist of the local governments and PPP project companies which possess special concession authorized by local governments, accounting for approximately 80.5% of the Group's total revenue as of 31 December 2017, as compared with 94.5% in the corresponding period in 2016. The large-scale public-sector projects in China will be mainly in PPP cooperation model in the future, which will remain the focus of the Group's future business development.

Adhere to research and development innovation backed by technologies

In order to promote the synergetic development of the Group's three segments, namely ecological construction, environmental governance and cultural tourism operations, the Group continued to put high priority on scientific research and innovation, and strive to maintain its advantages in the increasingly competitive industry.

During the Reporting Period, the research and development department of the Group has made substantial progress in respect of transplantation, introduction and domestication of overaseas special plants, and achieved important scientific research results in many environmental restoration technologies, including soil improvement, ecological restoration of water environment, sewage treatment, waste biotechnology and pollutant disposal. In line with the development of the cultural tourism operation segment, the research and development department of the Group cultivates new and superior varieties of seedlings based on specific climate in different regions of China and local culture, while domesticating and introducing overseas plants.

Prospect

During recent years, the landscaping market has maintained rapid growth as the central government pays more attention to the ecological environmental protection. With rapid expansion of the industry scale, it is a more apparent trend that only the most competent industry players can survive.

Chairman's Statement (Continued)

As such, the management develops a working plan of "Specializing in the core business of ecological construction, improving the businesses of environmental restoration and cultural tourism operation" to improve the Company's project precision by fully utilizing its strengths and overcoming the weaknesses based on its core competitiveness, actual situation and advantages. As an investment holding group of Greenland Group's ecological construction, the Group will strengthen its cooperation with Greenland and leverage on its strong resources and comprehensive advantages to fully generate synergies with the Group. Looking ahead, the Group will adhere to its strategic plan and actively follow the innovative transformation rhythm of Greenland Group, through relentless collaboration in developing characteristic town, large area development, town park, etc. Meanwhile, the Group will focus on the rural area and the peripheral area of first and second-tier cities, to facilitate the development of characteristic town under a "Characteristic Town + All-for-one Tourism + Commercial Operation" model according to two major development themes namely smart and health and cultural tourism, and closely follow the national ecological civilization construction and technological innovation strategy to provide customers with comprehensive "one-stop" ecological construction solutions that contribute to the ecological environment and green development.

Mr. Wu Zhengping
Chairman and Chief Executive Officer

28 March 2018

MANAGEMENT DISCUSSION and ANALYSIS

Industry Review

The Chinese government has paid increasing attention to the ecological construction in recent years. The "17th National Congress" held by the central government in 2007 put forward the construction of ecological civilization, whose strategic positioning was further strengthened in the "18th National Congress" held in 2012 and the "19th National Congress" held in 2017. The national urban planning policies and such standards as "garden city" and "eco-city" enable local governments to attach importance to ecological landscaping in urban construction. In addition, increasing demands for comfortable urban living and the levels of consumption upgrade for real estate also lead to the rise of landscaping rate, all of which are beneficial to the rapid development of the landscaping industry.

According to the plans of Forestry Departments across China, China will launch a large-scale greening campaign to enable the forest coverage to reach 23.04% by 2020 and 26% by 2035, and to reach the world average by the middle of this century. Based on estimated population of 1.45 billion in China by 2020, if the newly added green space is approximately 2.8 billion square meters for the five-year period from 2016 to 2020 and the investment for each 100 million square meters is RMB45 billion, the investment for the newly added landscaping space within five years will be RMB1.3 trillion, meaning RMB250 billion per annum on average.

As of 31 December 2017, the number of PPP projects in progress was 7,137 in the country, with a total value reaching RMB10.8 trillion. The municipal projects in operation continued to lead the growth, and the top three demonstration projects in operation are municipal projects, transportation projects, ecological construction and environmental protection projects. Among which, there were 256 municipal projects, accounting for 44.8% of the total projects in operation, and the percentage of projects in operation was 84.2%, representing an increase of 31 projects month-on-month, an increase of 76 projects over the end of last year, representing an increase of 194 projects year-on-year; there were 51 ecological construction and environmental protection projects, accounting for 8.9% of the total projects in operation, and the percentage of projects in operation was 86.4%, representing an increase of 8 projects month-on-month, an increase of 21 projects over the end of last year, representing an increase of 39 projects year-on-year.

Management Discussion and Analysis (Continued)

Business Review

The Group's major customers remain similar as last year, and are mainly classified into two categories: (i) local governments and state-owned enterprises, who work with the Group on projects including municipal greening, public green space, theme parks, etc. Upon the promotion of PPP project model, these customers will be transformed into PPP project companies which possess special concession authorized by local government; (ii) real estate developers and property owners in the private market, who work with the Group on residential and auxiliary greening projects. Currently, the Group's customers mainly consist of the local governments and PPP project companies which possess special concession authorized by local government, accounting for approximately 80.5% of the Group's total revenue as of 31 December 2017, as compared with 94.5% in the corresponding period in 2016.

Cooperative projects with Greenland

During the Reporting Period, the Group actively sought market opportunities of high quality and superior resources by leveraging on the resources advantage and strong brand impact of Greenland, and jointly participated in the bidding for large-scale domestic urban public greening projects.

On 12 December 2017, Broad Greenstate Ecological, Shandong Lvdiquan Ecological Industrial Company Limited* (山東綠地泉生態產業有限公司) ("Shandong Lvdiquan"), Hangzhou Xiaoshan Jiangnan Garden Construction Company Limited* (杭州蕭山江南園林工程有限公司) ("Jiangnan Garden"), an indirect subsidiary of the Group, and Shanghai Zhuzhen Enterprise Management Consulting Center* (上海祝臻企業管理諮詢中心) (collectively, the "Private Parties"), successfully won a bid (the "Tender") for the PPP project for the construction of road and ancillary facilities of Shanghe Economic Development Zone* (商河經濟開發區道路及配套設施工程). Pursuant to the Tender, the Private Parties and Shanghe County Industrial Investment Development Co., Ltd.* (商河縣城區產業投資開發有限公司) will establish a joint venture company. The total land area of the PPP project is 1,162 km^2 and the estimated amount of investment is approximately RMB488 million.

Management Discussion and Analysis (Continued)

Qualifications and Licenses

Issue authority	Category	License category
Ministry of Housing and Urban-Rural Development of the PRC	Urban landscape construction enterprises qualification certificate	Grade One
Ministry of Housing and Urban-Rural Development of the PRC	General contracting of housing construction works	Special Grade
Ministry of Housing and Urban-Rural Development of the PRC	General contracting of municipal public works construction	Grade One
Ministry of Housing and Urban-Rural Development of the PRC	Professional contracting of steel structure projects	Grade One
Zhejiang Housing and Urban & Rural Construction Department	Professional contracting of mechanical and electrical equipment installation projects	Grade One
Zhejiang Housing and Urban & Rural Construction Department	Professional contracting of construction decoration project	Grade One
Zhejiang Housing and Urban & Rural Construction Department	Professional contracting of foundation projects	Grade One
Ministry of Housing and Urban-Rural Development of the PRC	Scenery landscape design	Grade A
Ministry of Housing and Urban-Rural Development of the PRC	Design qualification for construction engineering professional design	Grade A

Cost Control

The Group has always adhered to reasonable operation policy to execute cost control in three different aspects which include policy, system and manpower. In respect of policy, the Group carried out comprehensive budget management covering budget, control, supervision, analysis and appraisal in order to increase the efficiency of funds application. As a traditional construction enterprise, the Company becomes more mature in relation to the control of construction cost. By the end of 2017, the Company launched the “Non-construction Procurement Management System” to standardize and regulate the administrative procurement, brand promotion procurement and other service procurement, and strive to comprehensively control the Group’s costs. In respect of system, the Group independently invested in and researched a new project information management system to conduct comprehensive supervision and control of projects at different stages comprising design in the early stage, procurement in the middle stage and construction in the final stage. The system was gradually upgraded in 2017, making the cost control more refined and rationalized. As for manpower, the Group established a group of management personnel with rich experiences in procurement and engineering management last year to strengthen process management and cost supervision. The adoption of above cost control measures during the Reporting Period was proved to be effective.

Quality Control

Being a company with landscape construction as the core business, quality control is of the utmost importance for the Group. The Company conducted quality control in three aspects, which include policy, system and manpower similar to that of cost control. As for the system and policy, sound and comprehensive processes were established, coupled with optimized systems for quality control. As for manpower, a well-experienced project manager was employed to control engineering quality on a comprehensive basis. In 2017, the Company added quality system posts to adopt a standard quality control system for the existing construction enterprises and the newly acquired construction enterprises from the group level. As of now, quality management system of the Company has already passed the certification of ISO9001, ISO14001 and OHSAS18001.

Management Discussion and Analysis (Continued)

Research and Development

The Group has been investing abundant resources in research and development. To be in line with its three strategies of "ecological construction, environmental governance and cultural tourism operations", the Group's research and development will focus on the technology and research with regard to these strategies. In order to strengthen its construction capacity in ecological construction sector and in line with the construction of Quanzhou and Taiyuan Botanical Garden projects, the research and development department has made substantial progress in respect of transplantation, introduction and domestication of special plants overseas in the light of the local location characteristics and site conditions. The research results have made up the technical defects for local landscaping industry in the introduction, transplantation and domestication of overseas plants, and the technology has also helped the Company gain competitive advantages for its business expansion in these regions. In order to expand its environmental restoration business, the Company has made great scientific progress in improvement of key technologies for salt control and salt elimination, ecological restoration of constructed wetland water environment and ecological treatment of polluted water area, construction and demonstration application of urban near-natural wetland aquatic plant communities, biological treatment of garden organic waste, research on the introduction, domestication and cultivation of overseas varieties for specific park construction, research on the introduction of non-conventional plant species and the selection of new and superior varieties, technology of plant conservation agricultural facilities construction, soil improvement and in situ improvement, comprehensive treatment of pollutants and restoration technology of original ecological shoreline, and has successfully applied these technologies to various PPP projects, providing a number of solutions to the government while reducing the Company's construction costs and enhancing its efficiency.

Prospect

China's economy continued to be robust in 2017. GDP reached RMB82.71 trillion, up 6.9% year-on-year and 0.2 percentage points higher than that in 2016, being the first accelerated growth in seven years. High-quality development becomes a key for China's future economic development. It is expected that the macro-economy will maintain its steady growth in 2018. Stable economic growth is the foundation for ecological construction. Meanwhile, vigorous promotion of the "Belt and Road" policy, initiative implementation of the new philosophy of green development as well as encouragement of green, low-carbon, recycling and sustainable production and lifestyle make the vision a reality. In May 2017, the Ministry of Environmental Protection issued the "Belt and Road" Ecological and Environmental Cooperation Plan, stating that the ecological and environmental cooperation is the fundamental requirement for green "Belt and Road" construction, an important method to achieve green transformation of the regional economy as well as an important measure to implement 2030 sustainable development agenda. As for the development of PPP, the Ministry of Finance of the PRC, the State-owned Assets Supervision and Administration Commission and the financial systems issued several important documents to further regulate PPP at the end of 2017. The development of PPP across the country is even more noteworthy. After the implementation of regulations in 2017, standardization is expected to remain the main theme for PPP in 2018 with continuous slowdown of projects in progress. However, the percentage of projects in operation and the rate of operation will continue to increase, and the competition layout of such PPP key areas as transportation, municipal and urban comprehensive development is expected to stabilize, which is likely to maintain the overall rate of return of PPP at healthy level. However, worries persist on the downside risk of sharp slowdown in the PPP projects in operation due to tightened financing in the PPP industry, more-than-expected liquidation of the PPP management database and de-leveraging of certain local governments.

Management Discussion and Analysis (Continued)

Despite uncertainties in the PPP market, in line with the main principle of "speeding up the reform of the ecological civilization and establishing beautiful China" being put forward at the 19th National Congress, the national urban planning policies and such standards as "garden city" and "eco-city" enable local governments to attach importance to ecological landscaping in urban construction. The Group will continue to maintain its core landscaping business in the future and focus on ecological construction, while strengthening and enhancing the quality of such projects as environmental restoration and cultural tourism operations. The environmental protection business was formally included by the Group in its strategic planning of whole industry chain development in 2017. The main objective under current stage is to obtain the relevant qualification for professional contracting of environmental protection projects as soon as possible, and take soil remediation as its main research and development direction to undertake the construction of soil remediation projects. Meanwhile, the Group conducted development and research on a number of patented technologies this year, and successfully made substantial progress in plant cultivation, soil improvement and water ecological treatment. Currently, the Group owns a number of patented technologies and patented products with independent intellectual properties, which helps the Group to vigorously promote and develop the environmental protection business. Another important sector is the cultural tourism operation. The Group will strive to improve the commercial operation of the completed cultural tourism PPP projects, and seek to explore innovative channels for revenue generation by developing its diversified operating elements, such as culture, tourism, entertainment, sports, modern agriculture and ecological agriculture. The Group has established a specific cultural tourism operation company to carry out the related businesses, and employed well-known scholars in the industry as leaders, with an aim to become a benchmarking operating enterprise in the industry in the future.

Being eclectic and excelsior, with policy support and continuous promotion of PPP cooperation mode, based on such advantages as integrated industry chain operating capability, cross-region operating capability and large-scale project construction capacity, the Group strives to enhance the quality of project operations, broaden the revenue sources, strengthen market competitiveness and expand market share through professional, excellent and refined development. The Group will continue to strengthen its core ecological construction capacity and extend its ecological construction industry chain, so as to seek synergies in many areas including environmental governance and cultural tourism operation, enhance its market competitiveness, develop synergies across the whole industry chain and generate diversified profits, thus to promote the Group's sustainable growth in the long run.

Corporate Governance Report

Corporate Governance Practices

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of its shareholders and to enhance corporate value, accountability and transparency of the Company.

For the year ended 31 December 2017, the Company has applied the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules (as in effect from time to time) as the basis of the Company's corporate governance practices. The Company has complied with all the applicable code provisions of the CG Code, save and except for the code provisions A.2.1 and A.7.1. Details of the deviations from the code provisions A.2.1 and A.7.1 are explained in the sections "Chairman and Chief Executive Officer" and "Board Meetings" respectively.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company throughout the Reporting Period.

Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also adopted the Model Code as the written guidelines for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Model Code by the employees was noted by the Company throughout the Reporting Period.

Board of Directors

Composition

The Board currently comprises seven members, consisting of four executive Directors and three independent non-executive Directors.

The composition of the Board is set out below:

Executive Directors:
Mr. Wu Zhengping, chairman and chief executive officer
Ms. Xiao Li
Ms. Zhu Wen
Ms. Chen Min

Independent Non-executive Directors:
Mr. Dai Guoqiang
Dr. Jin Hexian
Dr. Chan Wing Bun

Corporate Governance Report (Continued)

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Directors and Senior Management" on pages 36 to 39 of this annual report.

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company, however, does not have a separate chairman and chief executive officer and Mr. Wu Zhengping currently performs these two roles and accordingly, there is no written terms setting out the division of responsibilities between the chairman and chief executive. The Board believes that vesting the roles of both chairman and chief executive officer 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 will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will review the management structure regularly and consider separating the roles of the chairman and chief executive officer if and when appropriate.

Independent Non-executive Directors

Pursuant to Rule 3.10 (1) and (2) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

Following the resignation of Mr. Zhang Qing as an independent non-executive Director, the chairman and member of the Audit Committee, on 29 December 2017, the Company had two independent non-executive Directors and none of them had appropriate professional qualifications or accounting or related financial management expertise as stipulated in Rule 3.10 of the Listing Rules.

On 13 March 2018, Mr. Chan Wing Bun, who has appropriate professional qualification in accounting or related financial management expertise in accordance with Rule 3.10 of the Listing Rules was appointed as an independent non-executive Director, chairman and member of the Audit Committee.

The Company had received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Non-executive Directors and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the independent non-executive Directors of the Company is appointed for a specific term of three years and is subject to retirement by rotation once every three years.

In accordance with the Articles of Association, Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen and Dr. Chan Wing Bun will retire and being eligible, have offered themselves to be re-elected and re-appointed at the forthcoming annual general meeting of the Company.

Corporate Governance Report (Continued)

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are also responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them and the Board has regularly reviewed the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's branches in the PRC and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Directors of the Company have studied the reading materials and attending training or seminar conducted by the qualified professionals on relevant topics, such as the corporate governance, requirements stipulated in the Listing Rules regarding the connected transactions. In addition, the Company has provided legal and regulatory update to the directors as part of the continuous professional development for the directors' reference and studying.

All Directors have provided the Company with a record of the training they received for the Reporting Period and such records were maintained by the Company.

Corporate Governance Report (Continued)

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of these committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

As mentioned in the paragraph above under Independent Non-executive Directors, following the resignation of Mr. Zhang Qing, the Audit Committee had two members and none of them had professional qualifications or accounting or related financial management expertise.

Subsequent to the above-mentioned appointment of Dr. Chan Wing Bun, who has appropriate professional qualification in accounting or related financial management expertise as an independent non-executive Director, chairman and member of the Audit Committee.

The Audit Committee currently comprises three members, namely Dr. Chan Wing Bun, Mr. Dai Guoqiang and Dr. Jin Hexian. All of them are independent non-executive Directors. It is currently chaired by Dr. Chan Wing Bun.

The roles and functions of the Audit Committee are set out in its terms of reference which are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, appointment of external auditors, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee reviewed the annual results and annual report for the year ended 31 December 2016, interim financial results and interim report for the six months ended 30 June 2017, significant issues on the financial reporting procedures and arrangements for employees to raise concerns about possible improprieties, the effectiveness of the risk management and internal control systems. The Audit Committee also reviewed the internal audit function and the audit progress/plan in relation to the 2017 annual results submitted by the external auditors. The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

The Audit Committee held three meetings with the external auditors during the Reporting Period without the presence of the executive Directors.

Corporate Governance Report (Continued)

Remuneration Committee

The Remuneration Committee currently comprises three members, namely Dr. Jin Hexian, Mr. Dai Guoqiang and Ms. Zhu Wen. The majority of them are independent non-executive Directors. It is currently chaired by Dr. Jin Hexian.

The roles and functions of the Remuneration Committee are set out in its terms of reference. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policy and remuneration packages of individual executive Directors and senior management, the establishment of a formal and transparent procedure for developing such remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, determine the terms of the specific remuneration package of each executive Director and senior management as well as review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the Reporting Period, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, remuneration packages of the executive Directors and senior management and the evaluation system for the performance of executive Directors. In addition, the Remuneration Committee also reviewed and recommended to the Board for approval of the renewed service contracts entered between the Company and the executive Directors being effective on 21 July 2017 and new letters of appointment issued to the independent non-executive Directors being effective on 21 July 2017. Save as the above, the Remuneration Committee also reviewed the remuneration package offered to Ms. Chen Min, an executive Director, when she was appointed during the year.

The Remuneration Committee met twice during the Reporting Period.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Dai Guoqiang, Ms. Xiao Li and Dr. Jin Hexian. The majority of them are independent non-executive Directors. It is currently chaired by Mr. Dai Guoqiang.

The roles and functions of the Nomination Committee are set out in its terms of reference. The principal duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, develop and formulate relevant procedures for the nomination and appointment of Directors, assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of the Directors and succession plan of the Board.

In assessing the Board composition and identifying and selecting suitable candidates for directorships, the Nomination Committee would take into account various aspects set out in the board diversity policy (the “Policy”), including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the Reporting Period, the Nomination Committee reviewed the Policy, structure, size and composition of the Board, the independence of the independent non-executive Directors. In addition, the Nomination Committee also reviewed the qualification of Ms. Chen Min and recommended the Board for the appointment of Ms. Chen.

The Nomination Committee met twice during the Reporting Period.

Corporate Governance Report (Continued)

Board Diversity Policy

The Policy was adopted by the Company pursuant to the Board resolution passed on 28 August 2014. The Policy aims to set out the approach to diversity on the Board of the Company and to achieve a sustainable and balanced development.

The Nomination Committee had reviewed the Policy and discussed the measurable objectives for achieving diversity of the Board and recommend them to the Board for adoption, as appropriate, to ensure the effectiveness of this Policy.

All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Pursuant to code provision A.7.1 of the CG Code, agenda and full Board papers should be sent to all Directors at least three days (or other agreed period) before a regular Board or Board committee meeting, to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The meeting papers for the first quarter board meeting of the Company and meetings of the audit, remuneration and nomination committees held on 21 March 2017 approving final results were, however, sent to the Directors less than three days before the aforementioned meetings pending the confirmation of some relevant information. Going forward, the Company would arrange to collect the relevant information earlier and ensure that meeting papers could be dispatched to the Directors in a timely manner.

The Board and each Director also have separate and independent access to the senior management where necessary.

The company secretary (or her delegate(s)) is responsible for taking and keeping minutes of all Board meetings and committee meetings respectively. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Corporate Governance Report (Continued)

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held for the year ended 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting	Other General Meetings
WU Zhengping *(Chairman)*	3/5	N/A	N/A	N/A	1/1	0/2
XIAO Li	4/5	2/2	N/A	N/A	1/1	2/2
ZHU Wen	5/5	N/A	2/2	N/A	1/1	2/2
CHEN Min *(Note 1)*	3/5	N/A	N/A	N/A	1/1	1/2
WANG Lei *(Note 2)*	1/5	N/A	N/A	N/A	0/1	0/2
DAI Guoqiang	5/5	2/2	2/2	3/3	0/1	0/2
ZHANG Qing *(Note 3)*	4/5	N/A	N/A	3/3	1/1	0/2
JIN Hexian	5/5	2/2	2/2	3/3	0/1	0/2

Notes:

1. *Ms. Chen Min was appointed as executive Director of the Company on 13 April 2017. Three Board Meetings, one extraordinary general meeting and the annual general meeting were held after her appointment.*

2. *Mr. Wang Lei resigned as executive Director on 13 April 2017. One Board Meeting was held before his resignation.*

3. *Mr. Zhang Qing resigned as independent non-executive Director, the chairman and member of the Audit Committee of the Company on 29 December 2017. Four Board Meetings, three Audit Committee meetings, two extraordinary general meetings and the annual general meeting were held before his resignation.*

Apart from Board meetings, the Chairman also met twice with independent non-executive Directors without the presence of executive Directors during the Reporting Period.

Risk Management and Internal Controls

The Board acknowledged its responsibility for the risk management and internal control systems and reviewed their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assisted the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

Corporate Governance Report (Continued)

The Company's risk management and internal control systems were developed based on the Company's Risk Management and Internal Control System Policies《風險管理內部控制制度》with the following principles, features and processes:

Principles of Risk Management

Risk management is an advanced management technique based on the internal control system of the Company and requires the participation of the Board, the management and the employees of the Company. It is a risk control process applying to the Company's strategic development planning, each process and function of its internal operation for the purpose of identifying matters that may have potential impacts on the Company and controlling risks according to its risk appetite, which in turn provides the Company with reasonable assurance to achieve its business objectives.

The objectives of the Company's risk management and internal control are as follows:

1. identifying matters that may have potential impacts on the Company and controlling risks according to its risk appetite; and

2. providing the Board and the management of the Company with reasonable assurance to achieve the Company's business objectives. This includes but not limited to: utilising resources in an efficient and effective way; preventing the loss of assets; maintaining the reliability and integrity of information; ensuring consistency between policies, plans, procedures, laws and regulations.

Features and Processes of Risk Management and Internal Control:

The risk management and internal control system of the Company can be divided into five parts as follows:

1. Setting up objectives: setting up objectives for the Company and classifying them into various objectives, including strategic objective, business objective, reporting objective and compliance objective allows the Board and the management of the Company to identify and manage risks in different aspects.

2. Identifying and dealing with matters: management of the Company will identify matters with uncertainties and decide the degree of risks therefrom. We have comprehensive procedures in place for dealing with specific risks such as demand risk, technical risk, resource risk, management risk, communication risk and environmental risk.

3. Risk assessment: the Company identifies risks from a long-term perspective and assesses different risk parameters while analysing relevant information collected for this purpose.

4. Critical risk control points of internal control in each business segment: the Company carries out its risk management based on its other internal control systems and strictly complies with the internal control system of each business segment while implementing measures for each risk control points.

5. Accounting control: the Company rigorously conforms to the Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong, the disclosure requirement of the Hong Kong Companies Ordinance, the Accounting Standards for Business Enterprises and major accounting policies of the Company, so as to ensure the safety and integrity of its assets and give a true view of its financial position.

Management will identify uncertainties and take actions to seize opportunities arising from events with positive impacts to the Company and will focus on events with negative impacts during the risk assessment and response period.

Corporate Governance Report (Continued)

The Company instructs its dedicated policy researchers to identify the trend of policy change with an aim to minimise political influence on our principle business. We will also conduct research on laws, regulations and industrial standards to predict potential changes and consult relevant experts when necessary. To provide decision support and cope with risks, the Company shall study the macro economy including economic conditions, economic cycles and industrial trends.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Internal Auditor is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Auditor examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources, and also considered such resources are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Directors' Responsibility in Respect of the Financial Statements

The Directors have acknowledged their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors have not been aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 58 to 64.

Corporate Governance Report (Continued)

Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Ernst & Young, in respect of audit services and non-audit services for the Reporting Period is disclosed on note 6 of the "Notes to the Consolidated Financial Statements" on page 101.

Company Secretary

Ms. Ho Siu Pik of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Her primary contact at the Company is Mr. Jing Changzhong, chief financial officer.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Article 12.3 of the Company's Articles of Association provides that general meetings shall be convened on the written requisition of the following members of the Company deposited at the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company:

- Any two or more members; or
- Any one member which is a recognized clearing house (or its nominee(s))

If the Directors of the Company do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors of the Company provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Note: Any such written requisition from the Shareholders should be marked "Shareholders' Communication" on the envelope.

Procedures for Shareholders to Propose a Person for Election as a Director

Shareholders may propose a person for election as Director, the procedures for which are available in the section of "Corporate Governance" under the column of "Investor Relations" on the Company's website (http://www.greenland-broadgreenstate.com.cn).

Corporate Governance Report (Continued)

Procedures for Shareholders to Put Forward Proposals at General Meeting

Within 10 days of the date on which a notice (the "Notice") is deemed to be received by Shareholders in respect of any general meeting of the Company (the "Relevant General Meeting"), two or more Shareholders holding at least one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company may together, by written notice to the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the company secretary, propose a resolution to be proposed and considered at the Relevant General Meeting in addition to the resolutions set out in the Notice. Such written notice shall be accompanied by a statement in no more than 1,000 words explaining the matters referred to, and the reasons for, any such proposed resolution. Following the receipt of such written notice and accompanying statement by the Company, the Company may, in the Company's absolute discretion (taking into account, without limitation, legal, regulatory and practical considerations relating to the issue of any supplemental notice to all Shareholders in relation to the Relevant General Meeting), include the proposed resolution in the business of (i) the Relevant General Meeting or (ii) in a general meeting of the Company that is subsequent to the Relevant General Meeting.

The Company will circulate a revised Notice including any proposed resolution and the accompanying statement to all Shareholders in accordance with the Articles of Association of the Company provided that if, in the Company's sole opinion (without have to give reasons therefore), the above process is being abused in any way whatsoever, the Company has absolute discretion to not include such proposed resolution in the business of the Relevant General Meeting or a subsequent general meeting of the Company.

Note: Any such written notice from the Shareholders should be marked "Shareholders' Communication" on the envelope.

Procedures for Shareholders to Put Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Floor 9, Block D3, 5th Building
Hongqiao World Center, 1588 Lane
Zhuguang Road
Shanghai, the PRC

For the attention of Mr. Jing Changzhong, chief financial officer

Email: ir@broad-greenstate.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. Shareholders' information may be disclosed as required by law.

Corporate Governance Report (Continued)

Communication with Shareholders and Investors

The Company believes that providing regular communications to its Shareholders and the market is important to ensure they have the available information reasonably required to make informed assessments of the Company's strategy, operations and financial performance. The Company is committed to maintaining effective and timely dissemination of the Company's information to its Shareholders and the market.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through general meetings, which provide an opportunity for communication between the Shareholders and the Board.

At the annual general meeting, the Chairman of the Board as well as the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, their duly appointed delegates are available to answer questions at the Shareholders' meetings. Auditors of the Company are also invited to attend the Company's annual general meeting pursuant to code provision E.1.2.

Separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors.

During the Reporting Period, the Company has not made any changes to Articles of Association. The latest version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

Environmental, Social and Governance Report

This Environmental, Social and Governance Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange set out in Appendix 27 of the Listing Rules, with an aim to inform relevant parties and stakeholders of the Company's environmental, social and governance policies, measures and performance beyond financial performance and business operation.

This report covers relevant information about the Company's management policies and strategies on environmental, social and governance aspects during the Reporting Period, among which, information at the environmental level (emissions, use of resources, environment and natural resources) and at the social level (employment, health and safety, development and training, labour standards, supply chain management, product responsibility, anti-corruption and community investment) of the Company are highlighted.

We have required our management and employees of each department to review the operation of the Company based on their functions, identify relevant environmental, social and governance issues and assess the materiality/correlation of such issues to our business. The data disclosed herein contains only relevant information about the Company's management office, since project data is excluded from this report in view of the unit development and subcontracting of projects under the Company. The data disclosed herein covers data related to offices of the Company's headquarters and business units.

A. ENVIRONMENT

A1. Emissions

The Company pays close attention to and rigorously complies with requirements stipulated in state environmental laws and regulations, including but not limited to the Law of the PRC on Environmental Protection, the Law of the PRC on Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Atmospheric Pollution and the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste.

A1.1 Know about emissions

During the Reporting Period, emissions produced by the Company mainly involved a certain amount of nitrogen oxides, sulfur oxides and PM emissions generated from gasoline consumption by vehicles. The exact emission data for this year is temporarily vacant since the Company did not count the number of distance travelled and gasoline consumed. Nevertheless, the quantity of our emissions is at a low level since there are few administrative vehicles at headquarters of our Company.

For landscaping projects of the Company, we are committed to improving environment by focusing on the layout of green plants, so as to share a high-quality ecological life. As to the certain amount of dust, noise and sewage produced during part construction activities on site, the Company, on a strict basis, selects environmental-friendly subcontractors with sound safety record when undertaking projects, and strengthens on-site management and control, to make sure that all the subcontractors involved in the construction are in good compliance with environmental and safety laws and regulations in the place where our development projects locate, thus reducing environmental impact from project construction.

To illustrate, each of the Company's projects is designated with a specific person to responsible for the prevention and control of fugitive dust, noise and water pollution. The Company has taken appropriate measures to reduce the impact of emissions, including making reasonable arrangement to clean vehicles and spray water on site, covering bulk materials in fine particle when loading and unloading to prevent road strewing and ensure that no silt is carried out from construction site by transportation vehicles, separating construction areas from non-construction areas via fence to prevent environmental impact on non-construction areas and discharging site sewage after treatment, etc.

Environmental, Social and Governance Report (Continued)

A1.2 Greenhouse gas emission

Scopes of greenhouse gas emission	Sources	Emissions (tonnes)	Density of emission (tonnes/ person)
Scope 1 direct emission	• Lead-free gasoline and diesel consumed by self-owned vehicles	N/A	N/A
Scope 2 indirect emission	• Electricity consumption	128.96	0.209
Scope 3 Indirect emission on other aspects	• Official flights • Sewage treatment by government	131.50	0.212
Total		260.46	

Direct carbon emission of the Company mainly comes from lead-free gasoline and diesel consumed when driving our self-owned vehicles. At the table above, data of carbon emission is temporarily vacant since there are only a few vehicles in our Company and the Company did not count the number of distance travelled and fuel oil consumed in the normal course of business this year. Our employees are encouraged to take green travels or carpooling, to reduce carbon emissions.

Indirect carbon emission of the Company for this year amounts to 128.96 tonnes, which are indirectly discharged from electricity consumption by management offices of the Company's headquarters and business units. In this regard, Company has, in the course of day-to-day management, required its procurement department to prioritize efficient energy-saving products, such as energy-saving motors, energy-saving lamps, energy-saving air conditioner, etc. when purchasing electronical appliance. Moreover, the electronical appliance, including computers, printers and electric water heaters, shall be completely turned off when they are not in use for the purpose of energy saving and emission reduction.

Indirect emission on other aspects of the Company is mainly generated from official flights taken by our employees and sewage treatment by government. To this end, the Company has adopted electronic office system to reduce unnecessary business trips to the greatest extent. Besides, every place of the Company's headquarters and construction site is put up with slogans about saving water, with the aim to cultivate our employees' public awareness on water conservation. Also, reutilization is required for construction water to the greatest extent.

Environmental, Social and Governance Report (Continued)

A1.3 Non-hazardous waste

A certain amount of domestic waste is produced during the daily operation of our Company, however, the number is uncountable since all the domestic waste is cleaned and shipped by municipal environmental protection authorities.

In addition, the certain amount of construction waste produced from construction site of landscaping projects is basically non-hazardous waste. Site construction of the Company is subcontracted to professional construction organization, which is responsible for the disposal of construction waste produced from construction. On-site administrative staff is designated to take charge of the management and oversight of the actions of construction organization, and require it to conduct classified management on solid waste produced on site, in a bid to recycle the waste to the largest extent and reduce secondary pollution, and preserve environmental hygiene of construction area and office area. Taking the Company's project Xi'an Jue River Wetland Park (西安潏河濕地公園) as an example, the hills are piled with and the landscaping is designed based on construction waste generated from demolition of 5 villages at the core area of Changning New District, thus turning waste materials into things of value.

Our Company has attached great attention to environmental protection, energy saving and emission reduction. Specifically, we check the prevention and control of fugitive dust, noise and water pollution on construction site, to make sure that everyone takes its responsibility and to ensure effective operation of accountability.

During the Reporting Period, the Company was not aware of any material non-compliance with environmental laws and regulations.

A2. Use of Resources

The Company insists on attaching equal importance to energy saving and improved resource utilization, and encourages reutilization and recycling of resources in the course of business operation, to protect environment and improve operational efficiency.

A2.1 Total consumption and density of resources

In 2017, electricity consumed by management offices at headquarters of and projects under the Company amounted to 159,487 kilowatt-hour ("KWH"), with per capita electricity consumption of 258 KWH/person/year. The Company thinks highly of energy saving. Therefore, the Company has, in day-to-day management, required its staff member to make reasonable use of resources such as coal gas and gasoline, as well as encouraging its staff member to take green travels, so as to save energy and resources.

A2.2 Total water consumption and density

Water charges arising from offices of the Company's some business units are included in property management fee or are free of charge. In 2017, office water consumption measurable (i.e. the separately charged portion) totaled 1,027.00 tonnes, with per capita consumption being 1.66 tonnes/person. Our employees are advocated to save water to reduce unnecessary waste.

Additionally, massive water will be utilized in the process of project construction. To be more specific, such water, with its source being underground water and water of rivers, is mainly used in the outsourcing construction on project site and maintenance of green plants. During the process of construction, the Company advocates reutilization of domestic water and construction water on construction site.

Environmental, Social and Governance Report (Continued)

A2.3 Consumption of packaging materials

As an integrated landscape architecture construction and design service provider, we always focus on municipal and urban landscape projects. Since there is no consumption of packaging materials during the process of production and operation, this indicator is not applicable.

A3. Environment and Natural Resources

As an integrated landscape architecture construction and design service provider, the Company is keenly aware of the fact that traditional seedling planting, landscaping layout, project construction and green conservation can no more satisfy the demands for ecological civilization construction in the new age. On the contrary, ecological rehabilitation and landscape greening is overwhelming in industry. As a core force in the development of ecological civilization and Beautiful China in the country, the Company has taken on the corporate mission of becoming "a leader in ecological and civilized home and an explorer in environment with sustainable development", and inherited the enterprise spirits of "Virtue, Tenacity, Cooperation and Dedication". We will fulfill the social responsibility of "Create a beautiful China for the prosperity of our future generations" with practical action, and do our utmost to realize the strategic vision of "improve regional core value with first-class ecological environment, and promote harmonious development of our homeland with profound humanities construction", in a bid to be an advocator and practitioner for construction of ecological and cultural environment.

Taking the Company's project Jue River Wetland Park in Xi'an as an example, we not only place great importance on landscape greening, but also highlight river training for sustainable water flow and ecological rehabilitation during the process of our construction, so as to boost the ecological environment of this water area on an ongoing basis. Besides, the hills are piled with and the landscaping is designed based on construction waste while constructing. Furthermore, "sponge" measures such as permeable pavement and water self-purification system are taken to create an ecological conservation system, thus forming virtuous hydrological cycle. Upon completion, this project will become the largest wetland park in Xi'an Chengnan, with a river wriggling across urban area that carries strong flavor of water towns in southern Yangtze River and with city view that carries the natural beauty of lakes and mountains. It will also serve as the hub of recreation industry and ecological economy.

B. SOCIAL

Employment and Labour Practices

B1. Employment

Adhering to the core value of "taking talents as root of Greenland Broad Greenstate's presence, taking integrity as source of Greenland Broad Greenstate's development and taking quality as the basic goal that Greenland Broad Greenstate pursue", we deem employees as one of our most important assets. We are in strict compliance with requirements set out in relevant laws and regulations, including the Labour Law and the Labour Contract Law, to earnestly protect the employees' legitimate rights and interests. Moreover, employees of different nationalities, races, genders and ages are treated on an equal basis. Further, employment discrimination is also strictly prohibited.

Environmental, Social and Governance Report (Continued)

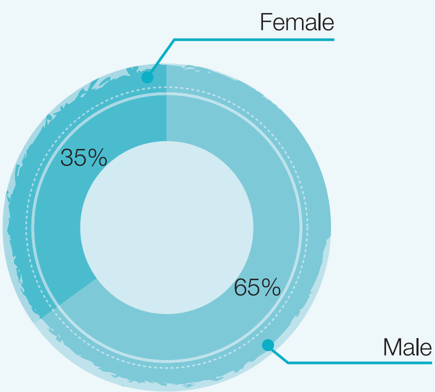
In order to attract and retain the talented employees, the Company has actively created career platform enabling fast personal development and established scientific and effective talents cultivation mechanism. At the same time, we also offer our employees with competitive remuneration and benefits packages, as well as organizing diversified staff activities to enhance their sense of belonging.

The overall employee structure and turnover for this year of the Company is as follows:

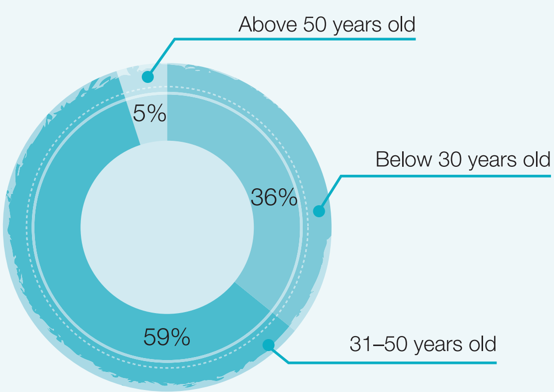
B1.1 Total number of employees

As of 31 December 2017, the Company has a total number of 689 employees, all being full time staff, among which, 7 are senior management and 43 are middle management. Gender and age structures of employees of the Company are shown below:

Gender Structure of Employees



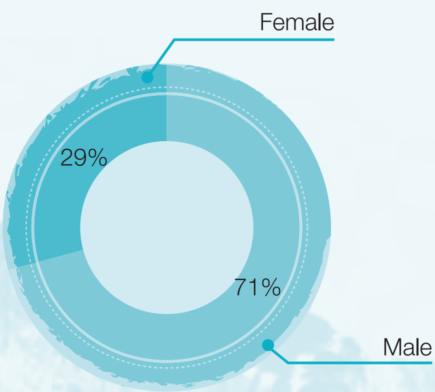
Age Structure of Employees



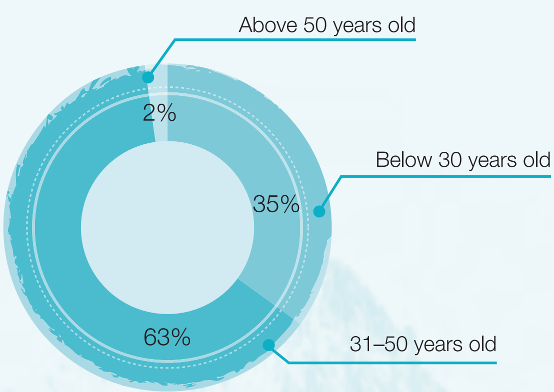
B1.2 Employees turnover rate

Generally speaking, the turnover rate of our employees is great since the Company is going through fast development and adjustment in terms of its business. In 2017, total number of the Company's turnover staff was 177, with average turnover rate of 14% per annum. Specifically, gender and age structures of turnover staff are shown below:

Employees Turnover Rate by Gender



Employees Turnover Rate by Age



During the Reporting Period, the Company was not aware of any material non-compliance with labour practices.

Environmental, Social and Governance Report (Continued)

B2. Health and Safety

The Company highly values the protection of employees' rights and interests, workplace safety and health protection, emphasizes on vocational skills training and safety training, and strives to protect staff from work accidents or occupational hazards, so that we can provide a safe and healthy workplace for the staff.

According to the requirements of national laws, the Company makes contribution to social securities (including medical insurance) for all our member staffs, and purchases policies of work accident insurance for rehired personnel and trainees who are failure to make contribution to social insurances, in order to make sure that our staffs can obtain corresponding safeguard in case of accident. Meanwhile, we organize annual physical examination for all our employees, enabling them to know their health states in a timely manner.

The Trial Measures for Standardized Construction Site (《標化工地試行辦法》) was renewed this year to further standardize and unify various signs on construction site, normalize the layout of safety equipment and safe passage and clarify what signs are necessary including safe production post and civilized construction post, for the purpose of reminding filed personnel of safety.

For the sake of the health of our office workers, we specially organized Chinese medical consultations free of charge to relief their shoulder and neck indisposition caused by long-term desk work, sedentariness and lack of exercise through methods such as massage, cupping therapy, warming moxibustion, etc.

During the Reporting Period, the Company was not aware of any duty-related injury or death, any material non-compliance with the health and safety laws and regulations.

B3. Development and Training

The Company believes that our employees are valuable assets. For the purpose of improving the professional knowledges and skills required for an employee in his function, enhancing the quality of final works and boosting work efficiency, the Company has offered relevant trainings for staff in different functions, in which the training content is designed and organized based on corporate regulations and systems, staff duties, and operating skill required.

The training programs organized by the Company in 2017 covered many aspects, including safe and civilized construction, construction technique, project management, operation management and corporate culture, with more than 7,000 training hours being provided to over 2,700 participants on an accumulation basis.

Additionally, the Company specially carried out a design and management talents training plan for graduating students, in order to achieve the strategic objective of comprehensive management of reserves of talents. In June 2017, the Company implemented the "Star of Broad — Five Year Training Program for the Reserve of Management Staff (博大之星—儲備管理幹部五年培養方案)" to offer customized trainings for graduating students newly employed in 2017 by combining lots of training methods such as training courses, on-the-job practice, self-study and obtaining professional certificates, thus fostering their comprehensive capacity.

Environmental, Social and Governance Report (Continued)

An overview of the training of the Company is shown below:

B3.1 Training hours

	2017
Total No. of persons trained (person)	2,725
Total training hours (hour)	7,138.5
Average No. of training hours for each employee (hour/person)	13
Average No. of training hours completed for each employee by gender (hour/person)	
— Male	15
— Female	10
Average No. of training hours completed for each employee by employee category (hour/person)	
— Senior management	15
— Middle management	24
— Other employees	12

B4. Labour Standards

The Company has systems and recruitment regulations in place to avoid unlawful employment. All recruitments and employments are in strict compliance with the Labour Law and Labour Contract Law of the People's Republic of China.

It is strictly stipulated that the external construction party shall not illegally hire child labour, shall not sign a labour contract with the party in violation of his/her real intention and shall not force its employees work illegally. During recruitment, the Company shall provide the candidates with truthful information, with job responsibility, working condition, workplace, occupational health and safety, the safety condition at production and labour remuneration inclusive. The human resources department of the Company is responsible to verify the authenticity of the information (resume, identity card, certificates) provided by candidates. At the same time, the hired employees shall take full responsibility for the authenticity of the information provided by them with signatures.

The Company arranges the employees' working hours based on the statutory working hour standards, implements an 8-hour working schedule and annual holiday schedule and allows them to entitle paid leaves and sick leaves in accordance with labour laws.

During the Reporting Period, the Company was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

Environmental, Social and Governance Report (Continued)

Operating Practices

B5. Supply Chain Management

As a diversified investment holding group that focuses on ecological construction and develops whole industry chain, the Company respects highly of the quality of projects including different kinds of theme parks, scenery enhancement, preservation of old towns and cities, construction of featured towns and villages, sponge cities, environmental protection and ecological restoration, and knows very well the importance of selecting reputable suppliers for guaranteeing the quality of our projects. Therefore, the Company gives priority to reliable and environmental-friendly suppliers with qualified products in a responsible manner.

A list of qualified suppliers has been prepared based on long-term evaluation, site inspection and review of qualification documents. Before construction of a specific project, each of the project departments, based on the principle of "competing openly and cooperating honestly at reasonably low price", selects subcontractor among qualified suppliers to bid for the project, and finally determine the concrete subcontractor under the supervision of the engineering department.

During the Reporting Period, there are mainly 843 qualified suppliers, all being domestic suppliers. In light of the specificity of the major engineering materials in landscaping project such as nursery stock of green plants and subcontracting labour, the Company generally selects qualified suppliers on the principle of proximity, which also achieves the effect of energy saving and emission reduction.

What's more, the Company adopts a zero tolerance policy on corruption, according to which, suppliers are all required to submit a declaration or certification of non-commercial bribery before we enter into contract with them.

B6. Product Responsibility

As a provider and developer of ecological and environmental protection service with great potential in China, the Company highly values the quality of projects by establishing strict quality management system, intensifying the control of construction quality and procedure as well as improving and performing accountability system of the quality of projects.

The Company is of the opinion that, technology innovation can not only promote corporate development but also serve as a guarantee of enhanced project quality. Targeting to be an internationally advanced and domestically leading player in industry, the Company, persistently oriented by the application and design of efficient, energy-saving, clean and green technology, continuously invests substantial capital in setting up our technology center based on currently available technology accumulation, project experience and product advantages. Moreover, the Company has established a number of academician workstations and kept long-term cooperation with state-level academy of sciences such as Tongji University and Shanghai Chenshan Botanical Garden under Chinese Academy of Sciences. At present, over 40 patented technologies and construction methods have been achieved in the field of ecological rehabilitation and construction, which provides strong technical support for carrying out the research projects by various organizations in cooperation with us.

Environmental, Social and Governance Report (Continued)

While offering our customers with qualified projects and products, the Company also pays great attention to revisiting and communicating with our customers, to find out their needs in a timely manner, thus improving the construction and service quality.

During the Reporting Period, the Company was not aware of any proceedings or complaints caused by the quality of products and service.

B7. Anti-corruption

The Company rigorously complies with regulations regarding anti-corruption and anti-money laundering, including but not limited to the Criminal Law of the PRC and the Anti-Money Laundering Law of the PRC.

The Company has internally developed regulations regarding anti-corruption and anti-fraud, according to which, a whistleblower may report any misconduct or improper activities he/she detects, such as suspected bribery, malpractice and fraud, through many ways including letters, emails, messages sent through OA platform, our WeChat corporate account and on-site whistle-blowing. In case of violating state laws, the case shall be lawfully referred to a judicial authority.

During the Reporting Period, we had no concluded legal case regarding corrupt practices brought against the issuer or its employees.

B8. Community Investment

The Company has been actively involved in public welfare undertakings in community, particularly in the field of education. During the Reporting Period, the Company donated RMB2 million to Shanghai Tongji University Education Development Foundation to support the development of education business of Tongji University.

Directors and Senior Management

As of the date of this annual report, the Board consists of seven Directors including four executive Directors and three independent non-executive Directors. The following sets forth the profile of the Directors and senior management:

EXECUTIVE DIRECTORS

Mr. Wu Zhengping (吳正平) ("Mr. Wu"), aged 54, is the chairman of the Board and an executive Director of the Company since 3 January 2014. Mr. Wu is also the chief executive officer and the director of Broad Greenstate Ecological, Greenstate Business, Greenstate Gardening and Greenstate International. Mr. Wu is also the director of Broad Landscape International since 8 October 2013. Mr. Wu founded the Group with Ms. Xiao Li ("Ms. Xiao") in 2004 and is one of the Controlling Shareholders of the Company. He is responsible for the overall strategy, business and investment planning of the Group. Mr. Wu has extensive experience in the landscape architecture service industry, and has been engaged in such business for over ten years.

Mr. Wu received a bachelor's degree in Nanjing Forestry University* (南京林業大學) in July 1985. He was qualified as engineer in December 1992. Mr. Wu served as a tutor at Shanghai Gardening School* (上海市園林學校) (currently known as Shanghai Urban Construction and Engineering School* (上海市城市建設工程學校)) from August 1985 to December 2000 and served as a tutor at Shanghai Gardening Vocational School* (上海園林職工學校) from January 2001 to May 2004. When Mr. Wu founded the Group, he served as director and general manager of Greenstate Business since June 2004 and director and general manager of Greenstate Gardening since June 2007. Mr. Wu served as director of Greenstate Business from 12 March 2004 to 8 June 2013. Mr. Wu resigned as the executive director of Greenstate Business on 8 June 2013 and his wife, Ms. Xiao, was appointed as the executive director on even date. However, Mr. Wu has remained as the supervisor of Greenstate Business and is responsible for the operation, management and finance of Greenstate Business. Mr. Wu has also been the director of Broad Greenstate Ecological and Greenstate International since 2 August 2011 and 12 November 2013 respectively. Mr. Wu is the spouse of Ms. Xiao, the executive Director of the Company.

Ms. Xiao Li (肖莉), aged 46, is an executive Director of the Company since 3 January 2014 and a member of nomination committee since 25 June 2014. Ms. Xiao founded the Group with Mr. Wu in 2004 and is one of the Controlling Shareholders of the Company. She is also a director of Broad Greenstate Ecological, Greenstate Business and Broad Landscape International since 13 September 2016 and Greenstate International since 9 March 2017. She is responsible for overseeing the financial matters and daily operations of the Group.

Ms. Xiao served as a tutor at Shanghai Gardening School* (上海市園林學校) (currently known as Shanghai Urban Construction and Engineering School* (上海市城市建設工程學校)) from September 1991 to December 2000 and served as a tutor at Shanghai Gardening Vocational School* (上海園林職工學校) from January 2001 to May 2004. Ms. Xiao obtained a Master of Business Administration from the University of Management and Technology, Virginia, USA in September 2004 through long distance learning. Ms. Xiao has over ten years of experience in business management. She has been the general manager of Greenstate Business since June 2004 and the director and assistant general manager of Broad Greenstate Ecological since August 2011. Ms. Xiao was the director of Eastern Greenstate International from October 2013 to September 2016. Ms. Xiao is the spouse of Mr. Wu.

Ms. Zhu Wen (朱雯) ("Ms. Zhu"), aged 34, is an executive Director of the Company since 3 January 2014 and a member of remuneration committee since 25 June 2014. She joined the Group for almost fourteen years since 15 June 2004. She is currently the manager of the administrative department in Greenstate Business. She is also the director of Broad Greenstate Ecological and the manager of the administrative department of the Company since August 2011. She was appointed as the director of Eastern Greenstate International on 9 October 2013. Ms. Zhu is responsible for overseeing the administration matters of the Group.

Ms. Zhu graduated with a master degree in Business Administration from East China University of Science and Technology in Shanghai, China in March 2012.

Directors and Senior Management (Continued)

Ms. Chen Min (陳敏) ("Ms. Chen"), aged 43, is an executive Director of the Company since 13 April 2017. She has served as the deputy financial controller of the Company since November 2016, responsible for the supervision of major financial matters of the Company, formulation of internal control procedures relating to financial and accounting matters, management and supervision of financial matters and other work relating to accounting management. Ms. Chen graduated from Central South University (中南大學) in December 2003, majoring in business administration. Ms. Chen obtained the qualification of senior accountant in April 2008 and became a non-practicing member of the Chinese Institute of Certified Public Accountants in December 2009. Ms. Chen has over 20 years of experience in financial management. Ms. Chen has previously served as a deputy chief accountant of Shanghai San Sheng Hong Ye Investment (Group) Company Limited* (上海三盛宏業投資(集團)有限責任公司) and the financial controller of a project company of Shanghai Vanke Corporation Limited* (上海萬科股份有限公司). Ms. Chen joined Greenland Business (Group) Company Limited* (上海綠地商業(集團)有限公司) as a finance manager in October 2006 and served as the financial controller of the Changsha real estate business group of Greenland (a substantial shareholder of the Company) from October 2010 to November 2016. In November 2016, Ms. Chen joined the Company as the deputy financial controller of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Dai Guoqiang (戴國強) ("Mr. Dai"), aged 65, is an independent non-executive Director since 25 June 2014 and is the chairman of nomination committee, a member of both audit and remuneration committees since 25 June 2014. Subsequently, Mr. Dai was appointed as the chairman of audit committee for the period from 29 December 2017 to 13 March 2018. Mr. Dai has nearly twelve years of experience in Finance and Economics. Mr. Dai graduated with a bachelor and a master degree in Economics from Shanghai School of Finance and Economics* (上海財經學院), currently known as Shanghai University of Finance and Economics (上海財經大學), in January 1983 and July 1987 respectively. Following which Mr. Dai obtained a PH.D. in Economics from Fudan University (復旦大學) in Shanghai, China in July 1994.

From March 1999 to April 2006, he was the Dean of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China. He was the party secretary* (黨委書記) of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to July 2007. From July 2007 to April 2011, he served as the Dean and secretary of the Master of Business Administration School of Shanghai University of Finance and Economics (上海財經大學). Mr. Dai has served as a finance professor since June 1995, the party branch secretary and vice president* (黨支部書記兼部院長) of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China from April 2011 to March 2016 respectively. Mr. Dai worked as the independent non-executive director from February 2004 to June 2009 and external supervisor of Bank of Shanghai Co., Ltd (上海銀行股份有限公司) from June 2009 to April 2017. He has also been an independent non-executive Director of Shanghai Fudan Forward Science and Technology Co., Ltd. (上海復旦復華科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600624) since March 2008 to June 2014. From May 2012 to April 2015, Mr. Dai was also an arbitrator on the panel of China International Economic and Trade Arbitration Commission. Mr. Dai was a member (委員) of National Economics Universities Teaching Guidance Committee under the Ministry of Education* (教育部高等學校經濟學類學科教學指導委員會委員) from 2006 to 2010. He also serves as a member of Master of Finance Teaching Guidance under the Ministry of Education (教育部金融專業碩士教學指導委員會委員) since March 2011. Mr. Dai is an independent non-executive director of Bestway Global Holding Inc. (榮威國際控股有限公司), a company listed on the Stock Exchange (stock code: 3358), since 18 October 2017 and an independent director of Bank of Guiyang Co., Ltd. (貴陽銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601997), since 11 February 2018.

He was awarded with the 3rd Universities Distinguished Teacher Award* (第三屆高等學校教學名師獎) from Ministry of Education of the PRC in 2007, the Shanghai Universities Distinguished Teacher Award* (上海市高校教學名師獎) in August 2006, and Citigroup Outstanding Teacher Award* (花旗集團優秀教師獎) in December 2005 and Shanghai Teaching Model Nomination Award* (上海市教書育人楷模提名獎) in September 2012.

Directors and Senior Management (Continued)

Dr. Jin Hexian (金荷仙) ("Dr. Jin"), aged 53, is an independent non-executive Director of the Company since 29 August 2014. She is also the chairman of the remuneration committee and a member of both audit and nomination committees of the Company since 29 August 2014. She obtained a bachelor's degree in landscape architecture from Nanjing Forestry University (南京林業大學), and a master's degree and doctor's degree in landscape architecture from Beijing Forestry University (北京林業大學). Dr. Jin worked as a lecturer in Zhejiang Forestry College (浙江林業學院) and as a post-doctoral researcher at the Chinese Academy of Forestry (中國林業科學研究院). Dr. Jin is currently an instructor to the students of the master program of Zhejiang Agricultural and Forestry University (浙江農林大學), a guest professor of Beijing Forestry University (北京林業大學) and a part-time instructor to the students of the master program of Harbin Institute of Technology (哈爾濱工業大學). Dr. Jin is also an independent director of Huilv Landscape Construction Co., Ltd. (匯綠園林建設股份有限公司), a company incorporated in the PRC and mainly engaging in landscape construction business. She is an independent director of Zhejiang Humanities Landscape Corporation Limited (浙江人文園林股份有限公司) since 26 June 2017.

Dr. Jin held various positions including deputy secretary-general of Chinese Society of Landscape Architecture (中國風景園林學會) president and executive editor-in-chief of the Journal of Chinese Landscape Architecture (《中國園林》雜誌社), deputy group head of the Guidance Group of Landscape Architecture on Civil Engineering Discipline in Colleges and Universities under the Ministry of Housing and Urban-Rural Development, PRC (住房和城鄉建設部高等學校土建學科風景園林專業指導委員會), deputy secretary-general of Flower Culture Committee of China Flower Society (中國花卉協會花文化專業委員會) and member of Landscape Architecture Terminology Committee of China National Committee for Terminologies in Sciences and Technologies (全國科學技術名詞審定委員會風景園林學名詞審定委員會). Dr. Jin has published over 80 articles, edited multiple books and chaired and given speeches at various domestic and international academic conferences including the International Federation of Landscape Architects (IFLA), World Horticultural Conference, Global Botanic Gardens Congress.

Dr. Chan Wing Bun (陳榮斌) ("Dr. Chan"), aged 53, is an independent non-executive Director since 13 March 2018 and is the chairman of the audit committee of the Company since 13 March 2018. He obtained honors diploma in accounting from the Hong Kong Baptist College (now Hong Kong Baptist University) in 1988, a bachelor's degree in business administration from the Hong Kong Baptist University in 1992, a master's degree in international master of business administration from the University of South Australia in 1995, a master's degree in law from the Renmin University of China* (中國人民大學) in 2009, and a doctoral degree in business administration from the University of Newcastle in 2015. He has been a Chartered Certified Accountant since 1992, a fellow member of the Association of Chartered Certified Accountants since 1998, a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants since 2000, a chartered accountant and associate member of The Institute of Chartered Accountants in England and Wales since 2007, a fellow member of The Hong Kong Institute of Directors since 2012, an ordinary member of the Hong Kong Securities and Investment Institute since 2014 and a fellow member of the Institute of Chartered Accountants In England and Wales since 2017. Dr. Chan is a licensed person to carry out regulated activities of Types 1 and 4 under the Securities and Futures Commission in Hong Kong. He is a registered insurance agent under the Hong Kong Federation of Insurers.

Dr. Chan joined CNI Securities Group Limited ("CNI") as a marketing executive in October 2016. CNI is on the Exchange Participant of the Stock Exchange and holds one trading right. CNI provides on e-stop, web-based trading system offering customers stock trading as well as IPO services.

Before joining CNI, Dr. Chan was the chief operating officer of Glory Flame Holdings Limited (stock code: 8059), a company listed on the Stock Exchange, from December 2015 to September 2016. Dr. Chan was appointed as the chief financial officer of LED International Holdings Limited ("LED") (AIM stock code: LED), a company listed on the AIM Board of London Stock Exchange plc, in February 2009. In May 2009, Dr. Chan was appointed as an executive director of LED and then was promoted to the chief executive officer in December 2010. Dr. Chan resigned the directorship from LED and its subsidiaries in August 2016.

Directors and Senior Management (Continued)

SENIOR MANAGEMENT

The executive Directors of the Company, namely Mr. Wu Zhengping (吳正平), Ms. Xiao Li (肖莉), Ms. Zhu Wen (朱雯) and Ms. Chen Min (陳敏), concurrently hold senior management positions in the Group. For each of their biographies, please refer to the subsection headed "Executive Directors" in this section of the annual report.

Mr. Jing Changzhong (經長忠), aged 49, has over 14 years of experience in financial and asset management. From September 2002 to June 2004, Mr. Jing served in Shanghai Hui Yin Group Ltd.* (上海匯銀(集團)有限公司) as the manager of research department and was appointed as deputy general manager of corporate enterprise department from June 2004 to April 2007. He was the project manager in the stock investment department of Ai Jian Securities Limited Liability Company* (愛建證券有限責任公司) from May 2007 to November 2007 and was appointed as the deputy general manager of research & development department, the general manager of fixed income department and an assistant president from November 2007 to August 2009. From September 2009 to September 2012, he was an assistant president of Shanghai Hui Yin Group Ltd.* (上海匯銀(集團)有限公司). Prior to joining the Company, Mr. Jing served in Shanghai Pudong Development Group Finance Co. Ltd.* (上海浦東發展集團財務有限責任公司) as deputy general manager from November 2013 and was responsible for investment banking projects and information technology management. Mr. Jing graduated from Tokai University in Japan with a Bachelor of Finance Management and a Master of Finance Management in 2000 and 2002, respectively.

COMPANY SECRETARY

Ms. Ho Siu Pik, is a Director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Ho has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Including the Company, Ms. Ho is currently the company secretary/joint company secretary of six listed companies on the Stock Exchange, namely, Asia Cement (China) Holdings Corporation (stock code: 743), China Molybdenum Co., Ltd. (stock code: 3993), Goodbaby International Holdings Limited (stock code: 1086), Natural Beauty Bio-Technology Limited (stock code: 157) and Summit Ascent Holdings Limited (stock code:102). Ms. Ho is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ho is a holder of the Practitioner's Endorsement from HKICS.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the Reporting Period.

Corporate Information and Global Offering

The Company was incorporated in the Cayman Islands on 22 October 2013 as an exempted company with limited liability, and the Shares of the Company were listed on the Main Board of the Stock Exchange on 21 July 2014.

Principal Activities

The Company focuses on municipal and city level landscape projects and offers our customers "one-stop" service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance. The Group generally serves as the master contractor responsible for the overall management of landscape projects. We mainly offer our customers landscape design, construction and maintenance service.

Results and Final Dividends

The consolidated results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this annual report. The Board proposed to declare a final dividend of HK1.4 cents (equivalent to approximately RMB1.2 cents) per Share, approximately HK$46,795,517 (equivalent to approximately RMB39,116,841) in aggregate for the Reporting Period, which will be payable to Shareholders whose names appear on the register of members of the Company on Tuesday, 29 May 2018, subject to Shareholders' approval in the forthcoming 2018 annual general meeting of the Company. The proposed final dividend is expected to be paid to the Shareholders on Friday, 22 June 2018.

Financial Summary

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 5 of this annual report. That summary does not form part of the audited consolidated financial statements.

Business Review

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis section from pages 10 to 14 of this annual report. Description of the principal risks and uncertainties facing the company can be found throughout this annual report, particularly in the Market Risks section from pages 144 to 146. Particulars of important events affecting the Company that have occurred since the end of the financial year 2017, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 6 to 9 of this annual report. An account of the Company's relationships with its key stakeholders is included in the Relationship with Employees, Suppliers and Customers section on page 55 of this annual report. Details of the Company's environmental policies and performance can be found in the Environmental, Social and Governance Report from pages 27 to 35 of this annual report.

Report of the Directors (Continued)

Share Capital

On 15 February 2017, the Company issued and allotted 35,920,957 new Shares of HK$0.025 each in the share capital of the Company to Golden Spring Landscape Limited ("Golden Landscape") as consideration for the acquisition of National Landscape Limited ("National Landscape").

Details of movements in the share capital of the Company during the Reporting Period are set out in note 30 to the financial statements on page 128 of this annual report.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange throughout the Reporting Period.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements on page 108 of this annual report.

Pledge of Shares by Controlling Shareholder

As disclosed in the announcement of the Company dated 25 April 2017 and 27 December 2017, the 2016 Facility with Bank of Shanghai (Hong Kong) Limited (the "RMB Lender") has been renewed, pursuant to which the maturity date of the facility of up to RMB100,000,000 shall have a maturity date of 17 May 2018 (the "RMB Facility"), such facility had been entered into between the Company and the RMB Lender for the purpose of financing existing and potential projects, paying final dividend and general working capital of the Company. The RMB Facility will continue to be secured by the share charge and the account charge.

The total number of Shares charged by Broad Landscape International in favour of the RMB Lender to secure the RMB Facility amounts to 350,161,440 Shares, representing approximately 10.48% of the total issued share capital of the Company as at 31 December 2017. As at the date of this annual report, the share charge and the account charge have not been released.

As disclosed in the announcement of the Company dated 25 July 2017, the Company obtained a one-year loan facility of HK$40,110,000 (the "HK$ Facility") from Bank of Shanghai Co., Ltd. Changning Branch (the "HK$ Lender") on 25 July 2017 for the purpose of financing general working capital of the Company.

Report of the Directors (Continued)

As a security for the HK$ Facility, Broad Landscape International has entered into a share charge with the HK$ Lender on 25 July 2017, pursuant to which Broad Landscape International agreed to charge by way of first mortgage all the right, title and interest in and to 90,850,000 Shares, representing approximately 2.72% of the total issued share capital of the Company as at 31 December 2017.

Material Acquisitions, Disposals and Significant Investments

On 30 November 2016, the Company, Golden Landscape, Zhejiang Yulin Holding Group Company Limited* (浙江雨林控股集團有限公司) ("Zhejiang Yulin") and Mr. Ling Jijiang (凌紀江) entered into a share purchase agreement, pursuant to which the Company has conditionally agreed to acquire 100% share capital in the National Landscape at the consideration of RMB38,085,836, which shall be satisfied by the allotment and issue of 35,920,957 new Shares to Golden Landscape which is 100% owned by Mr. Ling Jiayuan (凌佳淵) who is the son of Mr. Ling Jijiang. On the same day, Greenstate Business and Zhejiang Yulin entered into the onshore share purchase agreement, pursuant to which Greenstate Business has conditionally agreed to acquire 20% equity interest in Jiangnan Garden at the consideration of RMB19,042,918, which shall be satisfied by cash. The acquisitions were completed on 15 February 2017. Upon completion of the acquisitions, Jiangnan Garden is indirectly owned as to 60% equity interest by the Company.

On 21 September 2017, the Company, AllVista Holdings Limited, Mr. Yu Huan (余煥) and Mr. Song Li (宋力) entered into a share purchase agreement, pursuant to which the Company had conditionally agreed to acquire 100% issued share capital in EcoVista Holdings Limited at the consideration of RMB72,000,000 (subject to price adjustment), of which RMB48,000,000 shall be satisfied by the allotment and issue of the new Shares to AllVista Holdings Limited pursuant to the offshore share purchase agreement dated 21 September 2017 and RMB24,000,000 shall be settled by cash in RMB or in other currencies. Upon the Completion, the EcoVista Holdings Limited will be owned as to 100% by the Company and Shenyang Furui will be indirectly owned as to 60.30% by the Company and become a subsidiary of the Company. As at the date of this annual report, the transaction is still in progress.

Save as disclosed above, during the Reporting Period, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 31 December 2017, the Group did not hold any significant investments.

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 69 of this annual report.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2017 are set out in the note 28 to the consolidated financial statements on page 124 of this annual report.

Major Customers and Suppliers

During the Reporting Period, the percentage of turnover attributable to the Group's five largest customers from the sales of properties in its projects was approximately 73.8%, and the percentage of turnover attributable to its largest customer from the sales of properties in its projects was approximately 28.6%.

Report of the Directors (Continued)

Purchases from the Group's five largest suppliers accounted for 42.0% of the total purchase for the Reporting Period and purchase from the Group's largest supplier included therein amounted to 19.5% of the total purchases for the year.

At all times during the Reporting Period, none of the Directors, their close associates or any Shareholder (who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest customers and suppliers.

Directors

The Directors who hold office during the Reporting Period and up to the date of this annual report are:

Executive Directors

Mr. Wu Zhengping (吳正平) *(Chairman and chief executive officer) (appointed on 3 January 2014)*
Ms. Xiao Li (肖莉) *(Deputy general manager) (appointed on 3 January 2014)*
Ms. Zhu Wen (朱雯) *(Administrative manager) (appointed on 3 January 2014)*
Ms. Chen Min (陳敏) *(Deputy financial controller) (appointed on 13 April 2017)*

Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強) *(appointed on 25 June 2014)*
Dr. Jin Hexian (金荷仙) *(appointed on 29 August 2014)*
Dr. Chan Wing Bun (陳榮斌) *(appointed on 13 March 2018)*
Mr. Zhang Qing (張清) *(resigned on 29 December 2017)*

The biographical details of the Directors and senior management are set out under the section "Directors and Senior Management" of this annual report.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing 21 July 2014, except Ms. Chen Min, whose initial term is for three years commencing from 13 April 2017, which the service contracts entered were expired on 20 July 2017. Each of the executive Directors, except Ms. Chen Min, has subsequently renewed the service contract with the Company for a term of three years commencing 21 July 2017, which shall be terminated by not less than six months' notice in writing served by either party on the other.

Mr. Dai Guoiqiang has entered into a letter of appointment with the Company for an initial term of three years commencing from 21 July 2014, while Dr. Jin He Xian, whose initial term is for three years commencing from 29 August 2014 to 20 July 2017 and Dr. Chan Wing Bun, whose initial term is for three years commencing from 13 March 2018. Each of the independent non-executive Directors, except Dr. Chan Wing Bun, has renewed their letter of appointment with the Company for a term of three years commencing 21 July 2017, which shall be terminated by not less than three months' written notice served by either party on the other.

In accordance with the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. All the directors appointed by Directors during the Reporting Period shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the annual general meeting. None of the Directors proposed for re-election at the annual general meeting has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Report of the Directors (Continued)

Change of Information on Director

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updated information regarding the Directors of the Company since the Company's last published interim report and up to the date of this annual report are set out below:

Mr. Dai Guoqiang, an independent non-executive Director of the Company, who has been appointed as:

(a) an independent non-executive director of Bestway Global Holding Inc. (榮威國際控股有限公司) (a company listed on the Stock Exchange, stock code: 3358), on 18 October 2017; and

(b) an independent director of Bank Of Guiyang Co., Ltd. (貴陽銀行股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601997), on 11 February 2018.

Confirmation of Independence from Independent Non-Executive Directors

The Company has received annual confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the Listing Rules.

Directors' Interests in Contracts

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of Reporting Period or at any time during the Reporting Period.

Permitted Indemnity

Pursuant to the Company's Articles of Association, subject to the Companies Law, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

Non-Competition Undertakings

Each of the Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings that he/she/it provided to the Company on 25 June 2014 pursuant to the Non-competition Deed. Details of the Non-competition Deed are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all of these non-competition undertakings have been complied with by the Controlling Shareholders.

Report of the Directors (Continued)

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and the five highest paid individuals for the Reporting Period are set out in note 8 to the consolidated financial statements on page 102 of this annual report.

During the Reporting Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the Reporting Period.

Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures

The requirement for disclosure of interests or short positions of any Directors or chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) under the provisions of Divisions 7 and 8 of Part XV of the SFO became applicable to the Company with effect from the Listing Date.

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

	Nature and Number of Shares/underlying Shares held[1]				Approximate Percentage of Issued Share Capital
Name of Director/ Chief Executive	Personal interest	Corporate interest	Spouse interest	Total interest	
Mr. Wu Zhengping[2][3][4]	24,000,000	991,321,041	18,000,000	1,033,321,041	30.91%
Ms. Xiao Li[2][3][4]	18,000,000	—	1,015,321,041	1,033,321,041	30.91%
Ms. Zhu Wen[4]	4,000,000	—	—	3,000,000	0.11%

Notes:

(1) *All the above Shares are held in long position (as defined under Part XV of the SFO).*

(2) *Broad Landscape International is owned as to 86.92% and 13.08% by Mr. Wu Zhengping and Ms. Xiao Li and under the SFO, Mr. Wu Zhengping is deemed to be interested in the 991,321,041 Shares held by Broad Landscape International.*

(3) *Mr. Wu Zhengping is the spouse of Ms. Xiao Li. Under the SFO, Mr. Wu Zhengping is deemed to be interested in the same number of Shares in which Ms. Xiao Li is interested and Ms. Xiao Li is deemed to be interested in the same number of Shares in which Mr. Wu Zhengping is interested.*

(4) *The number of underlying Shares in which the Directors hold under the Share Option Scheme and the share options held by the Directors which were lapsed after the Reporting Period are detailed in "Share Option Scheme" section of this annual report.*

Save as disclosed above, as at the date of this annual report, so far as is known to any Director or chief executive of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors (Continued)

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

The provisions under Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO became applicable to the Company as from the Listing Date.

As at 31 December 2017, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register required referred to therein, were as follows:

Name of Shareholder	Nature of Interest	Number of Shares/ underlying Shares held[1]	Approximate Percentage of Issued Capital
Broad Landscape International[2]	Beneficial owner	991,321,041	29.66%
Eastern Greenstate International[2]	Beneficial owner	306,313,662	9.16%
Greenland[3]	Interest in a controlled corporation	991,321,041	29.66%
Greenland Financial Holdings Company Limited (綠地金融投資控股有限公司)[3]	Interest in a controlled corporation	991,321,041	29.66%
Greenland Financial[3]	Beneficial owner	991,321,041	29.66%
Cithara Global Multi-Strategy SPC-Series 6 SP ("CG Multi-Strategy")[4]	Investment Manager	169,742,960	5.08%
Cithara Investment International Limited ("CII")[5][6]	Investment Manager	228,008,000	6.82%

Notes:

(1) *All the above Shares are held in long position (as defined under Part XV of the SFO).*

(2) *Broad Landscape International is owned as to 86.92% and 13.08% by Mr. Wu Zhengping and Ms. Xiao Li and its interest duplicate certain interests of Mr. Wu Zhengping disclosed under the section "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures".*

(3) *Greenland wholly owns Greenland Financial Holdings Company Limited which in turn wholly owns Greenland Financial so that Greenland and Greenland Financial Holdings Company Limited are deemed to be interested in the Shares in which Greenland Financial is interested for the purpose of Part XV of the SFO.*

(4) *On 15 January 2018, a party under Section 317 had purchased 4,469,000 Shares and after the transaction, CG Multi-Strategy has interests in 235,365,000 shares of the Company, in which a substantial shareholder is interested under sections 317 and 318 and the nature of interest in the total shares was changed from "investment manager" to "beneficial owner".*

(5) *Such long position does not include derivative interests in 31,153,040 underlying Shares of the Company, which are derived from unlisted and physically settled derivatives.*

(6) *On 15 January 2018, a party under Section 317 had purchased 4,469,000 Shares and after the transaction, CII has interests in 235,365,000 shares of the Company, in which a substantial shareholder is interested under sections 317 and 318 and the nature of interest in the total shares is investment manager.*

Save as disclosed above, as at the date of this annual report, the Directors have not been notified by any person (not being the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Share Option Scheme

The Company conditionally adopted the Share Option Scheme on 25 June 2014, which became effective from the Listing Date.

Purpose

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of the Group and to promote the success of the business of the Group.

Participants of the Share Option Scheme

The Board may offer any employee (whether full-time or part-time), Director, consultant or adviser of the Group (the "Eligible Person") options to subscribe for Shares at a price determined in accordance with the terms of the Share Option Scheme.

Maximum number of Shares

The total number of Shares which may be granted under the Share Option Scheme and under any other schemes of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date, being 306,720,000 Shares (the "Scheme Mandate Limit") unless Shareholders' approval has been obtained. Options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Notwithstanding the foregoing, the Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

As at the date of this annual report, a total of 193,970,000 share options, representing 5.80% of the issued share capital of the Company as at the same date, is available for issue under the Share Option Scheme.

Maximum entitlement of each participant

Unless approved by the Shareholders in a general meeting in the manner set out in the Share Option Scheme, the total number of Shares issued and to be issued upon the exercise of options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the relevant class of securities of the Company in issue.

In addition, any options granted to an Eligible Person who is a Director, chief executive or substantial shareholder of the Company or any of their respective associates shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be the grantee). Any options granted to an Eligible Person who is a substantial shareholder, or independent non-executive Director, or their respective associates, which will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options whether exercised, cancelled or still outstanding) to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of the Company; and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved, in addition to the approval of the independent non-executive Directors, by the Shareholders in general meeting.

Report of the Directors (Continued)

Offer period

An offer of grant of an option shall remain open for acceptance by the Eligible person concerned for such period of not less than three business days as determined by the Board, provided that no such offer shall be open for acceptance after the expiry of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions thereof. An option may be exercised in whole or in part by the option holder in accordance with the terms of the Share Option Scheme at any time during the exercise period to be notified by the Board to each option holder upon the grant of options, such period shall not exceed ten years from the date of grant of the relevant option.

Minimum period for which an option must be held before it can be exercised

The Company may specify a minimum holding period and performance conditions which must be satisfied before options can be exercised by the option holders.

Amount payable for options

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant, which is in no circumstances be refundable.

Basis of determining the exercise price

The amount payable for each Share to be subscribed for under an option pursuant to the Share Option Scheme in the event of the option being exercised shall be determined by the Board and shall be not less than the greater of:

(i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option;

(ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and

(iii) the nominal value of the Shares.

Report of the Directors (Continued)

Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten (10) years commencing from 25 June 2014. Unless otherwise terminated earlier by the Company by resolution in general meeting or the Board, as at 31 December 2017, the Share Option Scheme has a remaining life of approximately six (6) years.

Particulars of the movement of the options held by each of the Directors, chief executive or substantial shareholders of the listed issuer, or their respective associates under the Share Option Scheme during the Reporting Period, were as follows:

		Number of Options							
Grantees	Date of grant	Held at 1 January 2017	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Forfeited[1] during the Reporting Period	Lapsed[2] during the Reporting Period	Held at 31 December 2017	Exercise price per Share (HK$)	Vesting and Exercise period
Wu Zhengping	1 Sept 2015	6,000,000	–	–	–	6,000,000	–	1.24	1 Sept 2017–31 Aug 2018
		6,000,000	–	–	–	–	6,000,000[2]		1 Sept 2018–31 Aug 2019
		9,000,000	–	–	–	–	9,000,000		1 Sept 2019–31 Aug 2020
		9,000,000	–	–	–	–	9,000,000		1 Sept 2020–31 Aug 2021
Xiao Li	1 Sept 2015	4,500,000	–	–	–	4,500,000	–	1.24	1 Sept 2017–31 Aug 2018
		4,500,000	–	–	–	–	4,500,000[2]		1 Sept 2018–31 Aug 2019
		6,750,000	–	–	–	–	6,750,000		1 Sept 2019–31 Aug 2020
		6,750,000	–	–	–	–	6,750,000		1 Sept 2020–31 Aug 2021
Zhu Wen	1 Sept 2015	1,000,000	–	–	–	1,000,000	–	1.24	1 Sept 2017–31 Aug 2018
		1,000,000	–	–	–	–	1,000,000[2]		1 Sept 2018–31 Aug 2019
		1,500,000	–	–	–	–	1,500,000		1 Sept 2019–31 Aug 2020
		1,500,000	–	–	–	–	1,500,000		1 Sept 2020–31 Aug 2021
Other grantees	1 Sept 2015	9,250,000	–	–	–	9,250,000	–	1.24	1 Sept 2017–31 Aug 2018
(in aggregate)		9,250,000	–	–	4,850,000	–	4,400,000[2]		1 Sept 2018–31 Aug 2019
		13,875,000	–	–	7,275,000	–	6,600,000		1 Sept 2019–31 Aug 2020
		13,875,000	–	–	7,275,000	–	6,600,000		1 Sept 2020–31 Aug 2021

Notes:

(1) *19,400,000 share options were forfeited during the Reporting Period.*

(2) *20,750,000 share options were lapsed during the Reporting Period and 15,900,000 share options were lapsed after the Reporting Period on 28 March 2018.*

Report of the Directors (Continued)

Directors' Rights to Acquire Shares or Debentures

No rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them, nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate since the Listing Date.

Directors' Interests in Competing Business

During the Reporting Period, none of the Directors had any interest in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Directors' and Controlling Shareholders' Interests in Contracts of Significance

Save for the connected transactions of the Group disclosed in this annual report, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or a controlling shareholder had a material interest subsisted, either directly or indirectly, at the end of the Reporting Period or at any time during the Reporting Period.

Connected Transactions

(i) On 20 August 2015, the Company entered into the Note Purchase Agreement with Greenland Leasing pursuant to which the Company conditionally agreed to issue and sell, and Greenland Leasing conditionally agreed to purchase a redeemable fixed coupon promissory note due 2016 with a principal amount of US$40,000,000 (equivalent to approximately RMB258.4 million based on the conversion rate of US$1 to RMB6.46) at the rate of 9.00% per annum. On 11 September 2015, the Company entered into the Deed of Novation with Greenland Leasing and Greenland Financial pursuant to which Greenland Leasing shall novate all its rights, obligations and liabilities under the Note Purchase Agreement to Greenland Financial.

As security of the Notes, the Company, as legal and beneficial owner, has agreed to charge by way of a first fixed charge all rights, entitlements, interests and benefits in the Company Charged Shares and all derived interests to be made by the Company in favor of Greenland Financial and Greenstate Times, as legal and beneficial owner, has agreed to charge by way of a first fixed charge all rights, entitlements, interests and benefits in the Greenstate Times Charged Shares and all derived interests to be made by Greenstate Times in favor of Greenland Financial. The Notes shall mature one year from the closing date of the issue of the Notes. Closing of the issue of the Notes took place on 15 October 2015.

Pursuant to the terms and conditions of the Notes, Greenland Financial has served an extension notice and the Company has acknowledged and agreed to such extension notice, whereby the maturity date of the notes shall be extended by one calendar year from 15 October 2016 to 15 October 2017.

Report of the Directors (Continued)

On 15 November 2017, the Company and Greenland Financial entered into the Deed of Consent pursuant to which the parties conditionally agreed, among other things, that (i) Greenland Financial shall execute the New Note Instrument and release and discharge the Company from all of its present and future covenants, liabilities and obligations owing and/or payable to Greenland Financial under the Old Note Instrument and any further obligations that the Company may have under the Old Note Instrument, and (ii) Greenland Financial shall release the 2017 Company Share Charge and the 2017 Greenstate Times Share Charge by way of deeds of release and enter into the New Share Charges as security of the Notes. Closing of the Reissue of the Notes took place on 15 January 2018.

Greenland Financial is directly wholly-owned by Greenland Financial Holdings Company Limited* (綠地金融投資控股有限公司), which in turn is directly wholly-owned by Greenland. Greenland Financial is a substantial shareholder of the Company directly holding approximately 29.66% of the issued share capital of the Company.

As (i) one of the applicable percentage ratios as defined in Chapter 14 of the Listing Rules in respect of the issue of Notes, the Reissue of Notes and the transactions contemplated thereunder (including the Old Share Charges and the New Share Charges) are more than 25%, and (ii) the exemption provided under Rule 14A.90 of the Listing Rules is not applicable as the issue of Notes is secured by the Share Charges, the issue of Notes and the transactions contemplated thereunder (including the Old Share Charges and the New Share Charges) are subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For further details, please refer to the announcements of the Company dated 20 August 2015, 11 September 2015, 19 October 2015, 11 October 2016 and 15 November 2017, and the circulars of the Company dated 21 September 2015 and 29 December 2017.

(ii) On 21 June 2017, Broad Greenstate Ecological entered into a contracting agreement with Xi'an Greenland Jue River Wetland Park Development Company Limited* (西安綠地滈河濕地公園開發有限公司) ("Xi'an JV Company"), pursuant to which Broad Greenstate Ecological shall be the main contractor for the construction of the project for the construction of Jue River Wetland Park in Changning New District, Xi'an (西安市常寧新區滈河濕地公園) and construction of other ancillary facilities for an initial contract value of RMB1,097,696,900.00.

On 30 June 2017, Broad Greenstate Ecological entered into a contracting agreement with Taiyuan Longcheng Greenland Botanical Garden Company Limited* (太原龍城綠地植物園有限公司) ("Taiyuan JV Company"), pursuant to which Broad Greenstate Ecological shall be the main contractor for the construction of the project for the construction of Phase One of Taiyuan Botanical Garden for an initial contract value of RMB1,065,647,404.54.

Xi'an JV Company and Taiyuan JV Company are associates of Greenland Financial, which in turn is directly wholly-owned by Greenland. Greenland Financial is a substantial shareholder of the Company directly holding approximately 29.66% of the issued share capital of the Company and is therefore a connected person of the Company.

As the applicable percentage ratios on an aggregate basis under Rule 14A.81 of the Listing Rules are more than 25%, the Contracting Agreements are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For further details, please refer to the announcements of the Company dated 21 June 2017 and the circulars of the Company dated 17 July 2017.

Report of the Directors (Continued)

(iii) On 12 December 2017, Broad Greenstate Ecological, Shandong Lvdiquan Ecological Industrial Company Limited* (山東綠地泉生態產業有限公司), Hangzhou Xiaoshan Jiangnan Garden Construction Company Limited* (杭州蕭山江南園林工程有限公司), Shanghai Zhuzhen Enterprise Management Consulting Center* (上海祝臻企業管理諮詢中心) and Shanghe County Industrial Investment Development Co., Ltd.* (商河縣城區產業投資開發有限公司) entered into an agreement for the establishment of a JV Company, which will be responsible to the financing, design, construction, operation, maintenance and transfer of the construction project of road and ancillary facilities of Shanghe Economic Development Zone* (商河經濟開發區道路及配套設施工程).

Shandong Lvdiquan Ecological Industrial Company Limited* (山東綠地泉生態產業有限公司) is an associate of Greenland Financial, which in turn is directly wholly-owned by Greenland. Greenland Financial is a substantial shareholder of the Company directly holding approximately 29.66% of the issued share capital of the Company and is therefore a connected person of the Company.

As such, the establishment of the JV Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (other than profits ratio) are less than 5% but the total consideration is higher than HK$3,000,000, the establishment of the JV Company is subject to the reporting and announcement requirements and is exempted from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Exempt Continuing Connected Transactions

(i) On 1 January 2017, Mr. Wu, Ms. Xiao and Broad Greenstate Ecological entered into a tenancy agreement, pursuant to which Mr. Wu and Ms. Xiao, as the landlords, agreed to lease an office premises of a gross floor area of 791 sq.m. located at Rooms 801–808, No. 1357 Mei Chuan Road, Putuo District, Shanghai, the PRC to Broad Greenstate Ecological, as the tenant, for use as the Group's office. The term of the tenancy agreement is for a period of three years commencing from 1 January 2017 and ending on 31 December 2019. The rental for the tenancy agreement shall be RMB800,000 for the financial years ending 31 December 2019, which was determined based on arm's length negotiations between the Group and Mr. Wu and Ms. Xiao.

As each of the applicable percentage ratios (other than the profit ratio) under Rule 14.07 of the Listing Rules for the transaction contemplated under the tenancy agreement, on an annual basis, is less than 5% and the annual consideration is less than HK$1,000,000, such continuing connected transaction is a de minimis transaction which is exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(ii) On 7 January 2014, Mr. Wu Jie (吳杰) (a relative of Mr. Wu and a connected person of the Company by virtue of Rule 14A.07(4) of the Listing Rules) and Greenstate Gardening entered into a licence agreement pursuant to which Greenstate Gardening will be able to use an office premises of a gross floor area of 100 sq.m. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, PRC as its registered address in Shanghai. The licence fee payable to Mr. Wu Jie is nil.

As each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules for the transaction contemplated under the licence agreement, on annual basis, is less than 0.1%, such continuing connected transaction is a de minimis transaction which is exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Report of the Directors (Continued)

Related Party Transactions

During the Reporting Period, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into related party transactions with the Group which are disclosed in note 36 to the consolidated financial statements on page 137 of this annual report. These transactions were not regarded as connected transactions or were exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Corporate Governance

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of its shareholders and to enhance corporate value, accountability and transparency of the Company.

Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 26 of this annual report.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company throughout the Reporting Period.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also adopted the Model Code as the written guidelines for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Model Code by the employees was noted by the Company throughout the Reporting Period.

Major Risk and Uncertainties

Business impacted by the political and economic situation in the PRC

If there is a further slowdown in the economic growth of the PRC, or if the PRC economy experiences a recession, demand for our landscape architecture service may also decrease and our business, financial condition, results of operations and operations may be materially and adversely affected.

Work progress of landscape projects could be affected by adverse weather conditions

Since our projects are mainly located outdoors, any adverse weather condition such as rainstorms, tropical cyclones and continuous rain may interrupt or otherwise affect the progress of our projects.

We are subject to the risks associated with the tendering process

The projects undertaken by us are mainly awarded to us on a case-by-case basis. We have to complete a competitive tendering process to secure new projects. In the event we are unable to maintain business relationship with our existing customers, or we cannot continue to secure new projects from customers, our financial condition and results of operations may be materially and adversely affected.

We do not have long-term commitments with our customers

Our relationships with major customers are contract-based with reference to particular project(s) and our major customers do not have long-term commitments with us. In addition, our relationships with our customers are non-exclusive and largely dependent on goodwill. We cannot assure you that we will be able to maintain or improve business relationships with our customers and any of them may terminate their respective business relationships with us at any time. Any material delay in securing projects from our customers, termination or reduction of the number or contract value of projects obtained from customers could cause our revenue to decrease significantly.

We need to maintain qualifications and licences for the operation of our business

We are required to maintain requisite operating qualifications and licences to conduct our business. If we fail to comply with any of these regulations, our qualifications and licences could be temporarily suspended or even revoked, or the renewal of our qualifications and licences upon expiry may be delayed or rejected. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Environmental policy and performance

With respect to the environmental protection in the process of engineering and construction contracting, according to such laws and regulations as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Environmental Impact Evaluation Law of the PRC (《中華人民共和國環境影響評價法》), the Law of the PRC on the Prevention of the Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) and the Regulations on the Administration of the Completion Check for Acceptance of the Environmental Protection Facilities of Construction Projects (《建設項目環境保護設施竣工驗收管理規定》), the construction of any project that causes pollution to the environment must comply with the PRC government's regulations on environment protection relating to the construction projects. The PRC government has implemented a mechanism for the evaluation of environmental impact of construction projects. A construction enterprise shall adopt measures to control environmental pollutions and damages caused by dust, waste gas, sewages, solid waste, noises and vibrations at the construction site in accordance with the environmental protection and work safety laws and regulations.

For details of the Company's environmental policy and performance, please refer to the Environmental, Social and Governance Report on page 27 to 35 of this annual report.

Report of the Directors (Continued)

Relationship with Employees, Suppliers and Customers

The Group believes that the employees of the Group are valuable assets. Competition for excellent employees is fierce in the landscape architecture service industry in China, and the Group offered competitive remuneration to attract and retain the talented employees. Regular review on remuneration of employees is made in order to retain outstanding employees and attract human resources that are valuable to the Group.

Our relationships with major customers are contract-based. The Group cherished the mutually beneficial relationships with our customers. We will provide the best services to our clients to establish and consolidate the Group's reputation in the industry. Also, we believe that maintaining harmonious relationship with the suppliers is essential to the Group's success. The Group will keep strengthening the partnership with clients and suppliers, aiming to realize a triple-win result.

Compliance with Laws and Regulations

During the Reporting Period, the Group has implemented policies and procedures which related to our industry designed to ensure compliance with the most relevant laws and regulations, but there can be no assurance that the Group's employees or agents will not violate such laws and regulations or the Group's policies and procedures.

During the Reporting Period and up to the date of this annual report, we have complied with all the relevant laws and regulations of the PRC and Hong Kong in all material respects.

Use of Proceeds from Listing

The aggregate net proceeds of the Group from the Listing (after deducting underwriting commission, the Stock Exchange trading fee and SFC transaction levy, and road show expenses) was approximately HK$211.9 million (approximately RMB168.3 million), which sum is intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus and "5. Amendments to the Prospectus — 5.8 Use of Proceeds" in the Supplemental Prospectus.

As at the end of the Reporting Period, all of the net proceeds were utilised.

Employee and Remuneration Policy

As at 31 December 2017, the Group had 689 full time employees in the PRC. During the Reporting Period, the staff cost of the Group was approximately RMB29.6 million.

The employees' remuneration policy is determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and each employee's qualifications, position, seniority and performance.

The remuneration package of the employees includes basic wages, allowance, bonuses and other employee benefits. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of determining salary raises, bonuses and promotion.

Report of the Directors (Continued)

The Remuneration Committee was set up to establish a formal and transparent procedure for developing policies on remuneration of the Directors and senior management, determine the terms of the specific remuneration package of each executive Director and senior management, and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

The remuneration of senior management has been disclosed in note 8 to the consolidated financial statements on page 102 in this annual report.

Sufficiency of Public Float

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

Based on the information that is publicly available to the Company and to the knowledge of the Directors as of the latest practicable date prior to the issue of this annual report, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules since the Listing Date.

Post Balance Sheet Events

The Group did not have significant event occurring after the balance sheet date.

Record Date

For the purpose of determining the Shareholders' eligibility to attend and vote at the forthcoming 2018 annual general meeting, the record date will be on Friday, 11 May 2018. In order to be eligible to attend and vote at the meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 11 May 2018.

Closure of Register of Members

For the purpose of determining the Shareholders' entitlement to the final dividend, the Company's register of members will be closed from Monday, 28 May 2018 to Tuesday, 29 May 2018, during which period no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 25 May 2018.

Audit Committee

The Audit Committee has reviewed together with the management and the external auditors the accounting principles and policies adopted by the Group and the audited annual results for the Reporting Period.

Auditors

The consolidated financial statements for the Reporting Period have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the reappointment of Ernst & Young as the Company's auditor will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
China Greenland Broad Greenstate Group Company Limited
Mr. Wu Zhengping
Chairman

Shanghai, the PRC
28 March 2018

Independent Auditors' Report

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To the shareholders of China Greenland Broad Greenstate Group Company Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Opinion

We have audited the consolidated financial statements of China Greenland Broad Greenstate Group Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 65 to 148, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditors' Report (Continued)

To the shareholders of China Greenland Broad Greenstate Group Company Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of construction contracts revenue During the year ended 31 December 2017, revenue arising from construction-type contracts in landscape projects which represented 99.8% of the Group's total revenue was accounted for by applying the percentage-of-completion (POC) method. The POC method involves the use of significant management judgment and estimates including estimates of the progress towards completion, total contract costs, remaining costs to completion and contract risks. In addition, revenue, cost and gross profit realised on such contracts may vary significantly from the Company's original estimates due to changes in conditions. Revenue and percentage of completion related disclosures are included in notes 3, 5 and 20 to the financial statements.	To address this key audit matter, we have performed the following procedures: — Examining the construction contracts and reviewing the project target and key clauses; — Testing the controls which the Company designed and implemented over its process to record contract costs and contract revenues and the calculation of the stage of completion; — Reviewing the forecasted total budget cost for each project taking into account the accuracy of previous forecasts and comparing ongoing actual costs with the forecasted costs; — Discussing the status of projects under construction with management, financial officers, and technical staff of the Company and reviewing the completion status sheet issued by the external surveyors; — Checking, on a sample basis, to suppliers' invoices to assess the completion status of each project and interviewing key customers and suppliers; and — Inspecting significant projects which were under construction on the construction sites.

Independent Auditors' Report (Continued)

To the shareholders of China Greenland Broad Greenstate Group Company Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Key audit matter

Recoverability of trade receivables

At 31 December 2017, the Group had trade receivables of RMB1,687 million, before provisions for impairment of RMB46.2 million, representing 41% of the total assets of the Group.

Given the nature of the Group's business, 4% of the Group's trade receivables were retentions in nature which had a longer term of payments. The determination as to whether a trade receivable is collectible involves management judgement. Specific factors considered by management included the age of the balance, location and financial capability of counterparties, existence of disputes and recent historical payment patterns. We focused on this area because it required a high level of management judgement and due to the materiality of the amounts involved.

The accounting judgements and estimates and disclosures for the recognition of impairment for trade receivables are included in notes 3 and 22 to the financial statements.

How our audit addressed the key audit matter

For trade receivable balances where a provision for impairment was recognised, we selected key items to understand the rationale behind management's judgement. We also performed the following procedures for the impaired balances and the balances where no provision was recognised to assess management's judgement:

— Testing of controls over the Group's assessment of the provision performed at each period end;

— Reviewing of the aging analysis which we sample tested;

— Testing, on a sample basis, the receipt of cash after the year end from the customers and reviewing any correspondence with customers on expected settlement dates;

— Assessing the Group's provision levels by considering the historical cash collection trends and the local economic environment in each region; and

— Obtaining other corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

Independent Auditors' Report (Continued)

To the shareholders of China Greenland Broad Greenstate Group Company Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Key audit matter	How our audit addressed the key audit matter
Business combination In 2017, the Group acquired a 60% interest in Hang Zhou Xiaoshan Jiangnan Garden Construction Company Limited ("Jiangnan") through issue of shares and cash payment. The Group engaged a third party valuer with relevant qualifications to perform valuation on the fair values of the identifiable assets and liabilities, mainly for buildings and biological assets of Jiangnan as at the acquisition date. The residual portion of the purchase consideration was allocated as goodwill, which represents the balance of the purchase consideration over the fair value of identifiable net assets acquired by the Group. The purchase price allocation has involved significant management judgement and estimation, such as the valuation methodologies, the discount rate adopted, determination of fair values as at the acquisition date, analysis of control and the accounting treatment of the business combination. The accounting judgements and estimates and business combination related disclosures are included in notes 3 and 33(a) to the financial statements.	We performed the following procedures to evaluate the judgements and the estimates made as at the acquisition date: — Examining the conditions for the agreement to take effect, the payment of the consideration of the business combination and the timing when the Group exercises effective control over the financial and operating policies of Jiangnan and corresponding risks; — Evaluating the objectivity, independence and professional capability of the third party valuer engaged by the Group; — Assessing the methods, assumptions and estimates used in the assessment of the fair value of the buildings and biological assets; — Reviewing the accounting treatment of the business combination; and — Involving our internal valuation expert to review the methods and key assumptions used in the assessment of fair values.

Independent Auditors' Report (Continued)

To the shareholders of China Greenland Broad Greenstate Group Company Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditors' Report (Continued)

To the shareholders of China Greenland Broad Greenstate Group Company Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report (Continued)

To the shareholders of China Greenland Broad Greenstate Group Company Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5(a)	**1,336,327**	724,805
Cost of sales		**(980,675)**	(453,715)
Gross profit		**355,652**	271,090
Other income and gains	5(b)	**1,934**	17,607
Administrative expenses		**(133,241)**	(56,031)
Finance costs	7	**(44,537)**	(27,494)
Share of profits and losses of:			
joint ventures	18	**(1,560)**	150
PROFIT BEFORE TAX	6	**178,248**	205,322
Income tax expense	10	**(34,004)**	(53,615)
PROFIT FOR THE YEAR		**144,244**	151,707
Profit for the year			
Attributable to:			
Owners of the parent		**155,619**	151,707
Non-controlling interests		**(11,375)**	—
		144,244	151,707
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**25,938**	(21,163)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**25,938**	(21,163)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**25,938**	(21,163)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**170,182**	130,544

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Total comprehensive income attributable to:			
Owners of the parent		**181,557**	130,544
Non-controlling interests		**(11,375)**	—
		170,182	130,544

		2017 RMB	2016 RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic			
— For profit for the year	12	**0.05**	0.05
Diluted			
— For profit for the year	12	**0.05**	0.05

Consolidated Statement of Financial Position

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**31,934**	20,443
Investment properties	14	**19,079**	—
Prepaid land lease payments	15	**594**	—
Goodwill	16	**8,378**	1,916
Other intangible assets	17	**64,544**	24,646
Investment in joint ventures	18	**108,397**	5,456
Available-for-sale investments	19	**7,296**	—
Construction contracts	20	**537,618**	486,921
Prepayments, deposits and other receivables	23	**47,616**	—
Deferred tax assets	29	**20,117**	6,948
Pledged deposits	24	**53,518**	—
Total non-current assets		**899,091**	546,330
CURRENT ASSETS			
Construction contracts	20	**667,134**	377,984
Biological assets	21	**40,413**	—
Trade receivables	22	**1,640,557**	691,464
Prepayments, deposits and other receivables	23	**220,720**	67,816
Pledged deposits	24	**25,500**	—
Cash and cash equivalents	24	**522,295**	127,860
Total current assets		**3,116,619**	1,265,124
CURRENT LIABILITIES			
Corporate bonds	25	**261,609**	277,422
Trade and bills payables	26	**1,736,386**	520,018
Other payables and accruals	27	**269,887**	106,793
Interest-bearing bank and other borrowings	28	**253,069**	127,758
Tax payable		**156,240**	121,301
Total current liabilities		**2,677,191**	1,153,292
NET CURRENT ASSETS		**439,428**	111,832
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,338,519**	658,162

Consolidated Statement of Financial Position (Continued)

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**415,200**	—
Deferred tax liabilities	29	**10,334**	6,145
Total non-current liabilities		**425,534**	6,145
NET ASSETS		**912,985**	652,017
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**66,396**	65,602
Other reserves	31	**776,241**	585,515
		842,637	651,117
Non-controlling interests		**70,348**	900
Total equity		**912,985**	652,017

Wu Zhengping
Director

Xiao Li
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

		Attributable to owners of the parent								
	Note	Share capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016		65,602	219,710	3,229	3,471	(6,078)	267,514	553,448	900	554,348
Profit for the year		—	—	—	—	—	151,707	151,707	—	151,707
Other comprehensive income for the year:		—	—	—	—	—	—	—	—	—
Exchange differences related to foreign operations		—	—	—	—	(21,163)	—	(21,163)	—	(21,163)
Total comprehensive income for the year		—	—	—	—	(21,163)	151,707	130,544	—	130,544
Dividend declared		—	(39,174)	—	—	—	—	(39,174)	—	(39,174)
Equity-settled share option arrangements	*32*	—	—	6,299	—	—	—	6,299	—	6,299
At 31 December 2016		65,602	180,536*	9,528*	3,471*	(27,241)*	419,221*	651,117	900	652,017

		Attributable to owners of the parent								
	Notes	**Share capital RMB'000**	**Share premium account RMB'000**	**Share option reserve RMB'000**	**Other reserve RMB'000**	**Exchange fluctuation reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2017		**65,602**	**180,536**	**9,528**	**3,471**	**(27,241)**	**419,221**	**651,117**	**900**	**652,017**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**155,619**	**155,619**	**(11,375)**	**144,244**
Other comprehensive income for the year:		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Exchange differences related to foreign operations		**—**	**—**	**—**	**—**	**25,938**	**—**	**25,938**	**—**	**25,938**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**25,938**	**155,619**	**181,557**	**(11,375)**	**170,182**
Acquisition of subsidiaries	*33*	**794**	**44,604**	**—**	**—**	**—**	**—**	**45,398**	**38,676**	**84,074**
Equity-settled share option arrangements	*32*	**—**	**—**	**(404)**	**—**	**—**	**—**	**(404)**	**—**	**(404)**
Dividend declared		**—**	**(35,031)**	**—**	**—**	**—**	**—**	**(35,031)**	**—**	**(35,031)**
Sales of a subsidiary's shares to non-controlling shareholders		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**20,580**	**20,580**
Capital contribution from non-controlling shareholders		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**21,567**	**21,567**
At 31 December 2017		**66,396**	**190,109***	**9,124***	**3,471***	**(1,303)***	**574,840***	**842,637**	**70,348**	**912,985**

* *These reserve accounts comprise the consolidated other reserves of RMB776,241,000 (2016: RMB585,515,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**178,248**	205,322
Adjustments for:			
Finance costs	7	**44,537**	27,494
Share of profits and losses of joint ventures		**1,560**	(150)
Gains on acquisition of subsidiaries	33	**(36)**	—
Loss/(gain) on disposal of items of property, plant and equipment	6	**(59)**	22
Fair value losses on biological assets	5	**1,584**	—
Depreciation	6,13,14	**4,252**	1,866
Amortisation of other intangible assets	6,17	**2,657**	1,314
Amortisation of prepaid land lease payments	15	**12**	—
Impairment of trade receivables	6, 22	**33,315**	4,060
Equity-settled share option expense	6	**(404)**	6,299
		265,666	246,227
Increase in trade receivables		**(421,440)**	(414,254)
Decrease/(increase) in prepayments, deposits and other receivables		**52,730**	(22,199)
Increase in construction contracts		**(192,688)**	(134,863)
Increase in biological assets		**(344)**	—
Increase in trade and bills payables		**463,637**	164,528
Increase in other payables and accruals		**112,002**	12,233
Increase in pledged deposits for construction contracts		**(79,018)**	—
Cash generated from/(used in) operations		**200,545**	(148,328)
PRC tax paid		**(16,505)**	(17,622)
Net cash flows from/(used in) operating activities		**184,040**	(165,950)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(38,338)**	(1,579)
Proceeds from disposal of property, plant and equipment		**3,352**	—
Purchase of intangible assets	17	**(42,555)**	—
Purchase of available-for-sale investments	19	**(7,296)**	—
Purchase of shareholdings in joint ventures		**(104,501)**	—
Acquisition of subsidiaries	33	**6,017**	—
Net cash flows used in investing activities		**(183,321)**	(1,579)

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		752,797	217,456
Repayment of bank loans		(328,044)	(123,626)
Contributions from non-controlling shareholders		21,567	—
Sales of a subsidiary's shares to non-controlling shareholders		18,480	—
Dividends paid		(35,031)	(39,174)
Interest paid		(36,206)	(16,312)
Net cash flows from financing activities		393,563	38,344
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		394,282	(129,185)
Cash and cash equivalents at beginning of year		127,860	257,367
Effect of foreign exchange rate changes, net		153	(322)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	522,295	127,860

Notes to Financial Statements

31 December 2017

1. Corporate and Group Information

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is PO BOX 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investing holding company. During the year, the Company's subsidiaries were principally engaged in the services of landscape design and gardening and the related services.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Broad Landscape International Company Limited ("Broad Landscape International"), which is incorporated in British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2016 direct	2016 indirect	2017 direct	2017 indirect	Principal activities
Greenstate Times International Company Limited ("Greenstate Times")	British Virgin Islands	30 October 2013	USD50,000	100%	–	**100%**	**–**	Investment holding
Greenstate International Company Limited ("Greenstate International")	Hong Kong	12 November 2013	HKD10,000	–	100%	**–**	**100%**	Investment holding
Shanghai Qianyi Landscape Engineering Company Limited#	People's Republic of China (The "PRC")/ Mainland China	26 December 2013	USD37,000,000	–	100%	**–**	**100%**	Investment holding
Shanghai Qianyi Investing Company Limited#	PRC/Mainland China	20 May 2015	RMB2,000,000	–	100%	**–**	**100%**	Investment holding
Shanghai Greenstate Business Management Company Limited ("Greenstate Business")#	PRC/Mainland China	15 June 2004	RMB32,000,000	–	100%	**–**	**100%**	Landscaping
Broad Greenstate Ecological Construction Group Company Limited ("Broad Greenstate Ecological")#	PRC/Mainland China	1 July 1999	RMB1,050,000,000	–	100%	**–**	**100%**	Landscaping
Shanghai Greenstate Gardening Company Limited ("Greenstate Gardening")#	PRC/Mainland China	17 September 2004	RMB5,000,000	–	100%	**–**	**100%**	Landscaping
Shanxi Broad Weiye Landscape Engineering Company Limited ("Shanxi Broad")#	PRC/Mainland China	11 September 2013	RMB2,000,000	–	55%	**–**	**55%**	Landscaping

Notes to Financial Statements (Continued)

31 December 2017

1. Corporate and Group Information (Continued)

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2016 direct	2016 indirect	2017 direct	2017 indirect	Principal activities
Zhejiang Greenstate Ecological Gardening Company Limited ("Zhejiang Greenstate")#	PRC/Mainland China	14 April 2015	RMB30,000,000	—	100%	**–**	**100%**	Landscaping
Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. ("Shanghai Dongjiang")#	PRC/Mainland China	26 March 2010	RMB13,000,000	—	100%	**–**	**100%**	Design
Shanghai Dongjiang Building Landscape Engineering Co., Ltd. ("Dongjiang Landscape")#	PRC/Mainland China	25 May 2010	RMB10,000,000	—	100%	**–**	**100%**	Landscaping
Shanghai Bifu Investment Center LLP#	PRC/Mainland China	31 December 2015	RMB190,000,000	—	100%	**–**	**100%**	Investment holding
Yuzhou Shenhou Old Town Protection Construction Co., Ltd.#	PRC/Mainland China	12 May 2016	RMB50,000,000	—	90%	**–**	**90%**	Project management
Hangzhou Xiaoshan Jiangnan Garden Construction Co., Ltd.#	PRC/Mainland China	11 January 1996	RMB100,000,000	—	—	**–**	**60%**	Landscaping
Zhongbo Construction Engineering Group Co., Ltd ("Zhongbo Construction")#	PRC/Mainland China	16 January 2002	RMB321,000,000	—	—	**–**	**51%**	Landscaping
Tonglan Environment Protection Technology Co., Ltd.#	PRC/Mainland China	31 December 2015	RMB10,000,000	—	—	**–**	**60%**	Environment Treatment
Shanghai Luyou Investment Center LLP#	PRC/Mainland China	14 October 2015	RMB20,000,000	—	80%	**–**	**80%**	Investment Holding
Shanghai Qingfu Business Management Consulting Center LLP ("Shanghai Qingfu")#	PRC/Mainland China	17 March 2017	RMB 20,000,000	—	—	**–**	**96%**	Investment Holding
Shanghai Zhaofu Business Management Consulting Center LLP#	PRC/Mainland China	30 December 2016	RMB 20,000,000	—	100%	**–**	**100%**	Investment Holding

Registered as domestic companies with limited liability under the laws of the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements (Continued)

31 December 2017

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. 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 period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it 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.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 34(b) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 34(b) to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements.

Notes to Financial Statements (Continued)

31 December 2017

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*
[2] *Effective for annual periods beginning on or after 1 January 2019*
[3] *Effective for annual periods beginning on or after 1 January 2021*
[4] *No mandatory effective date yet determined but available for adoption*

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements (Continued)

31 December 2017

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. No financial assets currently held are measuring at fair value for the Group. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held are measuring for the foreseeable future and the Group expects to apply the option to present fair value for the Group changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that, due to the nature of its trade and other receivables, the expected impacts will not be material.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Notes to Financial Statements (Continued)

31 December 2017

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

(b) Impairment (Continued)

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 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 HKFRS 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 standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. The expected changes in accounting policies, as further explained below, will have an immaterial impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group's principal activities consist of providing landscape design and gardening and related services. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Retention money

The final settlement of some projects should be treated as retention money in accordance with the contractual terms. It would be paid to the Group after defects liability period (usually one to three years). Currently, the Group recognises total revenue which includes retention money by applying percentage-of-completion method. Upon the adoption of HKFRS 15, retention money receivables may be recognized separately as contingencies if the guarantee service could be separated from the construction contract. However, the customers do not have the option to purchase a warranty separately, and the service cost of quality assurance could not be divided from the total cost. Thus, HKFRS 15 will have little impact on the Group's revenue recognition.

(b) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Notes to Financial Statements (Continued)

31 December 2017

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

(b) Impairment (Continued)

(b) Presentation and disclosure (Continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 35 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB16,036,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Notes to Financial Statements (Continued)

31 December 2017

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group' share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its biological assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets, financial assets, other intangible assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Furniture and fixtures	19% to 32%
Motor vehicles	10% to 32%
Machinery	10% to 32%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Licences

Licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of 20 years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in administrative expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, corporate bonds and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell, with any gain of loss change therein recognised in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs and excluding finance costs and income taxes. The fair value is determined based on their present location and condition and is valued independently by professional valuers.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders’ right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Construction contracts (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group contributes on a monthly basis to this pension plan based on percentages of the total salary of employees, subject to a certain ceiling. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements (Continued)

31 December 2017

2.4 Summary of Significant Accounting Policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB. The Company's functional currency is HKD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. The directors of the Company believe that presenting the consolidated financial statements of the Group in RMB will provide shareholders with a more accurate reflection of the Group's underlying financial performance and position because the Group's revenues, profits and cash flows are primarily generated in RMB and are expected to remain principally denominated in RMB in the future.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC established subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC established subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was RMB8,378,000 (2016: RMB1,916,000). Further details are given in note 16.

Notes to Financial Statements (Continued)

31 December 2017

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Percentage of completion of construction contract works

The Group recognises revenue according to the percentage of completion of individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, which are prepared based on past experience, complexity of the project and the current quotation or market price of materials or services obtained. Due to the nature of the activities undertaken for the construction contracts, the date at which the contract is entered into and the date at which the contract is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract costs are more than expected, the gross profit of the relevant project will be fluctuated and an expected loss may arise. Further details are given in notes 5 and 20 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB20,117,000 as at 31 December 2017 (2016: RMB6,948,000) (note 29).

Impairment of trade receivables

The provision policy for impairment of receivables of the Group is based on ongoing assessment of the recoverability and the aged analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness with reference to the ageing of the balance, location of counterparties, existence of disputes and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. At 31 December 2017, the impairment provision for receivables amounted to approximately RMB46,196,000 (2016: RMB12,881,000). Further details are given in note 22 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment and other intangible assets

The Group's management determines the estimated useful lives and the related depreciation and amortisation charge for the Group's property, plant and equipment and other intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment or intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and therefore depreciation and amortisation charge in the future periods.

Notes to Financial Statements (Continued)

31 December 2017

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Application of purchase price allocation

When performing purchase price allocation for a subsidiary acquired in a business combination, the Group makes several estimates in the determination of the fair value of identifiable assets and liabilities, including:

(a) discounted cash flow projection based on reliable estimates of future cash flows from the leasing of investment properties, supported by existing rental agreements, external evidence such as the current market price of similar biological assets and similar properties in the same location and condition, and using discount rates that reflect current market assessments of uncertainty in the amount and timing of the cash flows; and

(b) estimated deferred tax for Corporate Income Tax arising from the fair value adjustments.

Further details of the business combinations are given in note 33 to the consolidated financial statements.

4. Operating Segment Information

The Group's principal business is providing landscape design and gardening and related services. 100% of the Group's revenue and operating profit were generated from providing the service of landscape. No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since over 90% of the Group's revenue and operating profit were generated from Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

Revenue from each of the major customers, which individually accounted for 10% or more of the Group's total revenue, is set out below:

	2017 RMB'000	2016 RMB'000
Customer A	**382,401**	*
Customer B	**226,917**	*
Customer C	**134,718**	*
Customer D	**134,568**	*
Customer E	*	472,739
Customer F	*	136,475

* *Less than 10% of the total revenue*

Notes to Financial Statements (Continued)

31 December 2017

5. Revenue, Other Income and Gains

Revenue represents an appropriate proportion of contract revenue of construction contracts and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

(a) Revenue:

	2017 RMB'000	2016 RMB'000
Construction contracts	**1,334,200**	721,004
Rendering of services	**2,127**	3,801
	1,336,327	724,805

(b) Other income and gains:

	2017 RMB'000	2016 RMB'000
Bank interest income	**836**	2,918
Other interest income*	**3,401**	9,318
Government grants**	**2,846**	2,004
Foreign exchange difference, net	**(3,696)**	3,367
Fair value losses, net:		
Biological assets	**(1,584)**	—
Rental income	**95**	—
Others	**36**	—
	1,934	17,607

* *The construction revenue is measured at the fair value of the consideration received or receivable which is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as other interest income.*

** *Government grants have been received from the local fiscal bureau in Mainland China as the financial support to the growth enterprises.*

Notes to Financial Statements (Continued)

31 December 2017

6. Profit Before Tax

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of construction contracts		**979,189**	450,206
Cost of services provided		**1,486**	3,509
Employee benefit expenses (including directors' and chief executive's remuneration as set out in note 8)			
Wages and salaries		**20,511**	12,008
Equity-settled share option expense		**(404)**	6,299
Pension scheme contributions		**9,514**	6,651
		29,621	24,958
Depreciation	*13,14*	**4,252**	1,866
Amortisation of other intangible assets*	*17*	**2,657**	1,314
Amortisation of prepaid land lease payment	*15*	**12**	—
Impairment of trade receivables	*22*	**33,315**	4,060
Impairment of Prepayment, deposit and other receivable	*23*	**3,400**	—
Consulting fees		**7,970**	10,664
Auditor's remuneration		**2,400**	1,800
(Gain)/Loss on disposal of items of property, plant and equipment		**(59)**	22
Minimum lease payments under operating lease		**5,574**	1,258

* *The amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.*

Notes to Financial Statements (Continued)

31 December 2017

7. Finance Costs

	2017 RMB'000	2016 RMB'000
Interest on interest-bearing bank and other borrowings	**19,855**	4,046
Interest on corporate bonds	**24,682**	23,448
	44,537	27,494

8. Directors', Chief Executive's and Senior Managements' Remuneration

Directors', chief executive's and senior managements' remuneration for the year, disclosed pursuant to the Listing Rules section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 RMB'000	2016 RMB'000
Fees	**240**	240
Other emoluments:		
Salaries, allowances and benefits in kind	**3,697**	3,720
Equity-settled share option expense	**1,337**	4,862
Pension scheme contributions	**540**	450
	5,814	9,272

During the year ended 31 December 2015, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors', chief executive's and senior managements' remuneration disclosures.

Notes to Financial Statements (Continued)

31 December 2017

8. Directors', Chief Executive's and Senior Managements' Remuneration (Continued)

The remuneration of each director and each member of senior management is set out below:

Name of director and senior management	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
For the year ended 31 December 2017					
Executive directors					
Mr. Wu Zhengping (a)	–	960	90	642	1,692
Ms. Xiao Li (a)	–	960	90	481	1,531
Mr. Wang Lei (b)	–	200	90	107	397
Ms. Chen Min (d)	–	359	90	–	449
Ms. Zhu Wen (a)	–	600	90	107	797
Non-executive directors					
Mr. Dai Guoqiang (c)	80	–	–	–	80
Mr. Zhang Qing (e)	80	–	–	–	80
Dr. Jin Hexian (f)	80	–	–	–	80
Senior management					
Mr. Zhang Yihua (g)	–	412	60	–	472
Mr. Jing Changzhong (h)	–	206	30	–	236
Total	240	3,697	540	1,337	5,814

There was no arrangement under which a director or senior management waived or agreed to waive any remuneration during the year.

Mr. Wu Zhengping is the chief executive of the Group.

Notes to Financial Statements (Continued)

31 December 2017

8. Directors', Chief Executive's and Senior Managements' Remuneration (Continued)

The remuneration of each director and senior management is set out below: (Continued)

Name of director and senior management	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
For the year ended 31 December 2016					
Executive directors					
Mr. Wu Zhengping (a)	—	960	90	1,919	2,969
Ms. Xiao Li (a)	—	960	90	1,439	2,489
Mr. Wang Lei (b)	—	600	90	320	1,010
Ms. Zhu Wen (a)	—	600	90	320	1,010
Non-executive directors					
Mr. Dai Guoqiang (c)	80	—	—	—	80
Mr. Zhang Qing (e)	80	—	—	—	80
Dr. Jin Hexian (f)	80	—	—	—	80
Senior management					
Mr. Zhang Yihua (g)	—	600	90	864	1,554
Total	240	3,720	450	4,862	9,272

Notes:

(a) Appointed on 3 January 2014

(b) Appointed on 3 January 2014 and resigned on 13 April 2017

(c) Appointed on 25 June 2014

(d) Appointed on 13 April 2017

(e) Appointed on 25 June 2014 and resigned on 29 December 2017

(f) Appointed on 29 August 2014

(g) Employed on 31 August 2015 and resigned on 1 September 2017

(h) Employed on 1 September 2017

Notes to Financial Statements (Continued)

31 December 2017

9. Five Highest Paid Employees

The five highest paid employees during the year included four executive directors and the chief financial officer (2016: four executive directors and the chief financial officer), details of whose remuneration are set out in note 8 above.

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

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**1**	1

10. Income Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017 **RMB'000**	2016 RMB'000
Current — PRC		
Charge for the year	**40,120**	55,996
Deferred tax *(note 29)*	**(6,116)**	(2,381)
Total tax charge for the year	**34,004**	53,615

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the BVI is not subject to income tax as the subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law") by order No. 63 of the President of the PRC which became effective from 1 January 2008. On 6 December 2007, the State Council issued the Implementation Regulation of the New EIT Law. Pursuant to the New EIT Law and Implementation Regulation, a uniform income tax rate of 25% was imposed on both domestic and foreign-invested enterprises from 1 January 2008. On 22 April 2009, the State Administration of Taxation issued State Tax Letter No.203 about preferential income tax rate on new hi-technology enterprises. This letter states that an income tax rate of 15% is imposed on new hi-technology enterprises. Broad Greenstate Ecological applied for the recognition of new hi-technology enterprise, which was approved on 23 November 2017.

Notes to Financial Statements (Continued)

31 December 2017

10. Income Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	**178,248**	205,322
Tax at the statutory tax rate (25%)	**44,562**	51,331
Lower tax rate enacted by local authority	**(23,731)**	8,631
Effect on opening deferred tax of decrease in rates	**1,069**	—
Adjustments in respect of current tax of previous periods	**(66)**	(7,953)
Profits and losses attributable to joint ventures	**390**	(38)
Expenses not deductible for tax	**1,178**	1,171
Tax losses not recognised	**10,602**	473
Tax charge at the Group's effective rate	**34,004**	53,615

11. Dividends

	2017 RMB'000	2016 RMB'000
Proposed final — HK1.4 cents (2016: HK1.2 cents) per ordinary share	**39,117**	35,031

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

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 3,338,009,932 (2016: 3,306,616,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, adjusted to reflect the expense of equity-settled share options, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all diluted potential ordinary shares into ordinary shares.

Notes to Financial Statements (Continued)

31 December 2017

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (Continued)

The calculations of basic and diluted earnings per share are based on:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations	**155,619**	151,707

	Number of shares 2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,338,009,932**	3,306,616,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**13,349,402**	10,007,092
	3,351,359,334	3,316,623,092
Basic earnings per share (RMB)	**0.05**	0.05
Diluted earnings per share (RMB)	**0.05**	0.05

Notes to Financial Statements (Continued)

31 December 2017

13. Property, Plant and Equipment

31 December 2017

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2016 and at 1 January 2017:							
Cost	12,811	2,843	9,903	200	967	884	27,608
Accumulated depreciation and impairment	(1,543)	(2,127)	(3,202)	(193)	(100)	–	(7,165)
Net carrying amount	11,268	716	6,701	7	867	884	20,443
At 1 January 2017, net of accumulated depreciation and impairment	11,268	716	6,701	7	867	884	20,443
Additions	–	3,064	4,435	397	3,106	106	11,108
Acquisition of subsidiaries *(note 33)*	6,610	128	497	33	–	–	7,268
Disposal	(3,293)	–	–	–	–	–	(3,293)
Depreciation provided for the year *(note 6)*	(729)	(1,500)	(355)	(12)	(996)	–	(3,592)
At 31 December 2017, net of accumulated depreciation and impairment	13,856	2,408	11,278	425	2,977	990	31,934
At 31 December 2017:							
Cost	15,845	6,035	14,835	630	4,073	990	42,408
Accumulated depreciation and impairment	(1,989)	(3,627)	(3,557)	(205)	(1,096)	–	(10,474)
Net carrying amount	13,856	2,408	11,278	425	2,977	990	31,934

At 31 December 2017, certain of the Group's buildings with a net carrying amount of approximately RMB7,480,000 (2016: RMB7,684,000) was pledged to secure bank loans granted to the Group.

Notes to Financial Statements (Continued)

31 December 2017

13. Property, Plant and Equipment (Continued)

31 December 2016

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2015 and at 1 January 2016:							
Cost	12,811	2,565	10,156	200	500	539	26,771
Accumulated depreciation and impairment	(934)	(1,892)	(3,012)	(182)	–	–	(6,020)
Net carrying amount	11,877	673	7,144	18	500	539	20,751
At 1 January 2016, net of accumulated depreciation and impairment	11,877	673	7,144	18	500	539	20,751
Additions	–	411	357	–	467	345	1,580
Disposal	–	(1)	(21)	–	–	–	(22)
Depreciation provided for the year *(note 6)*	(609)	(367)	(779)	(11)	(100)	–	(1,866)
At 31 December 2016, net of accumulated depreciation and impairment	11,268	716	6,701	7	867	884	20,443
At 31 December 2016:							
Cost	12,811	2,843	9,903	200	967	884	27,608
Accumulated depreciation and impairment	(1,543)	(2,127)	(3,202)	(193)	(100)	–	(7,165)
Net carrying amount	11,268	716	6,701	7	867	884	20,443

14. Investment Properties

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**–**	–
Acquisition of a subsidiary *(note 33(a))*	**19,739**	–
Depreciation	**(660)**	–
Carrying amount at 31 December	**19,079**	–

Notes to Financial Statements (Continued)

31 December 2017

14. Investment Properties (Continued)

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35 (a) to the financial statements.

At 31 December 2017, certain of the Group's investment properties with a net carrying amount of approximately RMB19,079,000 (2016: nil) was pledged to secure bank loans granted to the Group.

The Group's investment properties were revalued individually at the end of the reporting period by Shanghai Qian Yi Assets Appraisal Co., Ltd. (上海仟一資產評估有限公司), independent professionally qualified valuers, at an aggregate open market value of RMB20,800,000 based on their existing use.

Assets disclosed at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment Properties	—	20,800	—	20,800
	—	20,800	—	20,800

The direct comparison method is adopted in the valuation and the significant observable input is the current market price of similar properties in the same location and condition.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

15. Prepaid Land Lease Payments

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	—	—
Acquisition of a subsidiary *(note 33(a))*	606	—
Amortisation provided during the year	(12)	—
Carrying amount at 31 December	594	—

The carrying amount of the Group's prepaid land lease payments represents the carrying amount of land use rights in Mainland China. The Group was in the process of applying for the certificates of land with a carrying amount of RMB594,000 as at 31 December 2017 (2016: nil).

Notes to Financial Statements (Continued)

31 December 2017

16. Goodwill

	RMB'000
At 1 January 2016	
Cost	1,916
Accumulated impairment	—
Net carrying amount	1,916
Cost at 1 January 2016, net of accumulated impairment	1,916
Impairment during the year	—
At 31 December 2016	1,916
At 31 December 2016	
Cost	1,916
Accumulated impairment	—
Net carrying amount	1,916
Cost at 1 January 2017, net of accumulated impairment	1,916
Acquisition of a subsidiary *(note 33(a))*	6,462
Impairment during the year	—
Cost and net carrying amount at 31 December 2017	8,378
At 31 December 2017	
Cost	8,378
Accumulated impairment	—
Net carrying amount	8,378

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the cash-generating unit of the landscape gardening service (the "Unit").

The recoverable amount of the Unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projection was 16% (2016:16%) and cash flows beyond the five-year period were extrapolated using a growth rate of 5% (2016: 5%) which was the same as the long term average growth rate of the industry.

Notes to Financial Statements (Continued)

31 December 2017

16. Goodwill (Continued)

Assumptions were used in the value in use calculation of the Unit for 31 December 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year from where the raw materials are sourced.

The values assigned to the key assumptions on market development of landscape gardening service, budgeted gross margins, the discount rate and raw materials price inflation are consistent with external information sources.

17. Other Intangible Assets

	Licences RMB'000
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	24,646
Additions	42,555
Amortisation provided during the year *(note 6)*	(2,657)
At 31 December 2017	64,544
At 31 December 2017:	
Cost	70,092
Accumulated amortisation	(5,548)
Net carrying amount	64,544
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation	25,960
Amortisation provided during the year *(note 6)*	(1,314)
At 31 December 2016	24,646
At 31 December 2016:	
Cost	27,443
Accumulated amortisation	(2,797)
Net carrying amount	24,646

The licences represent the general contracting of housing construction works qualification certificate of Special Grade issued by the Ministry of Housing and Urban-Rural Development of the PRC, the urban landscape construction enterprises qualification certificate of Grade One issued by the Ministry of Housing and Urban-Rural Development of the PRC, the scenery landscape design qualification certificate of Grade One issued by the Ministry of Housing and Urban-Rural Development of the PRC, and the design qualification for construction engineering professional design of Grade One issued by the Ministry of Housing and Urban-Rural Development of the PRC, etc.

Notes to Financial Statements (Continued)

31 December 2017

18. Investment in Joint Ventures

	2017 RMB'000	2016 RMB'000
Share of net assets	**108,397**	5,456

The Group's trade receivable balances due from the joint ventures are disclosed in note 22 to the financial statements.

Particulars of the Group's joint ventures are as follows:

			Percentage of			
Name	Particulars of issued shares held	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities
Shanghai City Investment Virescence Technology Development Company Limited ("Shanghai City")	RMB36,000,000	PRC/Mainland China	15%	15%	15%	Landscaping
Quanzhou Haixi Botanic Garden Development Company Limited ("Quanzhou Haixi")	RMB100,000,000	PRC/Mainland China	79.5%	79.5%	79.5%	Project management
Qishan Taiping Pagoda Cultural Tourism Development Company Limited ("Qishan Taiping")	RMB87,900,000	PRC/Mainland China	80%	80%	80%	Project management

Notes to Financial Statements (Continued)

31 December 2017

18. Investment in Joint Ventures (Continued)

(a) The investment in Shanghai City is directly held by Greenstate Business, which is a wholly-owned subsidiary of the Company.

Shanghai City is considered one of the material joint ventures of the Group in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information of Shanghai City adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	3,581	2,172
Other current assets	33,081	37,669
Current assets	36,662	39,841
Non-current assets	343	34
Current liabilities	(3,557)	(3,499)
Net assets	33,448	36,376
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	15%	15%
Group's share of net assets of the joint venture, excluding goodwill	5,017	5,456
Carrying amount of the investment	5,017	5,456
Revenue	3,538	3,075
Depreciation and amortisation	(3)	(132)
Profit/(loss) for the year and total comprehensive income/(loss) for the year	(2,928)	1,000

Notes to Financial Statements (Continued)

31 December 2017

18. Investment in Joint Ventures (Continued)

(b) The investment in Quanzhou Haixi is directly held by Shanghai Jiazhuan Industrial Co., Ltd. and Broad Greenstate Ecological, both of which are wholly-owned subsidiaries of the Company.

Quanzhou Haixi is considered one of the material joint ventures of the Group in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information of Quanzhou Haixi adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	17,964	—
Other current assets	230,189	—
Current assets	248,153	—
Non-current assets	374	—
Current liabilities	(149,936)	—
Net assets	98,591	—

	2017 RMB'000	2016 RMB'000
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	79.5%	—
Group's share of net assets of the joint venture, excluding goodwill	78,380	—
Carrying amount of the investment	78,380	—
Revenue	226,917	—
Depreciation and amortisation	(28)	—
Loss for the year and total comprehensive loss for the year	(1,409)	—

18. Investment in Joint Ventures (Continued)

(c) The investment in Qishan Taiping is directly held by Shanghai Qingfu, Broad Greenstate Ecological, Zhongbo Construction and Shanghai Dongjiang. Both Broad Greenstate Ecological and Shanghai Dongjiang are wholly-owned subsidiaries of the Company while Shanghai Qingfu and Zhongbo Construction are partly-owned subsidiaries.

Qishan Taiping is considered one of the material joint ventures of the Group in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information of Qishan Taiping adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	5,002	—
Other current assets	162,166	—
Current assets	167,168	—
Non-current assets	—	—
Current liabilities	(135,918)	—
Net assets	31,250	—
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	80%	—
Group's share of net assets of the joint venture, excluding goodwill	25,000	—
Carrying amount of the investment	25,000	—
Revenue	134,718	—
Depreciation and amortisation	—	—
Profit for the year and total comprehensive income for the year	—	—

Notes to Financial Statements (Continued)

31 December 2017

19. Available-For-Sale Investments

	2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost	**7,296**	—

As at 31 December 2017, certain unlisted equity investments with a carrying amount of RMB7,296,000 (2016: nil) were stated at cost less impairment because the range of reasonable fair values estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

20. Construction Contracts

	2017 RMB'000	2016 RMB'000
Gross amount due from contract customers		
Current	**667,134**	377,984
Non-current	**537,618**	486,921
	1,204,752	864,905
Contract costs incurred plus recognised profits less recognised losses to date	**2,322,353**	1,443,330
Less: Progress billings	**(1,117,601)**	(578,425)
	1,204,752	864,905

21. Biological Assets

A. Nature of activities

Plants and saplings owned by the Group are held for future landscape gardening.

B. Value of plants and saplings

The value of plants and saplings at 31 December 2017 was:

	2017 RMB'000	2016 RMB'000
Plants and saplings	**40,413**	—

21. Biological Assets (Continued)

B. Value of plants and saplings (Continued)

The Group's plants and saplings were independently valued by a firm of independent professionally qualified valuers not connected with the Group, who has appropriate qualifications and recent experiences in the valuation of biological assets. The fair value less costs to sell of the plants and saplings is determined based on the market-determined prices as at the end of each reporting period adjusted with reference to the species, age, diameter and cost incurred.

The principal valuation assumptions adopted in measuring the fair value of plants and saplings are the actual stock on the valuation date and the effective market price in Mainland China.

The valuation of the fair value of biological assets has taken into consideration the transportation costs. The transportation costs for the sales of plants and saplings are not material in the view of the Group's directors.

C. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Biological assets	40,413	—	—	40,413
	40,413	—	—	40,413

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

22. Trade Receivables

	2017 RMB'000	2016 RMB'000
Trade receivables	**1,686,753**	704,345
Impairment	**(46,196)**	(12,881)
	1,640,557	691,464

The Group's trading terms with its customers are mainly on credit. The credit period varies with actual projects, ranging from 7 to 180 days (excluding retention money receivables). 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's trade receivables are mainly concentrated to government authorities, and some are concentrated to real estate companies. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**1,194,100**	625,356
Over one year but within two years	**393,926**	45,878
Over two years	**52,531**	20,230
	1,640,557	691,464

The movements in provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**12,881**	8,821
Impairment losses recognised *(note 6)*	**37,771**	4,060
Impairment losses reversed *(note 6)*	**(4,456)**	—
	46,196	12,881

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB46,196,000 (2016: RMB12,881,000) with a carrying amount before provision of approximately RMB784,995,000 (2016: RMB268,606,000).

Notes to Financial Statements (Continued)

31 December 2017

22. Trade Receivables (Continued)

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	901,758	435,739

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

Included in the Group's trade receivables are amounts due from the Group's joint ventures of RMB361,635,000 (2016: nil), which are repayable on credit terms similar to those offered to the major customers of the Group.

For retention money receivables in respect of construction works carried out by the Group, the respective due dates usually range from one to three years after the completion of the relevant construction work. At 31 December 2017, retention money held by customers included in trade receivables amounted to approximately RMB69,694,000 (2016: RMB38,212,000), of which RMB59,073,000 (2016: RMB37,234,000) is expected to be recovered after more than twelve months.

23. Prepayments, Deposits and Other Receivables

	2017 RMB'000	2016 RMB'000
Current		
Prepayments	8,899	8,101
Deposits and other receivables	211,821	59,715
	220,720	67,816
Non-current		
Prepayments	47,616	—
	268,336	67,816

Net of prepayments, deposits and other receivables is a provision of RMB3,436,000 (2016: RMB36,000).

Notes to Financial Statements (Continued)

31 December 2017

23. Prepayments, Deposits and Other Receivables (Continued)

The movements in provision for impairment of prepayments, deposits and other receivables is as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	36	36
Impairment losses recognised	3,400	—
	3,436	36

Included in the provision for impairment of prepayments, deposits and other receivables is a provision for individually impaired receivables of RMB3,436,000 (2016: RMB36,000) with a carrying amount before provision of RMB3,436,000 (2016: RMB36,000). The individually impaired receivables relate to a portion of receivables that were not expected to be recovered.

The financial assets included in the remaining balances relate to receivables for which there was no recent history of default.

24. Cash and Cash Equivalents and Pledged Deposits

	2017 RMB'000	2016 RMB'000
Cash and bank balances	511,292	127,860
Time deposits	90,021	—
	601,313	127,860
Less: Pledged time deposits:		
Pledged for construction contracts	79,018	—
Cash and cash equivalents	522,295	127,860

At the end of the reporting period, the cash and bank balances of the Group denominated in US dollars ("USD") amounted to RMB2,186,000 (2016: RMB2,185,000) and denominated in Hong Kong dollars ("HKD") amounted to RMB244,000 (2016: RMB176,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Notes to Financial Statements (Continued)

31 December 2017

25. Corporate Bonds

	2017 RMB'000	2016 RMB'000
Current corporate bonds	**261,609**	277,422

On 15 October 2015, the Company issued corporate bonds to Greenland Financial Overseas Investment Group Co., Ltd. (related party of a non-controlling interest shareholder) with a face value of USD40,000,000. The bonds are guaranteed by 100,000 shares of Greenstate Times International Company Limited held by the Company directly and indirectly. On 11 October 2016, the Company extended the term of the bonds, where the maturity date of the bonds fell one calendar year after 15 October 2016 on 15 October 2017. On 10 November 2017, the Company signed an agreement with Greenland Financial Overseas Investment Group Co,. Ltd. to agree that the condition to the bond would be amended and restated as set out in a new instrument to be entered into in 2018. In addition, between the period from 15 October 2017 to the date on which the new instrument is issued, the Company shall not bear any interest. On 15 January 2018, the Company announced that it decided to propose the issuance of a redeemable fixed coupon promissory note with a principal amount of USD40,000,000 at the rate of 9.00% per annum to Greenland Financial from 15 November 2017, guaranteed by 50,000 ordinary shares of Greenstate Times International Company Limited and 5,000 ordinary shares of Greenstate International Company Limited.

26. Trade and Bills Payables

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

	2017 RMB'000	2016 RMB'000
Within one year	**1,589,999**	300,267
Over one year but within two years	**92,162**	120,110
Over two years	**54,225**	99,641
	1,736,386	520,018

The trade payables are non-interest-bearing and are normally settled on terms of six months.

Notes to Financial Statements (Continued)

31 December 2017

27. Other Payables and Accruals

	2017 RMB'000	2016 RMB'000
Other tax payable	**104,657**	53,238
Other payables	**121,732**	38,785
Deposits from sub-contractors	**37,938**	5,886
Staff payroll and welfare payables	**1,856**	4,231
Interest payable	**3,704**	4,653
	269,887	106,793

Other payables are non-interest-bearing and are normally settled on terms of three months.

28. Interest-Bearing Bank and Other Borrowings

		2017			2016		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans — secured	*(i)*	**3.24–7.2**	**2018**	**212,069**	3.25–4.57	2017	127,758
Bank loans — unsecured		**5.87**	**2018**	**13,000**			
Other loans — unsecured		**8.5**	**2018**	**28,000**			
				253,069			127,758
Non-current							
Bank loans — secured	*(i)*	**5.74**	**2028**	**300,000**			—
Other loans — secured	*(i)*	**6.8**	**2020**	**115,200**			—
				415,200			—
				668,269			127,758

Notes to Financial Statements (Continued)

31 December 2017

28. Interest-Bearing Bank and Other Borrowings (Continued)

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	225,069	127,758
In the second year	—	—
In the third to fifth years, inclusive	—	—
Beyond five years	300,000	—
	525,069	127,758
Other borrowings repayable:		
Within one year or on demand	28,000	—
In the second year	57,600	—
In the third to fifth years, inclusive	57,600	—
Beyond five years	—	—
	143,200	—
	668,269	127,758

Notes:

(i) *As at 31 December 2017, bank and other loans secured were as follows:*

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
Share charge over the 441,011,440 (2016: 330,000,000) shares	(a)	128,869	117,758
Pledge of properties	(b)	18,500	10,000
Guaranteed by Mr. Wu Zhengping	(c)	15,000	—
Guaranteed by Hangzhou Xiaoshan Yonghe Landscaping Engineering Co., Ltd. ("Xiaoshan Yonghe") and Mr. Ling Jijiang	(d)	27,700	—
Guaranteed by Xiaoshan Yonghe, Mr. Ling Jijiang and Ms. Chen Jianfen	(d)	10,000	—
Guaranteed by Zhejiang Yulin Holding Group Company Limited	(d)	12,000	—
Pledge of shares of Shanghai Bifu Investment Center	(e)	115,200	—
Guaranteed by Henan Shenhou Old Town Development Co., Ltd. and the trade receivables of Yuzhou Shenhou Old Town Protection Construction Co., Ltd. (a subsidiary of the Group) from Henan Yuzhou Shenhou Government		300,000	—
		627,269	127,758

(a) *The 350,161,440 (2016: 330,000,000) shares of the Company are held by the holding company and the ultimate holding company was pledged to secure the bank loans of RMB95,340,000;*

The share charge over the 90,850,000 (2016: nil) shares of the Company held by the holding company and the ultimate holding company was pledged to secure the bank loans of RMB33,529,000;

Notes to Financial Statements (Continued)

31 December 2017

28. Interest-Bearing Bank and Other Borrowings (Continued)

Notes: (Continued)

(i) (Continued)

(b) A mortgage over the Group's building situated in Shanghai, which had an aggregate carrying value at 31 December 2017 of RMB7,480,000 (2016: RMB7,684,000) was pledged to secure bank loans of RMB10,000,000 (2016: RMB10,000,000);

A mortgage over the Group's investment property situated in Hangzhou, which had an aggregate carrying value at the end of the reporting period of RMB19,079,000 was pledged to secure bank loans of RMB8,500,000 (2016: nil) ;

(c) A mortgage over the property belonging to Wu Zhengping, the executive director of the Group, which is located in Shanghai and had an aggregate fair value of RMB15,030,000 assessed by the appraiser was pledged to secure bank loans of RMB15,000,000;

(d) Except for Hangzhou Xiaoshan Yonghe, which is a third party, Ling Jijiang, Chen Jianfen and Zhejiang Yulin Holding Group Company Limited are non-controlling shareholders of Hang Zhou Xiaoshan Jiangnan Garden Construction Company Limited;

(e) The shares of Shanghai Bifu Investment Center pledged are held by the Company.

(ii) Except for secured bank loans of HKD40,110,000 (2016: HKD46,293,000) which are denominated in HKD, all borrowings are denominated in RMB.

29. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Changes in the fair value of biological assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Other temporary differences RMB'000	Total RMB'000
2017				
At 1 January 2017	**—**	**4,211**	**2,737**	**6,948**
Deferred tax arising from acquisition *(note 33 (a))*	**—**	**—**	**7,553**	**7,553**
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	**396**	**(2,685)**	**7,905**	**5,616**
At 31 December 2017	**396**	**1,526**	**18,195**	**20,117**
2016				
At 1 January 2016	—	3,237	1,666	4,903
Deferred tax credited to profit or loss during the year *(note 10)*	—	974	1,071	2,045
At 31 December 2016	—	4,211	2,737	6,948

Notes to Financial Statements (Continued)

31 December 2017

29. Deferred Tax (Continued)

Deferred tax liabilities:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Other temporary differences RMB'000	Total RMB'000
2017			
At 1 January 2017	**6,145**	**—**	**6,145**
Deferred tax arising from acquisition *(note 33 (a))*	**3,970**	**719**	**4,689**
Deferred tax credited to profit or loss during the year *(note 10)*	**(500)**	**—**	**(500)**
At 31 December 2017	**9,615**	**719**	**10,334**
2016			
At 1 January 2016	6,481	—	6,481
Deferred tax credited to profit or loss during the year *(note 10)*	(336)	—	(336)
At 31 December 2016	6,145	—	6,145

Deferred tax assets have not been recognised in respect of tax losses of RMB43,855,000 as at 31 December 2017 (2016: RMB2,104,000), as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB764,002,000 (2016: RMB564,481,000).

Notes to Financial Statements (Continued)

31 December 2017

30. Share Capital

Shares

	2017 RMB'000	2016 RMB'000
Issued and fully paid:		
3,342,536,957 (2016: 3,306,616,000) ordinary shares of HK$0.025 each	**66,396**	65,602

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 31 December 2015 and 1 January 2016	3,306,616,000	65,602	219,710	285,312
Dividend declared	—	—	(39,174)	(39,174)
At 31 December 2016 and 1 January 2017	3,306,616,000	65,602	180,536	246,138
Issue of shares (a)	35,920,957	794	44,604	45,398
Dividend declared	—	—	(35,031)	(35,031)
At 31 December 2017	3,342,536,957	66,396	190,109	256,505

Note:

(a) 35,920,957 shares were issued at the subscription price of HK$1.43 per share for the acquisition of a subsidiary during the year ended 31 December 2017.

31. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 69 of the financial statements.

32. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme became effective on 1 September 2015 and, unless otherwise cancelled or amended, will remain in force for 6 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 3.41% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within one month from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one year and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Notes to Financial Statements (Continued)

31 December 2017

32. Share Option Scheme (Continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2017 Weighted average exercise price HK$	2017 Number of options '000
At 1 January 2017	**1.24**	**103,750**
Forfeited during the year	**1.24**	**(40,150)**
At 31 December 2017	**1.24**	**63,600**

No share options were exercised during the year.

	2016 Weighted average exercise price HK$	2016 Number of options '000
At 1 January 2016	1.24	109,750
Forfeited during the year	1.24	(6,000)
At 31 December 2016	1.24	103,750

32. Share Option Scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017

	Number of options '000	Exercise price* HK$ per share	Exercised period
	15,900	**1.24**	**1-9-2018 to 31-8-2019**
	23,850	**1.24**	**1-9-2019 to 31-8-2020**
	23,850	**1.24**	**1-9-2020 to 31-8-2021**
	63,600		

2016

	Number of options '000	Exercise price* HK$ per share	Exercised period
	20,750	1.24	1-9-2017 to 31-8-2018
	20,750	1.24	1-9-2018 to 31-8-2019
	31,125	1.24	1-9-2019 to 31-8-2020
	31,125	1.24	1-9-2020 to 31-8-2021
	103,750		

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

At the end of the reporting period, the Company had 63,600,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 63,600,000 additional ordinary shares of the Company and additional share capital of HKD1,590,000 (2016: HKD2,593,750) (before issue expenses).

Subsequent to the end of the reporting period, on 28 March 2018, a total of 15,900,000 share options lapsed.

At the date of approval of these financial statements, the Company had 47,700,000 share options outstanding under the Scheme, which represented approximately 1.43% of the Company's shares in issue as at that date.

Notes to Financial Statements (Continued)

31 December 2017

33. Business Combination

(a) On 15 February 2017, the Group acquired a 60% interest in Hang Zhou Xiaoshan Jiangnan Garden Construction Company Limited (杭州蕭山江南園林有限公司). It is engaged in landscape gardening. The acquisition was made as part of the Group's strategy to expand its business scope. The purchase consideration for the acquisition was in the form of cash, with RMB19,042,918 paid at the acquisition date and the issue of 35,920,957 shares at the stock closing price of HKD1.43 per share at the acquisition date.

The Group has elected to measure the non-controlling interest in this subsidiary at the non-controlling interest's proportionate share of Hang Zhou Xiaoshan Jiangnan Garden Construction Company Limited's identifiable net assets.

The fair values of the identifiable assets and liabilities of Hang Zhou Xiaoshan Jiangnan Garden Construction Company Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Investment properties *(note 14)*	19,739
Property, plant and equipment *(note 13)*	7,215
Prepaid land lease payments *(note 15)*	606
Deferred tax assets *(note 29)*	7,553
Construction contracts	147,159
Biological assets *(note 21)*	41,653
Trade receivables	559,188
Prepayments, deposits and other receivables	223,377
Cash and cash equivalents	25,007
Trade and bills payables	(750,896)
Other payables and accruals	(50,558)
Interest-bearing bank borrowings	(117,400)
Tax payable	(11,322)
Deferred tax liabilities *(note 29)*	(4,689)
Total identifiable net assets at fair value	96,632
Non-controlling interest	(38,652)
Goodwill on acquisition	6,462
Purchase consideration	64,441
Satisfied by	
— issuance of shares	45,398
— cash	19,043

Notes to Financial Statements (Continued)

31 December 2017

33. Business Combination (Continued)

The fair values of investment properties and property, plant and equipment as at the date of acquisition amounted to RMB19,739,000 and RMB7,215,000 respectively. The book values of investment properties and property, plant and equipment were RMB8,145,000 and RMB2,928,000, respectively, of which two properties owned by Jiangnan had increased in value when valuated.

The fair values of trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to RMB559,188,000 and RMB223,377,000 respectively. The gross contractual amounts of trade receivables and prepayments, deposits and other receivables were RMB587,563,000 and RMB233,954,000, respectively, of which trade receivables of RMB28,375,000 and other receivables of RMB10,577,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB1,602,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(19,043)
Cash and bank balances acquired	25,007
Net inflow of cash and cash equivalents included in cash flows from investing activities	5,964
Transaction costs of the acquisition included in cash flows from operating activities	(1,602)
	4,362

Since the acquisition, Hang Zhou Xiaoshan Jiangnan Garden Construction Company Limited contributed RMB199,404,000 to the Group's revenue and loss of RMB24,882,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,367,908,000 and RMB145,605,000, respectively.

(b) On 27 June 2017, the Group acquired a 60% interest in Tonglan Environment Protection Technology Company Limited (同藍環保技術有限公司). It is engaged in water environment treatment. The acquisition was made as part of the Group's strategy to expand its business scope. The purchase consideration for the acquisition was in the form of cash, with RMB1 paid at the acquisition date.

The Group has elected to measure the non-controlling interest in this subsidiary at the non-controlling interest's proportionate share of Tonglan Environment Protection Technology Company Limited's identifiable net assets.

Notes to Financial Statements (Continued)

31 December 2017

33. Business Combination (Continued)

The fair values of the identifiable assets and liabilities of Tonglan Environment Protection Technology Company Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	53
Trade receivables	1,780
Prepayments, deposits and other receivables	543
Cash and cash equivalents	53
Trade and bills payables	(1,835)
Other payables and accruals	(534)
Total identifiable net assets at fair value	60
Non-controlling interest	(24)
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income	(36)
Purchase consideration	—
Satisfied by cash	—

The Group incurred no transaction costs for this acquisition.

The fair values of trade receivable and prepayments, deposits and other receivables as at date of acquisition amounted to RMB1,780,000 and RMB543,000 respectively. The gross contractual amounts of trade receivables and prepayments, deposits and other receivables were RMB1,780,000 and RMB543,000 with no impairment, respectively.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	—
Cash and bank balances acquired	53
Net inflow of cash and cash equivalents included in cash flows from investing activities	53

Notes to Financial Statements (Continued)

31 December 2017

33. Business Combination (Continued)

Since the acquisition, Tonglan Environment Protection Technology Company Limited contributed RMB2,088,000 to the Group's revenue and loss of RMB827,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,339,603,000 and RMB143,325,000, respectively.

34. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, 35,920,957 shares were issued at the subscription price of HK$1.43 per share for the acquisition of Hang Zhou Xiaoshan Jiangnan Garden Construction Company Limited.

(b) Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Corporate bonds RMB'000
At 1 January 2017	127,758	277,422
Changes from financing cash flows	424,753	(23,944)
Foreign exchange movement	(1,642)	(16,551)
Interest expense	—	24,682
Increase arising from acquisition of subsidiaries	117,400	—
At 31 December 2017	668,269	261,609

35. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**88**	—
In the second to fifth years, inclusive	**299**	—
	387	—

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**5,752**	1,258
In the second to fifth years, inclusive	**6,765**	2,612
After five years	**5,119**	3,466
	17,636	7,336

Notes to Financial Statements (Continued)

31 December 2017

36. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2017 RMB'000	2016 RMB'000
Provision of construction services to the related parties*	**852,307**	—
Leases of office from Mr. Wu Zhengping and Ms. Xiao Li	**800**	800

* *The above construction services consist of services provided for:*

Xi'an Greenland Jue River Wetland Park Development Company Limited (i)	*382,401*	—
Taiyuan Longcheng Greenland Botanical Garden Company Limited (ii)	*108,271*	—
Quanzhou Haixi Botanic Garden Development Company Limited (iii)	*226,917*	—
Qishan Taiping Pagoda Cultural Tourism Development Company Limited (iv)	*134,718*	—

(i) *Xi'an Greenland Jue River Wetland Park Development Company Limited is a joint venture of Greenland Group, which is the ultimate holding company of non-controlling interest, and the Company is an associate of Greenland Group.*

(ii) *Taiyuan Longcheng Greenland Botanical Garden Company Limited is a joint venture of Greenland Group and the Company is an associate of Greenland Group.*

(iii) *Quanzhou Haixi Botanic Garden Development Company Limited is a joint venture of the Group.*

(iv) *Qishan Taiping Pagoda Cultural Tourism Development Company Limited is a joint venture of the Group.*

(b) Other transactions with related parties:

(i) During the year, Greenstate Gardening used office premises free of charge with a gross floor area of 100 sq. m. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, the PRC, which were owned by Mr. Wu Jie, a close family member of Mr. Wu Zhengping's family.

(ii) On 10 November 2017, the Company signed an agreement with Greenland Financial Overseas Investment Group Co., Ltd ("Greenland Financial") to agree that the condition of the corporate bonds (note 25 to the financial statements) would be amended and restated as set out in a new instrument to be entered into in 2018. In addition, between the period from 15 October 2017 to the date on which the new instrument is issued, the Company shall not bear any interest. The interest on corporate bonds to Greenland Financial for the year ended 31 December 2017 was RMB24,682,000 (2016: RMB23,448,000).

(iii) The Company's holding company and ultimate holding company have charged certain shares of the Company to secure the bank loans. Further details are given in note 28 to the financial statements.

Notes to Financial Statements (Continued)

31 December 2017

36. Related Party Transactions (Continued)

(c) Compensation of key management personnel of the Group

	2017 RMB'000	2016 RMB'000
Fees	**240**	240
Salaries	**3,697**	3,720
Equity-settled share option expense	**1,337**	4,862
Pension scheme contributions	**540**	450
	5,814	9,272

(d) Outstanding balances with related parties

	2017 RMB'000	2016 RMB'000
(i) Due from related parties		
Trade receivables		
Xi'an Greenland Jue River Wetland Park Development Company Limited	**263,175**	—
Taiyuan Longcheng Greenland Botanical Garden Company Limited	**101,162**	—
Quanzhou Haixi Botanic Garden Development Company Limited	**99,335**	—
Qishan Taiping Pagoda Cultural Tourism Development Company Limited	**134,583**	—
Prepayments, deposits and other receivables		
Shanghai City Investment Virescence Technology Development Company Limited*	**243**	—

* *Shanghai City Investment Virescence Technology Development Company Limited is a joint venture of the Group.*

Notes to Financial Statements (Continued)

31 December 2017

37. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	1,640,557	—	1,640,557
Financial assets included in prepayments, deposits and other receivables	211,821	—	211,821
Cash and cash equivalents	522,295	—	522,295
Pledged deposits	79,018	—	79,018
Available-for-sale investments	—	7,296	7,296
	2,453,691	7,296	2,460,987

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Corporate bonds	261,609
Trade and bills payables	1,736,386
Financial liabilities included in other payables and accruals	163,374
Interest-bearing bank and other borrowings	668,269
	2,829,638

Notes to Financial Statements (Continued)

31 December 2017

37. Financial Instruments by Category (Continued)

31 December 2016

Financial assets

	Loans and receivables RMB'000
Trade receivables	691,464
Financial assets included in prepayments, deposits and other receivables	59,715
Cash and cash equivalents	127,860
	879,039

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Corporate bonds	277,422
Trade and bills payables	520,018
Financial liabilities included in other payables and accruals	49,324
Interest-bearing bank borrowings	127,758
	974,522

38. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Pledged deposits, non-current portion	**53,518**	—	**53,518**	—
Available-for-sale investments	**7,296**	—	**7,296**	—
	60,814	—	**60,814**	—
Financial liabilities				
Interest-bearing bank borrowings	**525,069**	127,758	**525,069**	127,758
Other borrowings	**143,200**	—	**143,200**	—
Corporate bonds	**261,609**	277,422	**274,229**	281,581
	929,878	405,180	**942,498**	409,339

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, corporate bonds, trade and bills payables, current position of interest-bearing bank and other borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates.

The fair values of the non-current portion of pledged deposits, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2017 was assessed to be insignificant. The fair value of the liability portion of the corporate bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate of a similar corporate bond with consideration of the Group's own non-performance risk.

As at 31 December 2017, the Group did not hold any financial assets or liabilities measured at fair value (2016: no financial assets or liabilities measured at fair value).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

38. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Assets for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Pledged deposits, non-current portion	—	53,518	—	53,518
Available-for-sale investments	—	7,296	—	7,296
	—	60,814	—	60,814

Liabilities for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	525,069	—	525,069
Other borrowings	—	143,200	—	143,200
Corporate bonds	—	274,229	—	274,229
	—	942,498	—	942,498

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	127,758	—	127,758
Corporate bonds	—	281,581	—	281,581
	—	409,339	—	409,339

Notes to Financial Statements (Continued)

31 December 2017

39. Commitments

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Land and buildings	235,061	—
Acquisition of a subsidiary	72,000	—
	307,061	—

40. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	86,193	—

As at 31 December 2017, the banking facilities guaranteed by the Group to third parties were utilised to the extent of approximately RMB86,193,000 (2016: nil).

Notes to Financial Statements (Continued)

31 December 2017

41. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has cash and cash equivalents, interest-bearing bank and other borrowings and corporate bonds to raise fund for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. As nearly all of the Group's assets and liabilities were denominated in RMB, the Group was not subject to significant foreign currency risk as at 31 December 2017. As at 31 December 2017, the Group's assets and liabilities denominated in USD and HKD were mainly held by the Company and a subsidiary incorporated outside Mainland China which had HKD as their functional currencies. The Company and the subsidiary incorporated outside Mainland China also held corporate bonds denominated in USD and other payable denominated in RMB, from which foreign currency exposure arises.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2017			
If HKD weakens against USD	1	(2,586)	–
If HKD strengthens against USD	(1)	2,586	–
If RMB weakens against HKD	1	(845)	(1,787)
If RMB strengthens against HKD	(1)	845	1,787

* *Excluding retained profits*

Credit risk

The Group's trade receivables are mainly from government authorities. The carrying amounts of cash and cash equivalents, and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at the end of the reporting period, all cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

41. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	31 December 2017					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Corporate bonds	—	—	279,010	—	—	279,010
Interest-bearing bank and other borrowings	1,533	71,968	192,893	364,724	92,811	723,929
Trade and bills payables	1,736,386	—	—	—	—	1,736,386
Other payables	163,374	—	—	—	—	163,374
	1,901,293	71,968	471,903	364,724	92,811	2,902,699

	31 December 2016					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Corporate bonds	—	—	302,454	—	—	302,454
Interest-bearing bank borrowings	—	—	129,528	—	—	129,528
Trade and bills payables	520,018	—	—	—	—	520,018
Other payables	49,324	—	—	—	—	49,324
	569,342	—	431,982	—	—	1,001,324

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

Notes to Financial Statements (Continued)

31 December 2017

41. Financial Risk Management Objectives and Policies (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, corporate bonds, trade and bills payables, other payables and accruals, less cash and cash equivalents. Capital includes total equity. The gearing ratios as at the end of the reporting period were as follows:

	2017 RMB'000	2016 RMB'000
Interest-bearing bank and other borrowings	668,269	127,758
Corporate bonds	261,609	277,422
Trade and bills payables	1,736,386	520,018
Other payables and accruals	269,887	106,793
Less: Cash and cash equivalents	(522,295)	(127,860)
Net debt	2,413,856	904,131
Equity attribute to owners of the parent	842,637	651,117
Capital and net debt	3,256,493	1,555,248
Gearing ratio	74%	58%

42. Events After the Reporting Period

There is no material event after the reporting period.

Notes to Financial Statements (Continued)

31 December 2017

43. Statement of Financial Position of the Company

	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	2	2
Investments in subsidiaries	608,359	562,902
Total non-current assets	608,361	562,904
CURRENT ASSETS		
Cash and cash equivalents	592	4,821
Total current assets	592	4,821
CURRENT LIABILITIES		
Corporate bonds	261,609	277,422
Interest-bearing bank borrowings	33,529	41,409
Other payables and accruals	102,769	42,814
Total current liabilities	397,907	361,645
NET CURRENT LIABILITIES	(397,315)	(356,824)
TOTAL ASSETS LESS CURRENT LIABILITIES	211,046	206,080
NET ASSETS	211,046	206,080
EQUITY		
Equity attributable to owners of the parent		
Share capital	66,396	65,602
Other reserves *(note)*	144,650	140,478
Total equity	211,046	206,080

Notes to Financial Statements (Continued)

31 December 2017

43. Statement of Financial Position of the Company (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	219,710	3,229	3,471	16,258	(9,668)	233,000
Total comprehensive loss for the year	—	—	—	(21,164)	(38,483)	(59,647)
Equity-settled share option arrangements	—	6,299	—	—	—	6,299
Dividend declared	(39,174)	—	—	—	—	(39,174)
At 31 December 2016 and 1 January 2017	**180,536**	**9,528**	**3,471**	**(4,906)**	**(48,151)**	**140,478**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**25,938**	**(30,935)**	**(4,997)**
Acquisition of a subsidiary	**44,604**	**—**	**—**	**—**	**—**	**44,604**
Equity-settled share option arrangements	**—**	**(404)**	**—**	**—**	**—**	**(404)**
Dividend declared	**(35,031)**	**—**	**—**	**—**	**—**	**(35,031)**
At 31 December 2017	**190,109**	**9,124**	**3,471**	**21,032**	**(79,086)**	**144,650**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2018.

Definitions

"Articles of Association"	the articles of association of the Company conditionally adopted on 25 June 2014 and became unconditionally effective on the Listing Date and as amended from time to time
"associates"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the Board of directors of the Company
"Broad Greenstate Ecological"	Broad Greenstate Ecological Construction Group Company Limited* (博大綠澤生態建設集團有限公司) (formerly known as Shanghai Broad Landscape Construction and Development Company Limited* (上海博大園林建設發展有限公司)), a company established in the PRC with limited liability on 1 July 1999, which is a wholly-owned subsidiary of Shanghai Qianyi and an indirect wholly-owned subsidiary of our Company
"Broad Landscape International"	Broad Landscape International Company Limited (博大國際有限公司), a company incorporated in BVI on 8 October 2013 and is owned as to 86.92% by Mr. Wu Zhengping (吳正平) and 13.08% by Ms. Xiao Li (肖莉)
"BVI"	the British Virgin Islands
"CG Code"	Corporate Governance Code as amended from time to time contained in Appendix 14 to the Listing Rules
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "Parent", "we", "us" or "our"	China Greenland Broad Greenstate Group Company Limited (中國綠地博大綠澤集團有限公司), a company incorporated in the Cayman Islands on 22 October 2013
"Company Charged Shares"	100,000 ordinary shares of Greenstate Times, representing the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under the Company Share Charge
"Company Share Charge"	the share charge entered into between the Company and Greenland Financial on 15 October 2015 in relation to the charge of all rights, entitlements, interests and benefits in the entire issued share capital of Greenstate Times, in favour of Greenland Financial
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules
"Deed of Consent"	the deed of consent entered into on 15 November 2017 between the Company and Greenland Financial in relation to the Reissue of Notes
"Deed of Novation"	the deed of novation entered into on 11 September 2015 between the Company, Greenland Leasing and Greenland Financial, pursuant to which Greenland Leasing shall novate all its rights, obligations and liabilities under the Note Purchase Agreement to the Purchaser

Definitions (Continued)

"Directors"	director(s) of the Company
"Eastern Greenstate International"	Eastern Greenstate International Company Limited (綠澤東方國際有限公司), a company incorporated in the BVI on 9 October 2013, which is owned as to 5.62% by Mr. Wang Lei (王磊), 2.81% by Ms. Zhu Wen (朱雯), and 81.77% by other parties
"Founding Shareholders"	Mr. Wu Zhengping (吳正平), Ms. Xiao Li (肖莉) and the Management Shareholders
"Greenland"	Greenland Holdings Group Corporation Limited (綠地控股集團股份有限公司), a company incorporated under the laws of the PRC
"Greenland Financial"	Greenland Financial Overseas Investment Group Co., Ltd. (綠地金融海外投資集團有限公司), a company incorporated under the laws of the BVI, an indirectly wholly-owned subsidiary of Greenland
"Greenland Leasing"	Greenland Financial Leasing Co., Ltd. 綠地融資租賃有限公司, a company incorporated under the laws of the PRC, an indirectly wholly-owned subsidiary of Greenland
"Greenstate Gardening"	Shanghai Greenstate Gardening Company Limited* (上海綠澤園藝有限公司), a company established in the PRC with limited liability on 17 September 2004, which is a wholly-owned subsidiary of Shanghai Qianyi
"Greenstate International"	Greenstate International Company Limited (綠澤國際有限公司), a company incorporated in Hong Kong with limited liability on 12 November 2013 and a wholly-owned subsidiary of the Company
"Greenstate Business"	Shanghai Greenstate Business Management Company Limited* (上海綠澤商業管理有限公司 (formerly known as Shanghai Greenstate Landscape Properties Company Limited* (上海綠澤景觀置業有限公司), a company established in the PRC with limited liability on 15 June 2004, which is a wholly-owned subsidiary of Shanghai Qianyi and an indirect wholly-owned subsidiary of the Company
"Greenstate Times"	Greenstate Times International Company Limited (綠澤時代國際有限公司), a company incorporated in BVI on 30 October 2013 and a wholly-owned subsidiary of the Company
"Greenstate Times Charged Shares"	10,000 ordinary shares of Greenstate International, representing the entire issued share capital of Greenstate International, legally and beneficially held by Greenstate Times as the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under a share charge to be made by Greenstate Times
"Greenstate Times Share Charge"	the share charge entered into between Greenstate Times and Greenland Financial on 15 October 2015 in relation to the charge of all rights, entitlements, interests and benefits in the entire issued share capital of Greenstate International, in favor of Greenland Financial
"Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

Definitions (Continued)

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	a person(s) or company(ies) who/which is or are independent of and not connected (within the meaning of the Listing Rules) with the Company and our connected persons
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	21 July 2014, the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Shareholders"	Mr. Shen Wenlin (沈文林), Mr. Song Shudong (宋曙東), Mr. Zhang Kequan (張克泉), Mr. Jiao Ye (焦曄), Mr. Wang Lei (王磊), Mr. Li Qiuliang (李秋亮), Mr. Xiao Xu (肖旭), Ms. Zhu Wen (朱雯) and Mr. She Lei (佘磊), who are full time employees of the Group and indirect Shareholders of the Company as at the date of the Prospectus
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"New Company Share Charge"	the charge of all rights, entitlements, interests and benefits in 50,000 ordinary shares of Greenstate Times, representing 50% of the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the Deed of Consent and charged in favor of Greenland Financial
"New Greenstate Times Share Charge"	the charge of all rights, entitlements, interests and benefits in 5,000 ordinary shares of Greenstate International, representing 50% of the entire issued share capital of Greenstate International, legally and beneficially held by Greenstate Times as at the date of the Deed of Consent and charged in favor of Greenland Financial
"New Note Instrument"	the instrument to be issued by the Company for the reissue of the Notes in favor of Greenland Financial pursuant to the Deed of Consent
"New Share Charges"	the New Company Share Charge and the New Greenstate Times Share Charge
"Nomination Committee"	the nomination committee of the Company
"Non-competition Deed"	a deed of non-competition dated 25 June 2014 executed by the Controlling Shareholders and the Company
"Note Purchase Agreement"	the note purchase agreement entered into on 20 August 2015 between the Company and Greenland Leasing (subsequently novated to Greenland Financial pursuant to the Deed of Novation), pursuant to which the Company conditionally agreed to issue and sell, and Greenland Leasing (subsequently novated to Greenland Financial pursuant to the Deed of Novation) conditionally agreed to purchase a redeemable fixed coupon promissory note due 2016 with a principal amount of US$40,000,000 (equivalent to approximately RMB258.4 million based on the conversion rate of US$1 to RMB6.46) at the rate of 9.00% per annum

Definitions (Continued)

"Notes"	the redeemable fixed coupon promissory note due 2016 with a principal amount of US$40,000,000 (equivalent to approximately RMB258.4 million based on the conversion rate of US$1 to RMB6.46) at the rate of 9.00% per annum issued pursuant to the terms and conditions of the Note Purchase Agreement
"Old Note Instrument"	the instrument issued by the Company on 15 October 2015 for the creation and issue of the Notes in favor of Greenland Financial
"Old Share Charges"	the Company Share Charge and the Greenstate Times Share Charge
"PPP"	Public-Private Partnership
"Prospectus"	the prospectus of the Company dated 30 June 2014 issued in connection with the initial public offering and listing of shares of the Company on the main board of Stock Exchange on 21 July 2014
"Reissue of Notes"	the reissue of the Notes by the Company to Greenland Financial on the terms and subject to the conditions set out in the New Note Instrument
"Remuneration Committee"	the remuneration committee of the Company
"Renminbi" or "RMB"	the lawful currency of China
"Reporting Period"	the year ended 31 December 2017
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Qianyi"	Shanghai Qianyi Landscape Engineering Company Limited* (上海千頤景觀工程有限公司), a wholly foreign owned enterprise established in the PRC with limited liability on 26 December 2013, and an indirect wholly-owned subsidiary of the Company
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 25 June 2014 which became unconditionally effective on the Listing Date, the principal terms of which are summarised in the subsection headed "Share Option Scheme — Summary of terms" in Appendix V to the Prospectus
"Shareholders"	holder(s) of our Share(s) from time to time
"Shares"	ordinary shares of HK$0.025 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supplemental Prospectus"	the supplemental prospectus of the Company dated 14 July 2014

In this annual report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with "*" is for identification purpose only.