滄海
CHANHIGH

滄海控股有限公司
Chanhigh Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2017

Annual Report
2017

CONTENTS

BOARD OF DIRECTORS

Executive Directors

Mr. Peng Tianbin *(Chairman)*
Mr. Peng Yonghui *(Chief Executive Officer)*
Mr. Peng Daosheng

Non-executive Director

Ms. Wang Sufen

Independent Non-executive Directors

Mr. Fan Rong
Mr. Shi Weixing
Mr. Yang Zhongkai

AUDIT COMMITTEE

Mr. Fan Rong *(Chairman)*
Mr. Shi Weixing
Mr. Yang Zhongkai

REMUNERATION COMMITTEE

Mr. Yang Zhongkai *(Chairman)*
Mr. Peng Tianbin
Mr. Shi Weixing

NOMINATION COMMITTEE

Mr. Shi Weixing *(Chairman)*
Mr. Peng Yonghui
Mr. Yang Zhongkai

STRATEGY COMMITTEE

Mr. Peng Tianbin *(Chairman)*
Mr. Peng Yonghui
Mr. Fan Rong

AUTHORISED REPRESENTATIVES

Mr. Peng Yonghui
Mr. Tong Tai Alex

COMPANY SECRETARY

Mr. Tong Tai Alex

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS

17th and 18th Floors
Cang Hai Industry Building
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Zhejiang Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

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HONG KONG LEGAL ADVISER

Iu, Lai & Li Solicitors & Notaries
Rooms 2201, 2201A & 2202, 22nd Floor
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No. 18 Harcourt Road
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AUDITOR

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two
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Causeway Bay
Hong Kong

COMPLIANCE ADVISER

Essence Corporate Finance (Hong Kong) Limited
39th Floor, One Exchange Square
Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China,
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Ningbo City
Zhejiang Province
China

Bank of China, Ningbo Branch
No. 139 Yaohang Street
Haishu District
Ningbo City
Zhejiang Province
China

STOCK CODE

02017

COMPANY'S WEBSITE

www.chanhigh.com.hk

RESULTS

	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	554,902	659,324	1,006,339	1,551,858	**1,144,539**
Gross profit	46,561	76,568	132,535	194,626	**182,047**
Profit before tax	37,870	69,738	127,218	150,486	**119,851**
Profit for the year	26,791	51,939	95,179	108,004	**80,328**
Profit attributable to owners of the Company	26,547	51,939	95,179	108,004	**80,328**

ASSETS AND LIABILITIES

	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Cash and cash equivalents	31,762	31,760	61,482	108,065	**371,703**
Total assets	1,114,274	1,273,488	1,469,515	1,528,439	**1,953,205**
Total liabilities	921,384	1,041,932	1,142,780	1,267,852	**1,149,437**
Total equity	192,890	231,556	326,735	260,587	**803,768**
Equity attributable to owners of the Company	192,890	231,556	326,735	260,587	**803,768**

KEY FINANCIAL RATIOS

	2013	2014	2015	2016	**2017**
Gross margin (%)	8.4%	11.6%	13.2%	12.5%	**15.9%**
Net profit margin (%)	4.8%	7.9%	9.5%	7.0%	**7.0%**
Gearing ratio	1.55	1.32	0.94	0.23	**0.14**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited annual results of our Group for the year ended 31 December 2017.

Our Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 31 March 2017. "Grand pass is as hard as iron, with firm strides we are crossing its summit." This signified our Group has ascended to the international capital market, entering into a new milestone and facing new challenges and opportunities.

In 2017, we inherited the corporate culture of "integrity, pragmatism, and innovation", led by the values of "cooperation, accommodating, and mutual benefit" to pioneer and innovate, and continue in the future. Based on our original business operation, we successfully acquired XFY Construction in early 2018, obtaining the first-grade qualification in water works and enhanced our asset strength and expanded our business scope. At the same time, we set up regional networks in Yunnan, Guizhou, Fujian, Shandong, Jiangsu, Xinjiang, etc. With headquarters in Ningbo and businesses across the country, we extended the scope of business and lay a solid foundation for further development. In addition, we firmly established the concept of talent as the uppermost resource, and highly value the recruitment of talent, training work, and establish teams of financial, engineering, legal, preparation, management, operations, secretarial, etc. We entered strategic cooperation agreements with Shanghai International Trust Corporation Limited and Aijian Trust and open-up financing channels for the Group's continuous, stable and healthy development.

In 2017, although China's urbanization developed rapidly, there is still room for improvement. Since the reform and opening-up, China's urbanization process has been extremely fast, but there is still a significant difference with the average urbanization rate of 80% of developed countries, while China's urbanization rate is likely to maintain a stable growth in future. In the middle-to-late stage of urbanization, citizens' demands for urban quality are constantly rising. Landscaping industries such as municipal landscape and real estate landscape gardens will be benefited from the gradual release of demands from urban infrastructure construction, urban quality improvement, and infrastructure replacement. At present, the overall Landscaping market is at around RMB350 billion. By 2020, the ecological landscaping industry is expected to reach RMB500 billion. According to the National Planning for Urban Ecological Protection and Construction (2015-2020), by 2020, the greening rate in urban built-up areas will reach 38.9%, the green coverage rate in urban built-up areas will reach 43.0%, and the urban per capita park green area will reach 14.6 square meters.

The report to the Nineteenth Congress of the Communist Party of China has also explicitly pointed out that the country must speed up reform of the system for developing an ecological civilization and building a beautiful China, implement green development efforts, firmly establish the socialist eco-civilization, and promote the harmonious coexistence between man and nature in order to protect the ecological environment of our generation. With emphasis on environmental protection by the Communist Party and the country, the related policies for the development of municipal landscapes have been continuously introduced, while the industry outlook is optimistic, and the market size is huge. We believe that the Group's business will continue to grow healthily and pragmatically.

In 2017, we sought for opportunities to participate in the PPP project. In the same year, the SASAC issued the Circular on Strengthening the Risk Management and Control over PPP Business in Central Enterprise. The National Development and Reform Commission issued the Guiding Opinions of Encouraging Social Investment on PPP Project. The above two documents regulated the development of PPP business from the national policy level, and optimize the operating environment of PPP business. In 2018, we will have more room for development and achieve better business quality.

In 2018, we will pay special attention to the developments of the industry in order to seize the opportunities, continue to firmly secure the two main lines of organizational optimization and business integration, and strive to enhance the company's ability to learn, innovate and execute, strengthen the foundation, and reform and innovate. We will focus on emancipating our mind and establish a management philosophy that advances with times. We will focus on the scientization, democratization, and modernization of management in terms of employee, decision, finance and marketing. When facing market competition in future, we will continue to win the market with integrity, gain efficiency with quality, and continuously improve the professional and technical level, management level, while adapting changes in the external environment. We will enter into a new era, beginning a new journey, and continue a new chapter.

Peng Tianbin
Chairman and Executive Director
26 March, 2018

INDUSTRY AND BUSINESS REVIEW

With the acceleration of urbanization and increasing demand for higher living standard of people in the city, the global landscaping industry has developed rapidly. In China, the development of classical landscaping has been more than 3,000 years. It has been wide-ranging and profound and has a long history. After the reform and opening-up, with the rapid economic and social development, the continuous advancement of the urbanization process, and the increasingly intensive exchanges with foreign countries, the modern urban landscaping industry has also achieved considerable development in China.

In 2017, the report to the Nineteenth Congress of the Communist Party of China has explicitly pointed out that the country must speed up reform of the system for developing an ecological civilization and building a beautiful China, implement green development efforts, firmly establish the socialist eco-civilization, and promote the harmonious co-existence between man and nature in order to protect the ecological environment of our generation. With emphasis on environmental protection of the country, people's understanding and demand for landscaping have gradually deepened. Garden landscaping, as one of the urban infrastructure, continues to develop with urbanization; higher levels of functional requirements to promote the continuous development of municipal garden landscaping. Eco-environmental awareness promotes the sustainable development of the ecological landscape construction industry; the construction trend of "sponge city" drives the development of the ecological landscape construction industry; the creation of "National Garden City", "National Ecological Garden City" and "National Forest City" has brought new opportunities for the landscape construction industry. The country has actively promoted the Public-Private-Partnership ("PPP") model and bring new opportunities for the landscaping industry and the construction of featured towns will bring new opportunities for the landscape industry. In summary, the potential and market trend of the landscaping industry are still very positive and the market outlook is promising.

As the provider of outstanding landscape and municipal works construction services, we have developed rapidly in the past few years, with a leading domestic standard and has a full range of construction contracting qualifications, outstanding project undertaking capacity, and strong tendering and bidding abilities. In April 2017, the State abolished the qualification of landscaping, which meant lowering the entry bonier for the landscaping industry and thus increase pressure on competition, while high temperature weather and a series of environmental protection inspections continued in the second-half of 2017. These investigation measures have caused a certain degree of adverse impact on the Group's ability to undertake projects and construction progress in the second half of the year. However, with the efforts of all employees of our Group, we took the above competitions and challenges as opportunities, and continue to explore and innovate, gaining market share, and improve our Group's sustainability.

In early 2018, we successfully acquired XFY Construction, obtaining the first-grade qualification in water works, enhanced our asset strength and expanding our business scope. We have increased cooperation with developers and contractors in the private sector and develop different forms of cooperation with local governments, such as establishment of a strategic cooperation framework agreement with the People's Government of Qingzhou City, Shandong Province, in order to consolidate customer base of our Group's business; and we always value the introduction and training of talents and strengthen team building to enhance the wisdom of the Group.

At the same time, building on the infrastructure greening business, we secured the opportunity to develop and standardize PPP projects, and optimize the environmental aspect of PPP projects. We endeavored to participate in the project and establish strict internal procedures for the landscaping selection, risk identification, cash flow management, project implementation and post-project management in order to achieve rapid and steady development.

At present, we have successfully transformed into an integrated operation and development enterprise combining investment, design, construction and operation. We set foot on capital market and gradually expanded our overall strength through investment, acquisitions and mergers to achieve diversified business development and strive to emerge in the highly competitive landscaping market. With the advantages of capital, qualification, brand and resources, we have gained an increased market share and reached a new level.

MAJOR FINANCIAL PERFORMANCE INDICATORS

During the year, the Group recorded a decline in business. The total revenue decreased by 26.3% or RMB407.4 million to RMB1,144.5 million (2016: RMB1,551.9 million); and the gross profit decreased by 6.5% or RMB12.6 million to RMB182.0 million (2016: RMB194.6 million). The net profit of the Group decreased by 25.6% or RMB27.7 million to RMB80.3 million (2016: RMB108.0 million). The decline in total revenue was primarily due to the decrease in revenue from the landscape construction and municipal works construction segments in 2017.

The financial position of the Group has been healthy. As at 31 December 2017, the Group had bank and cash balances of RMB375.9 million (2016: RMB111.3 million).

RISK MANAGEMENT

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure existing in the Group's business, including investment risk, interest rate risk, liquidity risk etc, and participates in formulating appropriate risk management and internal control measures, and to ensure its implementation in daily operational management.

IMPORTANT RELATIONSHIP

Our Employees

The Group had a total of 313 employees as at 31 December 2017 all of which were based in the PRC. Set forth below is a breakdown of the number of our employees by functions as at 31 December 2017:

Function	Number of employees
Administrative and human resources	38
Engineering	49
Finance and internal audit	24
Operational management	18
Procurement	4
Project management and technical team	155
Quality and safety	21
Senior management	4
Total	313

We believe that our long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of our employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve our employees' skills and technical expertise, we provide regular training to our employees. We have in-house training programs to train our new joiners, mainly focusing on skills like construction technique and working procedures. The goal of the training programs is to train our employees and to identify talent, with the aim of providing upward mobility within our Group, fostering employee loyalty and incorporating customised mentoring, coaching and training.

During the year, we did not experience any material labour disputes, strikes or other material labour conflicts, receive any complaints, notices or orders from relevant government authorities or third parties, or receive any claims from our employees relating to social insurance or housing provident funds that could materially impaired our business operation or reputation. We made contributions to social insurance and housing provident funds in accordance with the applicable laws and regulations.

Our Suppliers

For the year ended 31 December 2017, we made procurement from 794 suppliers across the PRC. Our suppliers are corporate entities or sole proprietors who are principally engaged in the supply or trading of plants and saplings and/or construction materials and/or leasing of equipment and machineries in the PRC. It is our policy to maintain multiple suppliers and seek quotations from at least three suppliers for purchase of major raw materials to avoid over-reliance on any single supplier. In addition, to minimize cost and delivery time and given that certain standardised construction materials such as cements and steels are readily available in the PRC, we tend to make procurement from local suppliers which are in close proximity to the project sites whenever practicable. Our procurement department maintains a list of qualified suppliers. Such list of qualified suppliers are selected based on criteria such as price, quality, record of timely delivery, proximity to the project site, supply capacity and customer service. During the preparation of budget for each project, potential price fluctuations of raw materials are accounted for and any anticipated increase in costs will be taken into consideration and could be passed to our customers, to the extent feasible.

Our Customers

Our customers comprise state-invested enterprises, local governments, property owners and developers in private sector, entities that manage or operate construction projects and construction companies who act as the main contractor of the project and sub-contract a pre-defined section of the project to us. For the years ended 31 December 2017, we had 245 customers, of which 186 were state-invested enterprises or local governments, and the remaining customers were private enterprises. As we secure projects from major customers mainly through tendering and contracts awarded to us are mostly on a one-off basis, the composition of our five largest customers varied from period-to-period.

PROSPECTS

In terms of development trend of the industry as a whole, the potential and market trend of the landscaping industry are still very clear and its outlook is promising. The macro-focus includes urbanization planning, the Yangtze River Economic Belt, the New Silk Road Economic Belt, the Maritime Silk Road, the integration of Beijing, Tianjin and Hebei, etc.; infrastructure investment focuses on urbanization and shanty towns transformation, real estate landscape, green channels construction; ecological restoration and environmental governance. The "six major directions" of the national strategy for ecological construction, covering investment in air purification, water purification, food safety, soil remediation, management of sand storm sources, and roof and three-dimensional greening; especially air pollution (fog), water pollution, soil pollution, and other ecological environmental degradation forcing the implementation of environmental governance, and the country has invested heavily; and the rise of tourism and leisure resort industries have also stimulated the construction of gardens and development of tourism cities.

Riding on to the favorable macro environment, we combined the experiences in municipal works and landscaping with the professional and dedicated team, to conduct a comprehensive market analysis and define market position. We strictly follow the "One Belt One Road" Initiative, the Ningbo's development plan and focus on the municipal roads, landscaping and water works and hydropower, as well as the real estate development. We constantly enhance our core market competitiveness, and promote the rapid development of our business. We believe that our Group is about to enter a stage of rapid development.

In addition, the large-scale governmental landscaping and municipal construction projects in 2017 adopted the PPP structure extensively. We are constantly seeking partners and have signed strategic cooperation agreements with Shanghai International Trust Co., Ltd.* (上海國際信託有限公司) and Shanghai Aijian Trust Co., Ltd. (上海愛建信託有限責任公司)*. We have established a strategic cooperation framework with the People's Government of Qingzhou City, Shandong Province and set up regional networks in Yunnan, Guizhou, Fujian, Shandong, Jiangsu, and Xinjiang. Beside seeking relevant diversified development in the existing upstream and downstream industrial chain, and ensure our scientific planning for development, we also firmly secure the rare supporter of PPP, which emphasizes the whole life cycle and package solutions, and strive to achieve integration and expansion of upstream and downstream industries, as well as promoting the reform of the business model and gradually integrate internal resources. We participate in the preliminary planning, design and financing, and post-operational management and continue to expand both upstream and downstream of the industry and extends the value chain. We highly regarded and actively participated in the PPP business as an important way to implement new development concepts and supply-side structural reforms, as well as industrial restructuring and transformation and upgrading.

Finally, we are committed to adopt the advanced corporate management model, enhance our brand value and core competitiveness, and strive to become a leading company in the industry.

FINANCIAL REVIEW

Revenue

Our revenue decreased by 26.3% or RMB407.4 million from RMB1,551.9 million for 2016 to RMB1,144.5 million for 2017, which was primarily due to the decrease in revenue from the landscape construction and municipal works construction segments in 2017.

Landscape construction

Our Group recorded a decreasing trend on revenue from the landscape construction segment, decreasing from RMB628.2 million for 2016 to RMB351.5 million for 2017, representing a decrease of RMB276.7 million or 44.0%, primarily attributable to the decrease in total number of landscape construction projects undertaken in 2017.

Municipal works construction

Our Group recorded a decreasing trend on revenue from the municipal works construction segment, decreasing from RMB708.8 million for 2016 to RMB475.4 million for 2017, representing a decrease of 32.9% or RMB233.4 million, primarily attributable to the decrease in total number of municipal works construction projects undertaken in 2017.

Building works

Our Group experienced an increase in revenue from the building works segment by RMB80.0 million or 49.5% from RMB161.7 million for 2016 to RMB241.7 million for 2017, primarily attributable to the increase in the average contract value of new building works construction projects in 2017.

Others

Revenue from the others segment increased by 42.7% or RMB22.7 million from RMB53.2 million for 2016 to RMB75.9 million for 2017, primarily attributable to an increase in the project amount of a relatively large size decoration project undertaken in 2017.

Cost of services rendered

Cost of service rendered decreased by 28.2% or RMB376.3 million from RMB1,333.2 million for 2016 to RMB956.9 million for 2017. Cost of materials consumed decreased by 34.9% or RMB302.5 million from RMB867.5 million for 2016 to RMB565.0 million for 2017, primarily attributable to the decrease in plants and saplings consumed mainly resulting from a decrease in our revenue from the landscape construction and municipal works construction segments. Cost of direct wages increased by 1.9% or RMB4.6 million from RMB236.6 million for 2016 to RMB241.2 million for 2017, primarily attributable to (i) the increase in average wages in the PRC labour market in 2017; and (ii) partially offset by the decrease in the total number of projects undertaken by us in 2017. Leasing of equipment and machineries decreased by 37.9% or RMB74.2 million from RMB195.8 million for 2016 to RMB121.6 million for 2017, primarily attributable to the decrease in the total number of projects undertaken in 2017. Cost of depreciation remained unchanged at RMB0.4 million for 2017 from RMB0.4 million for 2016. Cost of other direct cost decreased by 12.8% or RMB4.2 million from RMB32.9 million for 2016 to RMB28.7 million for 2017, generally in line with the decrease in our cost of services rendered in 2017.

Business tax and auxiliary charges

Business tax and auxiliary charges decreased by 76.7% or RMB18.4 million from RMB24.0 million for 2016 to RMB5.6 million for 2017, representing approximately 1.5% of our revenue during the same period in 2016, and reduced to representing 0.5% of our revenue during the same period in 2017. The decrease was primarily due to the fact that business tax has been changed to value-added tax pursuant to the PRC tax reform effective since May 2016.

Gross profit and gross profit margin

Our gross profit decreased by 6.5% or RMB12.6 million from RMB194.6 million for 2016 to RMB182.0 million for 2017. Our gross profit margin increased from 12.5% in 2016 to 15.9% in 2017, primarily attributable to having selection criteria with higher profit margin for tenders since the listing of the Group in March 2017.

Other income and gains

Other income and gains increased by 34.6% or RMB2.6 million from RMB7.7 million for 2016 to RMB10.3 million for 2017, primarily attributable to: (i) since the listing of the Company in March 2017, the Company has received the incentive fees for listing of RMB6.0 million from the government; (ii) interest of RMB3.6 million on bank deposits mainly from funds raised from the listing in 2017; and (iii) the interest income from related parties in 2016 was RMB5.5 million, whereas no such income was recorded in 2017, which partially offset the growth brought by the first two income items.

Administrative and other operating expenses

Our administrative expenses increased by 62.9% or RMB26.6 million from RMB42.3 million for 2016 to RMB68.9 million for 2017, primarily attributable to: (i) as there was an increase in staff salary, thereby resulting in an increase of RMB12.5 million in staff salary, social security and welfare benefits; (ii) allowance for trade and other receivables of RMB11.6 million; and (iii) an exchange loss of RMB4.7 million.

Net Current Assets

The table below sets forth selected information for our current assets and current liabilities as at 31 December 2017 and 2016, respectively:

	2017 RMB'000	2016 RMB'000
Current Assets		
Trade and other receivables	**701,129**	720,599
Gross amount due from customers for contract work	**868,377**	694,020
Bank and cash balances	**375,852**	111,308
	1,945,358	1,525,927
Current Liabilities		
Trade payables	**824,213**	895,397
Accruals and other payables	**80,648**	56,809
Receipts in advance	**18,270**	18,034
Gross amount due to customers for contract work	**16,079**	8,994
Amount due to a director	—	160,337
Borrowings	**111,000**	61,000
Current tax liabilities	**99,227**	67,281
	1,149,437	1,267,852
Net current assets	**795,921**	258,075

The Group's net current assets increased by 208.4% or RMB537.8 million from RMB258.1 million as at 31 December 2016 to RMB795.9 million as at 31 December 2017. The increase was primarily due to net proceeds of approximately RMB302.0 million raised from the Listing, and capitalisation of amount due to a director of approximately RMB159.4 million for the purposes of preparation of the Listing.

Trade and other receivables

The following table sets forth an analysis of our trade and other receivables as at 31 December 2017 and 2016 indicated:

	2017 RMB'000	2016 RMB'000
Trade and bills receivables		
Trade receivables	510,331	512,540
Less: Allowance for trade receivables	(11,037)	—
	499,294	512,540
Bill receivables	1,910	1,300
	501,204	513,840
Deposits		
Deposit paid for acquisition of a subsidiary	7,600	—
Other deposits	231	—
	7,831	—
Prepayments		
Advance of suppliers	6,367	4,812
Listing expenses	—	4,765
Administrative and operating expenses	456	—
	6,823	9,577
Other receivables		
Construction contracts performance guarantees and deposit for tender	118,771	115,999
Retentions receivables	62,028	78,239
Others	4,472	2,944
	185,271	197,182
	701,129	720,599

The trade and other receivables decreased by 2.7% or RMB19.5 million from RMB720.6 million as at 31 December 2016 to RMB701.1 million as at 31 December 2017. The decreased was primarily due to (i) the decreased in trade and bills receivables by RMB12.6 million resulting from allowance for the trade receivables of RMB11.0 million; and (ii) the decrease in retentions receivables of RMB16.2 million because of expiration of retention period of certain completed projects.

The following table sets forth the ageing analysis of our trade and bills receivables, based on the contract terms for the work certified, as at 31 December 2017 and 2016:

	2017 RMB'000	2016 RMB'000
0 to 90 days	**110,117**	180,870
91 to 180 days	**56,909**	76,059
181 to 365 days	**142,780**	86,373
Over 1 year but less than 2 years	**93,014**	89,521
Over 2 years but less than 3 years	**51,524**	63,718
Over 3 years	**46,860**	17,299
Total	**501,204**	513,840

The table below sets forth a summary of average turnover days of trade and bills receivables for the years indicated:

	2017	2016
Average turnover days of trade and bills receivables (1)	**161.9**	114.0

Note (1) Average turnover days of trade and bills receivables for 2016 and 2017 is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables for the relevant period by revenue and multiplying by 365 days.

The average turnover days of trade and bills receivables increased from 114.0 days in 2016 to 161.9 days in 2017, mainly due to lengthy payment approval process of certain government related projects.

Amounts due from/to customers for contract work

The following table sets forth our amounts due from/to customers for contract work as at 31 December 2017 and 2016.

	2017 RMB'000	2016 RMB'000
Gross amounts due from customers for contract work	**868,377**	694,020
Gross amounts due to customers for contract work	**(16,079)**	(8,994)
Construction contracts in progress	**852,298**	685,026

	2017 RMB'000	2016 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**5,143,464**	4,236,842
Less: Progress billings	**(4,291,166)**	(3,551,816)
	852,298	685,026

The construction contracts in progress increased by 24.4% or RMB167.3 million from RMB685.0 million as at 31 December 2016 to RMB852.3 million as at 31 December 2017. The increase was primarily due to the accumulation of construction works done as projects being carried out.

Trade payables

The table below sets forth, as at 31 December 2017 and 2016, the ageing analysis of our trade payables based on the date of receipt of goods:

	2017 RMB'000	2016 RMB'000
0 to 90 days	75,802	189,706
91 to 180 days	14,508	92,796
181 to 365 days	212,660	233,401
Over 1 year but less than 2 years	260,930	289,616
Over 2 years but less than 3 years	223,132	55,917
Over 3 years	37,181	33,961
Total	824,213	895,397

The trade payables decreased by 7.9% or RMB71.2 million from RMB895.4 million as at 31 December 2016 to RMB824.2 million as at 31 December 2017. The decreased was primarily due to the decrease in our costs of materials consumed and direct labour costs during the year.

The table below sets forth a summary of average turnover days of trade payables for the years indicated:

	2017	2016
Average turnover days of trade payables[1]	328.0	218.0

Note (1) Average turnover days of trade payables for 2016 and 2017 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of service rendered, excluding depreciation and multiplying by 365 days.

The average turnover days of trade payables increased from 218.0 days in 2016 to 328.0 days in 2017, mainly due to the fact that for certain government-related construction projects, the payment schedules for suppliers have been slowed down in response to the lengthy construction fee payment approval process of the respective government-related project owners.

CAPITAL EXPENDITURES AND COMMITMENTS

On 8 December 2017, the Group entered into an acquisition agreement to acquire the entire equity interests in XFY Construction with a total cash consideration of RMB76,000,000 (tax inclusive). This transaction was funded by the net proceeds from the Global Offering. According to the terms of the acquisition agreement, 10% of consideration representing RMB7,600,000 and 90% of consideration representing RMB68,400,000 were paid on 15 December 2017 and 17 January 2018 respectively.

Other than the aforesaid capital investment, the Group did not have any other significant capital expenditures during the year.

Save as disclosed in the sub-section headed "Use of Net Proceeds from the Listing" of the section headed "Report of the Directors", the Company has no future plans for material investments or capital assets.

Capital commitments

As at 31 December 2017, the Group had a capital commitment amounting to RMB68,400,000 in relation to aforesaid acquisition of equity interests in XFY Construction.

INDEBTEDNESS

Borrowings

The following table sets forth our total debts as at 31 December 2017 and 2016:

	2017 RMB'000	2016 RMB'000
Short-term bank borrowings	**111,000**	61,000

The average interest rates per annum as at 31 December 2017 was 4.93%.

Except as disclosed above, as at 31 December 2017, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the year/as at each of the dates indicated:

	For the year ended 31 December	
	2017	2016
Gross profit margin (%) (1)	**15.9**	12.5
Net profit margin (%) (2)	**7.0**	7.0
Return on equity (%) (3)	**10.0**	41.4
Return on total assets (%) (4)	**4.1**	7.1

	As at 31 December	
	2017	2016
Current ratio (5)	**1.69**	1.20
Gearing ratio (6)	**0.14**	0.23
Net debt to equity ratio (7)	**Net Cash**	Net Cash

Notes:

(1) Gross profit margin for 2016 and 2017 was calculated based on gross profit divided by total revenue for the respective years and multiplied by 100%.

(2) Net profit margin for 2016 and 2017 was calculated based on profit for the year divided by total revenue for the respective years and multiplied by 100%.

(3) Return on equity for 2016 and 2017 was calculated based on the profit for the year for the respective years divided by total equity as at the respective years ends and multiplied by 100%.

(4) Return on total assets for 2016 and 2017 was calculated based on the net profit for the respective years divided by the total assets as at the respective years ends and multiplied by 100%.

(5) Current ratios as at 31 December 2016 and 2017 was calculated based on the total current assets as at the respective year ends divided by the total current liabilities as at the respective year ends.

(6) Gearing ratios as at 31 December 2016 and 2017 was calculated based on the total borrowings as at the respective year ends divided by total equity as at the respective years.

(7) Net debt to equity ratios as at 31 December 2016 and 2017 was calculated based on net borrowings (being total borrowings net of cash and cash equivalents) as at the respective year ends divided by total equity as at the respective years ends.

Return on equity

The return on equity decreased from 41.4% for 2016 to 10.0% for 2017, primarily due to (i) the decrease in our profit for the year and (ii) the increase in total equity as a result of the Listing.

Return on total assets

The return on total assets decreased from 7.1% for 2016 to 4.1% for 2017, primarily due to the same reason in respect of decrease in return on equity as above mentioned.

Current ratio

The Group's current ratio improved from 1.20 as at 31 December 2016 to 1.69 as at 31 December 2017, primarily due to the increase in bank and cash balance as a result of the Listing, and decrease in amount due to a director as a result of a capitalisation issue as detailed in note 24 to the consolidated financial statements.

Gearing ratio

The Group's gearing ratio improved from 0.23 as at 31 December 2016 to 0.14 as at 31 December 2017, primarily due to the increase in total equity as a result of the Listing.

Net debt to equity ratio

The Group recorded net cash for net debt to equity ratio as at 31 December 2017 as cash and cash equivalents exceeded total bank borrowings as at the same date.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of financial risks including credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

The Group's credit risk is primarily attributable to our trade and other receivables, cash and bank balances and amounts due from related companies. In order to minimise credit risk of trade and bill receivables, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Directors closely monitor amounts due from related companies. The Group has limited credit risk on cash and bank balances because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Please refer to note 6 to the consolidated financial statements for details on the analysis based on contractual undiscounted cash flows of the Group's financial liabilities.

Foreign exchange risk

The Group's businesses are located in China and substantially all of its transactions are denominated in RMB. A portion of net proceeds of the Group from the Listing (after deducting underwriting commission, and all related expenses) deposited in the banks of Hong Kong are denominated in HK$ or the US Dollars ("US$"). Given the exchange rate between RMB and HK$/US$ is relatively stable, the Group considers that the relevant foreign exchange exposure is not significant.

EXECUTIVE DIRECTORS

Mr. Peng Tianbin (彭天斌), aged 37, was appointed as a Director on 1 April 2016 and then was redesignated as an executive Director and chairman of the Company on 15 March 2017. Mr. Peng TB was the vice general manager of Chanhigh Construction from 2001 to 2005, and was appointed as the chairman of CHHG in 2005. Mr. Peng TB is responsible for overall management, corporate policy making and strategic planning of the Group's business operations. He is currently the general manager, director and legal representative of CHHG.

Mr. Peng TB obtained a diploma in computer application* (計算機應用) in July 2000. He joined the Group in 2001, and has since then obtained over 15 years of experience in the landscape and public work construction industry.

Mr. Peng TB is the son of Mr. Peng DS, an executive Director, and Ms. Wang SF, a non-executive Director, and the brother of Mr. Peng YH, an executive Director and chief executive officer of the Company.

Mr. Peng Yonghui (彭永輝), aged 36, was appointed as a Director on 1 April 2016 and was redesignated as an executive Director on 15 March 2017. Mr. Peng YH is the chief executive officer of the Company. He is responsible for overall management, financial operation and internal management of the Group. Mr. Peng YH manages the Group's administrative, human resources and financial departments. He is also in charge of bank financing and other related matters of the Group.

Mr. Peng YH obtained a diploma in highways and urban roads engineering from Changsha University of Science and Technology* (長沙理工大學) in June 2004, and a degree in civil engineering from Wuhan University of Technology* (武漢理工大學) in June 2006 through an online course. Mr. Peng YH joined the Group in April 2004.

Mr. Peng YH is the son of Mr. Peng DS, an executive Director, and Ms. Wang SF, a non-executive Director, and the brother of Mr. Peng TB, an executive Director and chairman of the Company.

Mr. Peng Daosheng (彭道生), aged 62, was appointed as a Director on 1 April 2016, and then was redesignated as an executive Director on 15 March 2017. Mr. Peng DS is the founder of the Group. Since the Group was established, Mr. Peng DS was responsible for its business development and quality control. As Mr. Peng TB and Mr. Peng YH joined the Group, they gradually took over the day-to-day business operations. Mr. Peng DS is now mainly responsible for setting the Group's business directions and focus. He is currently the director and legal representative of Chanhigh Construction.

Mr. Peng DS obtained a bachelor's diploma of civil engineering from Changsha University of Science & Technology* (長沙理工大學) in June 2004. He has over 15 years of experience in the landscape and public work construction industry. In January 2001, Mr. Peng DS established Chanhigh Construction and acted as the general manager. In April 2005, CHHG was established and Mr. Peng DS was appointed as the president of CHHG.

Mr. Peng DS is the spouse of Ms. Wang SF, a non-executive Director, and the father of Mr. Peng TB, an executive Director and chairman of the Company, and Mr. Peng YH, an executive Director and chief executive officer of the Company.

NON-EXECUTIVE DIRECTOR

Ms. Wang Sufen (王素芬), aged 56, was appointed as a Director on 1 April 2016 and was then redesignated as a non-executive Director on 15 March 2017. Ms. Wang SF is responsible for providing objective advice and judgment to the Board in relation to major business decisions.

Ms. Wang SF has over 20 years of experience in the trading business. In October 1994, she established YZTB, which specialises in trading, and is the legal representative and general manager of such company.

Ms. Wang SF is the spouse of Mr. Peng DS, an executive Director, and the mother of Mr. Peng TB, an executive Director and chairman of the Company, and Mr. Peng YH, an executive Director and chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan Rong (范榮), aged 54, was appointed as an independent non-executive Director on 15 March 2017. He is a member of the Chinese Institute of Certified Public Accountants since 1995. In 1996, Mr. Fan was qualified as a certified public tax collector. Since October 2010, Mr. Fan has been working as a partner of Da Hua Certified Public Accountants* (大華會計師事務所).

Mr. Fan was graduated from Anhui Open University* (安徽廣播電視大學) with a bachelor's degree in accountancy in June 1986. In June 2002, Mr. Fan completed Graduate Programs for Advanced Studies of Sun Yat-Sen Business School* (中山大學管理學院).

Mr. Fan worked at Guangzhou Tianhe Accounting Firm* (廣州天河會計師事務所) and Lixin Dahua Accounting Firm Guangzhou Branch* (立信大華會計師事務所廣州分所) before joining Da Hua Certified Public Accountants.

Mr. Shi Weixing (施衛星), aged 55, was appointed as an independent non-executive Director on 15 March 2017.

Mr. Shi graduated from Tongji University* (同濟大學) with a bachelor's degree in architecture (structural engineering) in July 1984. He obtained a master's degree in structural engineering in May 1987, and a doctorate degree in engineering in September 1990. Mr. Shi is currently a professor at Tongji University. He is a member* (副主任委員) of the National Committee for Standardization on Mechanical Vibration and Shock* (全國機械振動與衝擊標準化技術委員會) since September 2004.

Mr. Yang Zhongkai (楊仲凱), aged 43, was appointed as an independent non-executive Director on 15 March 2017. He is currently a senior partner* (高級合夥人) of Join & High Law Office* (天津四方君滙律師事務所).

Mr. Yang studied in Nankai University. He obtained a master's diploma in Political Economy (Politics and Economic Management)* (政治經濟學(經濟與政治管理)) from Tianjin Normal University* (天津師範大學) in July 2003. On 8 October 2009, Mr. Yang obtained a Master of Arts (International Relations in Economy and Trade) from Flinders University through one of its offshore programs.

Mr. Yang has been serving as the senior partner of Join & High Law Office* (天津四方君滙律師事務所) since 2010.

SENIOR MANAGEMENT

Mr. Alex Tong Tai (湯泰), aged 44, is the chief financial officer and the company secretary of the Company. Mr. Tong joined the Group in December 2015 and is in charge of the finance department. He is responsible for overseeing financial management and regulatory compliance, as well as reporting obligations of the Group. Prior to joining the Group, Mr. Tong worked in an international CPA firm for approximately 15 years. Mr. Tong is a member of Hong Kong Institute of Certified Public Accountants. He is also a member of the Chinese Institute of Certified Public Accountant.

Mr. Ge Weilong (葛偉龍), aged 57, is director of operations of the Company. He has worked for the Water Resources and Hydropower Corporation of Ninghai Water Conservancy Bureau* (寧海水利局水利水電總公司), Ninghai Gemdale Real Estate Development Co., Ltd.*(寧海金地房地產開發有限公司), Nanjing Zhongzhao Real Estate Investment Co., Ltd.*(南京中兆置業投資有限公司) and Raw Water Group Ningbo Baixi Real Estate Development Co., Ltd.*(原水集團寧波白溪房地產開發有限公司). He holds a diploma in civil engineering from Wenzhou Architecture School* (溫州建築學校) and a diploma in law from School of Humanities, Peking University as well as an engineer certificate. Mr. Ge joined the Group in October 2017.

Mr. Jiang Libo (蔣立波), aged 45, is the general manager of Chanhigh Construction. Mr. Jiang owns a bachelor degree of Jiangnan University* (江南大學) majored in engineering management, and the professional technical titles of senior engineer and senior economist. He joined Chanhigh Construction since September 2007. He is also the tutor of master postgraduate students in Ningbo University* (寧波大學), the vice chairman of Ningbo Civil Construction Entrepreneurs Association* (寧波市民建企業家協會), the executive director of Ningbo Landscape Architecture Association* (寧波市風景園林協會), and the executive director of Ningbo Entrepreneurs Association* (寧波市企業家協會), having been awarded the Excellent Project Manager of Chinese Society of Landscape Architecture* (中國風景園林學會優秀項目經理), the Advanced Worker of Zhejiang Landscape Architecture* (浙江省風景園林學會先進工作者), the Excellent Professional Manager of Ningbo Municipal Industry* (寧波市市政行業優秀職業經理), the Excellent Construction Entrepreneur in Yinzhou District* (鄞州區優秀建築業企業家).

Mr. Zhu Guangqi (朱光啟), aged 36, is the head of the procurement department of the Group and the general manager of XFY Construction. Mr. Zhu joined the Group on 1 January 2015. He is in charge of the procurement of materials and quality control of the raw materials. Mr. Zhu obtained a diploma in landscaping from University of Science and Technology Beijing* (北京科技大學) in July 2006 through an online course. In November 2009, Fenghua City Personnel Bureau* (奉化市人事局) granted the qualification of Garden Engineer* (園林工程師) to Mr. Zhu.

Mr. Yang Jiannan (楊建南), aged 49, is the head of quality control department of the Group. Mr. Yang is responsible for overseeing the quality of production and construction safety of the Group. Mr. Yang graduated from Zhejiang Agricultural University* (浙江農業大學) (predecessor of Zhejiang University) with a bachelor's degree in engineering. Mr. Yang worked in Ningbo Rongshan Sports Ground Engineering Limited* (寧波榮山運動場包房工程有限公司) before joining the Group in August 2013.

COMPANY SECRETARY

Mr. Tong Tai Alex (湯泰), aged 44, was appointed as the company secretary of the Group on 25 June 2016. For further details about Mr. Tong's biography, please refer to the sub-section headed "Senior Management" above.

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 1 April 2016 as an exempted company with limited liability under the Cayman Islands Companies Law. The Shares were listed on the Main Board of the Stock Exchange on 31 March 2017.

PRINCIPAL ACTIVITIES

The Group principally provides landscape and municipal works construction and maintenance services to its customers. In addition, the Group undertakes building works and renovation works, and provide other services such as provision of maintenance and heritage building restoration services. During the year, the Group provided landscape and municipal works construction services mainly to state-invested enterprises and local government. The analysis of the revenue of the principal activities of the Group for the year ended 31 December 2017 is set out in note 7 and 9 to the consolidated financial statements.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the year is provided in “Management Discussion and Analysis” on pages 6 to 21 and “Chairman’s Statement” on pages 4 to 5. A discussion on the Group’s future business development is provided in the sub-section headed “Prospect” of section headed “Management Discussion and Analysis” on page 10 of this annual report. An analysis of the Group’s performance during the year using financial key performance indicators is provided in the Financial Highlights on page 3 of this annual report.

The results of the Group for the year ended 31 December 2017 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 80 of this annual report.

FINAL DIVIDENDS

The Directors do not recommend a dividend for the year ended 31 December 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 May to Friday, 25 May 2018, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on Friday, 25 May 2018. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 18 May 2018.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on 31 March 2017, the Listing Date, with net proceeds received by the Company from the Listing in the amount of approximately HK$337.8 million after deducting underwriting commissions and all related expenses.

Since the Listing Date and up to the date of this report, the net proceeds amounting to RMB76.0 million from the Listing were used for acquisition of equity interests in XFY Construction as detailed in sub-section headed "Capital Expenditures and Commitments" of the section headed "Management Discussion and Analysis". The remaining net proceeds are currently held in bank deposits and it is intended that they will be applied in the manner consistent with the proposed allocation in the Company's announcement dated 8 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the Group's purchases from the largest supplier, accounted for 10.2% of its total procurements, and purchases from five largest suppliers accounted for 29.7% of its total procurements.

For the year ended 31 December 2017, the Group's revenue contributed by the largest customer accounted for 17.7% of its total revenue, and revenue contributed by the five largest customers accounted for 35.8% of its total revenue.

Except for the largest customer for which the transaction details are set out in the sub-section headed "Continuing Connected Transactions" to the best knowledge of the Directors, none of the Directors, their respective close associates or any shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's remaining four largest customers or five largest suppliers aforementioned during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Details of the major subsidiaries of the Company as at 31 December 2017 are set out in note 18 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report. This summary does not form part of consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out on page 82 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of Cayman Islands Companies Law and the Articles of Association, amounted to RMB440,959,000.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2017 are set out in note 29 to the consolidated financial statements.

DIRECTORS

The Directors for the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:

Mr. Peng Tianbin *(Chairman)* (redesignated on 15 March 2017)
Mr. Peng Yonghui *(Chief Executive Officer)* (redesignated on 15 March 2017)
Mr. Peng Daosheng (redesignated on 15 March 2017)

Non-executive Director:

Ms. Wang Sufen (redesignated on 15 March 2017)

Independent non-executive Directors:

Mr. Fan Rong (appointed on 15 March 2017)
Mr. Shi Weixing (appointed on 15 March 2017)
Mr. Yang Zhongkai (appointed on 15 March 2017)

In accordance with Article 84 of 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 shall be subject to retirement by rotation at least once every three years.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 22 to 25 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company on 15 March 2017 for a term of three years commencing from the Listing Date. For the executive Directors and the non-executive Director, the service contracts, may be terminated by not less than three months' notice in writing served by either party to the other. For the independent non-executive Directors, the service contracts may be terminated by not less than one month's notice in writing served by the Company.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in notes 20 and 34 to the consolidated financial statements and the transactions set out in the section headed "Continuing Connected Transactions" in this report, no Director or entity connected with a Director had a material interest in, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2017, the Group had 313 full-time employees. The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. The emolument policy of the Group would also make reference to the comparable market practices with reference to the qualifications of the employees.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 13 and 14 to the consolidated financial statements respectively.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Up to the date of this annual report, there were no changes to information which are required to be disclosed and had been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS OF THE COMPANY

As at the date of this annual report, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in ordinary Shares

Name of Director	Nature of interest	Number of Shares	Approximate shareholding percentage (%)
Mr. Peng YH	Trustee of the PYH Family Trust and the PTB Family Trust *(Note 1)*	450,000,000	72.76%
	Interests of spouse *(Note 2)*	104,000	0.01%
Mr. Peng TB	interests under section 317 *(Note 3)*	450,104,000	72.77%
Mr. Peng DS	interests under section 317 *(Note 3)*	450,104,000	72.77%
Ms. Wang SF	interests under section 317 *(Note 3)*	450,104,000	72.77%

Notes:

(1) Vast Base is owned by Mr. Peng YH as trustee of the PYH Family Trust and TEUR is owned by Mr. Peng YH as trustee of the PTB Family Trust. Mr. Peng YH being the trustee of the PYH Family Trust and the PTB Family Trust, is therefore deemed to be interested in the Shares held by the PYH Family Trust and the PTB Family Trust under the SFO.

(2) 104,000 Shares are held by the spouse of Mr. Peng YH.

(3) Pursuant to the Acting-in-Concert Confirmation, each of Mr. Peng DS, Ms. Wang SF, Mr. Peng YH and Mr. Peng TB is deemed to be interested in all the Shares held by Vast Base and TEUR under the PYH Family Trust and the PTB Family Trust, and by the spouse of Mr. Peng YH by virtue of section 317 of the SFO.

Save as disclosed above, as at the date of this annual report, none of the Directors and the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time from the Listing Date were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this annual report, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the ordinary Shares

Name of substantial Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding (%)
Vast Base	Beneficial interest *(Note 1)*	225,000,000	36.38%
TEUR	Beneficial interest *(Note 1)*	225,000,000	36.38%
Zhejiang Yongchuang Industrial Co., Ltd.	Beneficial interest *(Note 2)*	35,944,000	5.81%
Mr. Lou Zhangliang	Interest in controlled corporation *(Note 2)*	35,944,000	5.81%

Notes:

(1) Vast Base is wholly owned by Mr. Peng YH as the trustee of the PYH Family Trust. The PYH Family Trust is a discretionary trust set up by Mr. Peng YH whose beneficiaries are Mr. Peng YH and his descendants who carry the "PENG (彭)" surname. On the other hand, TEUR is wholly owned by Mr. Peng YH as the trustee of PTB Family Trust. The PTB Family Trust is a discretionary trust set up by Mr. Peng YH whose beneficiaries are Mr. Peng TB and his descendants who carry the "PENG (彭)" surname. Under the SFO, Mr. Peng YH as a trustee of the PYH Family Trust and the PTB Family Trust is deemed to be interested in all Shares held by Vast Base and TEUR under the PYH Family Trust and the PTB Family Trust.

(2) Zhejiang Yongchuang Industrial Co., Ltd. is owned as to 70% by Mr. Lou Zhangliang, who is therefore deemed to be interested in 5.81% of the issued share capital of the Company held by Zhejiang Yongchuang Industrial Co., Ltd.

Save as disclosed above, and as at the date of this annual report, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 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 referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Shares were listed on the Stock Exchange on 31 March 2017. None of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this annual report.

CONTINUING CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transaction

Chanhigh Construction (as contractor) and Canghu (as principal) entered into a framework agreement on 17 July 2016 (the "**Framework Agreement**") in respect of a municipal project under a PPP operated model by Canghu, i.e. Phase I of the construction of Xinyuan – Taihu International Health City supporting infrastructure (鑫遠 • 太湖國際健康城配套基礎設施建設一期工程PPP項目) (the "**XYTH Project**"). The Framework Agreement is of a term from 1 July 2016 to 31 December 2018 with total construction service fees not exceeding RMB340 million.

Parties:	Canghu (as principal) Chanhigh Construction (as contractor)
Date:	17 July 2016
Term:	from 1 July 2016 to 31 December 2018
Services to be provided:	construction work in relation to the XYTH Project, including construction of municipal roads (including bridges), buildings and ancillary greenery landscape
Total construction service fees:	not exceeding RMB340,000,000
Annual caps of construction service fees:	(i) the construction service fees payable by Canghu to Chanhigh Construction from the date of the Framework Agreement to 31 December 2016 shall not exceed RMB90,000,000; (ii) the construction service fees payable by Canghu to Chanhigh Construction from 1 January 2017 to 31 December 2017 shall not exceed RMB170,000,000 ("Existing 2017 Annual Cap"); and (iii) the construction service fees payable by Canghu to Chanhigh Construction from 1 January 2018 to 31 December 2018 shall not exceed RMB80,000,000.

Canghu is a limited liability company established in the PRC and principally engaged in construction and building works of roads, bridges, water works, municipal public works and landscape projects. 72.7% of the equity interest in Canghu is indirectly owned by CHHG and 20% of the equity interest is owned by a state-owned enterprise, namely Huzhou Nantaihu Municipal Construction Company Limited (湖州南太湖市政建設有限公司) ("**Nantaihu**"), which is an independent third party from the Group. The remaining 7.3% of the equity interest in Canghu is indirectly owned by Mr. Peng TB and his spouse. CHHG is owned as to 20% by Mr. Peng DS, 30% by Mr. Peng TB and 50% by Ms. Wang SF respectively. Mr. Peng DS and Mr. Peng TB are executive Directors and Ms. Wang SF is a non-executive Director. Accordingly, Canghu is a connected person of the Company under the Listing Rules and the transaction under the Framework Agreement will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules upon the Listing.

Pursuant to the Framework Agreement, Canghu and Chanhigh Construction had entered into two sub-agreements:

(a) a sub-agreement dated 25 July 2016 in relation to construction of municipal roads, drainage, bridges, roadside lamp posts of the XYTH Project with a total contract sum of RMB150,000,000; and

(b) a sub-agreement dated 27 July 2016 in relation to construction of relocation apartments for the Meidong residents (梅東農民) of the XYTH Project with a total contract sum of RMB135,000,000.

The actual aggregate transaction amount of the continuing connected transactions for the year ended 31 December 2017 was approximately RMB203,100,000 ("Actual 2017 Transaction Amount"), which exceeded the Existing 2017 Annual Cap of RMB170,000,000. As the Actual 2017 Transaction Amount exceeded the Existing 2017 Annual Cap, the highest applicable percentage ratio in respect of the Actual 2017 Transaction Amount exceeded 5% and the annual consideration exceeded HK$10 million, the transactions under the Framework Agreement for the year ended 31 December 2017 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under chapter 14A of the Listing Rules. Therefore, the transactions under the Framework Agreement for the year ended 31 December 2017 are subject to the ratification of the Independent Shareholders at AGM.

Opinion from the independent non-executive Directors on the non-exempt continuing connected transaction

The independent non-executive Directors have reviewed the transaction and confirmed that the non-exempt continuing connected transaction has been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

(d) these transactions have exceeded the annual cap of RMB170,000,000 and are subject to the ratification of the Independent Shareholders at the AGM.

The Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company has received a letter from the Auditor containing their finding and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 34 to the consolidated financial statements. Apart from the abovementioned continuing connected transaction, other related party 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.

PRE-EMPTIVE RIGHTS

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

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 15 March 2017 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 during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, 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.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the year ended 31 December 2017 and up to the date of this annual report, save for those disclosed in the Prospectus, the Company had not been and was not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

RELATIONSHIPS WITH STAKEHOLDERS

During the year, coping with the external and internal uncertainties and changes, the Group gained valuable experience, which will help the Group to face and overcome challenges of the future. The Group's sustainable development depends on the supports and efforts of all the parties involved, including the employees, the customers, the suppliers, the business partners and the Shareholders, and in particular the efforts and contributions and dedication of all staff of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

As most of the operations of the Group are conducted in the PRC, any material change in the PRC's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on the Group

The industry in which the Group is operating its business is subject to the laws and regulations in the PRC. Any change in existing laws and regulations or their interpretation that may affect the business or operations of the Group could lead to additional compliance costs or costly and time-consuming changes to its operations, either of which could materially and adversely affect the business, financial conditions and results of operations of the Group.

Further, the PRC economy has been transformed to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a very significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, the Group cannot predict whether changes in the PRC's political and social conditions, laws, regulations and policies will have any adverse effect on the current or future business, financial conditions and results of operations of the Group.

The failure to obtain or renew the qualifications and certificates necessary for the business operations of the Group would materially and adversely affect the ability of the Group to conduct or expand its business

The Group are required to maintain requisite qualifications and certificates to conduct its business. The Group must comply with the conditions imposed by the relevant authorities to maintain its qualifications and certificates. Any suspension or revocation of these qualifications or certificates may have a material adverse impact on its business and operations. In addition, the Group cannot assure that qualifications or certificates necessary for its business operations will be granted to or renewed in a timely manner, or at all. If the Group experiences delays in obtaining, or are unable to obtain, such required qualifications or certificates, its operations and business and its overall financial performance will be materially and adversely affected. The Group may also not be able to commence new business line if the Group fails to obtain the requisite qualification or certificates. Further, any change in the qualification requirements or certificate conditions may lead to additional compliance costs or result in costly and time-consuming changes to its operations in order to fulfil the new requirements or conditions.

The Group does not have long-term commitments with its major customers and the Group generate its revenue mainly on project-basis which is not recurring in nature

The relationships between the Group and its customers are mainly contract-based with reference to particular project(s). In cases where its customers are local governments, they may form a project company for commencing and managing a new project and organising the tendering process. As such, its major customers do not have long-term commitments with the Group and can vary from period-to-period. In addition, the relationship between the Group and its major customers are non-exclusive and largely dependent on goodwill. The results of operations of the Group will continue to depend on (a) its ability to continue to secure projects from its customers, in particular, the state-invested enterprises and local governments which are major group of its customers; and (b) the financial condition of its major customers. The Group cannot assure that its major customers will be able to continue to maintain strong financial position. If their financial condition significantly deteriorates, they may reduce the number and scale of new projects, thereby reducing business opportunities to the Group. Furthermore, the Group cannot assure that it will be able to maintain or improve business relationships with its existing customers and any of them may terminate their respective business relationships with the Group at any time. Any material difficulty in securing projects from its customers, termination or significant reduction in the number or contract value of the projects secured from them could cause its revenue and profit to decrease significantly. If any of the foregoing events occurs, the financial conditions and results of operations may be materially and adversely affected.

Revenue of the Group derived from such projects is mainly project-based which is not recurring in nature. In the tendering process, the Group has to prepare and submit a tender bid and sign construction contract for new project only if the bid is successful. The tenderer sets its own assessment process and selection criteria over which the Group has limited control or influence. The contract is not necessarily awarded to the lowest priced bid and the tendering process can be highly competitive, especially for high-profile or lucrative project. As such, the Group cannot assure that every bid submitted by the Group in the tenders will be successful. In the event that the bid for major contract is not successful, the Group may lost opportunity to elevate its corporate profile and generate new revenue source, and the business and results of operations of the Group may be materially and adversely affected.

ENVIRONMENTAL POLICIES 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 Final 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 policies and performance, please refer to the Environmental, Social and Governance Report on pages 50 to 73 of this annual report. For the year ended 31 December 2017, the Company has complied with the relevant laws and regulations that have a significant impact on the Company save as disclosed in the Prospectus.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Under the Article of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indeminified against all actions, costs, charges, losses, damages, and expenses, which he/she may incur or sustain in or about the execution of his/her duties in his/her office. As at the date of this annual report, all Directors were covered under the liability insurance purchased by the Company for its Directors.

CHARITABLE DONATIONS

For the year ended 31 December 2017, the Group made charitable and other donations approximating RMB886,000.

SUBSEQUENT EVENTS

The material subsequent events are disclosed in note 35 to the consolidated financial statements in this annual report.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advance by the Company to an entity.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, the preparation of financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit.

The annual results for the year ended 31 December 2017 of the Company have been reviewed by the Audit Committee.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions with effect from 31 March 2017. Having made specific enquiry to all Directors, the Directors have complied with the required standard set out in the Model Code from the Listing Date to the date of this annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 39 to 49 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors as at the date of this report, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITOR

RSM Hong Kong has acted as auditor of the Company for the year ended 31 December 2017.

RSM Hong Kong shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong as auditor of the Company will be proposed at the forthcoming AGM.

The Company was incorporated in the Cayman Islands with limited liability on 1 April 2016 and appointed RSM Hong Kong as the first auditor. The Company has not changed its auditor since its incorporation.

On behalf of the Board

Peng Tianbin
Chairman and Executive Director

Ningbo, the PRC
26 March 2018

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance with effect on the Listing Date. The Board is of the opinion that the Company has complied with all applicable code provisions under the CG Code since the Listing Date. The key corporate governance principles and practices of the Company are outlined later in this annual report.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

Board Composition

As at the date of this annual report, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

Mr. Peng Tianbin *(Chairman)*
Mr. Peng Yonghui *(Chief Executive Officer)*
Mr. Peng Daosheng

Non-executive Director

Ms. Wang Sufen

Independent Non-executive Directors

Mr. Fan Rong
Mr. Shi Weixing
Mr. Yang Zhongkai

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Since the Listing Date and up to the date of this annual report, the Company has been in compliance with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge and length of service. The Board diversity policy sets out the approach towards achieving diversity on the Board. Pursuant to the Board diversity policy, all Board appointments will be based on merits and contribution that the selected candidates will bring to the board, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive of the Company.

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. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

All directors have received training regarding listing rules compliance offered by the Company's legal advisors before the listing of the Company in March 2017.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the organization structure of the Company, Mr. Peng TB and Mr. Peng YH perform Chairman of the Board and the chief executive officer respectively. This is in compliance with the abovementioned code provision.

Appointment and Re-election of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has signed a service contract with the Company for a term of three years commencing from the Listing Date subject to termination as provided in the service contract.

The appointments of executive Directors, non-executive Directors and independent non-executive Directors are subject to the provisions of retirement and rotation of the Directors under the Articles of Association and the applicable Listing Rules.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

In accordance with the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation and shall be eligible for re-election and re-appointment provided that every Director shall be subject to retirement by rotation at least once every three years at every annual general meetings and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next general meeting after appointment.

Board Meetings

The Company intends to hold Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committees members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by the Directors.

From the Listing Date and up to 31 December 2017, three Board meetings and one general meeting were held and the attendance record of each Director is set out in the table below:

Directors	Attended/ Eligible to attend the Board meeting(s)	Attended/ Eligible to attend the general meeting(s)
Mr. Peng TB	3/3	1/1
Mr. Peng YH	3/3	1/1
Mr. Peng DS	3/3	1/1
Ms. Wang SF	3/3	1/1
Mr. Fan Rong	3/3	0/1
Mr. Shi Weixing	3/3	0/1
Mr. Yang Zhongkai	2/3	1/1

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding the Directors' securities transactions with effect from the Listing Date.

All Directors have confirmed that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct during the period from the Listing Date to the date of this annual report.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

No incident of non-compliance with these guidelines by the relevant employees was noticed by the Company.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, namely Mr. Fan Rong (chairman), Mr. Shi Weixing and Mr. Yang Zhongkai, all of them are independent non-executive Directors.

The principal duties of the Audit Committee include but not limited to the following:

(1) to act as the key representative body for overseeing the Company's relations with the external auditor;

(2) to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(3) to review the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly report) before submission to the Board, with focus on significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Rules and legal requirements in relation to financial reporting;

(4) to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(5) to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems; and

(6) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date and up to 31 December 2017, two Audit Committee meetings were held. Save as Mr. Yang Zhongkai who only attended one meeting, all the members of the Audit Committee attended all two meetings. At the meetings, the Audit Committee reviewed the annual report for 2016 with external auditors, the interim results for 2017, the activities of the Group's internal control functions and also reviewed and approved the arrangement of the annual audit work and then proposed the recommendations to the Board.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors namely Mr. Yang Zhongkai (chairman), Mr. Shi Weixing and one executive Director namely Mr. Peng TB.

The principal duties of the Remuneration Committee include but not limited to the following:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to review and approve management's remuneration proposals with reference to corporate goals and objectives of the Board;

3. to determine the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; and

9. to report back to the Board on their decisions or recommendation, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date and up to the year ended 31 December 2017, one Remuneration Committee meeting was held. Save as Mr. Yang Zhongkai, all the members of the Remuneration Committee attended the meeting. At the meeting, the Remuneration Committee reviewed remuneration of the Directors and senior management, and thought that the remunerations of whom were reasonable and appropriate.

Nomination Committee

The Nomination Committee currently comprises three members, including two independent non-executive Directors namely Mr. Shi Weixing (chairman), Mr. Yang Zhongkai and one executive Director namely Mr. Peng YH.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or reappointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and

5. to review the Board diversity policy.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date and up to the year ended 31 December 2017, one Nomination Committee meeting was held. Save as Mr. Yang Zhongkai, all the members of the Nomination Committee attended the meeting. At the meeting, the Nomination Committee reviewed the composition and structure of the Board in order to determine whether it is in compliance with requirements under the relevant laws, regulations and rules. In addition, the committee reviewed the elements in respect of Board diversity (including professional skills, experience, culture and education background, ethnicity, etc.). The Nomination Committee is of the view that the current composition and structure of the Board comply with the applicable regulations and the Board is experienced and have diversified perspectives and views.

Strategy Committee

The Strategy Committee comprises three members, including two executive Directors, namely Mr. Peng TB (chairman), Mr. Peng YH, and one independent non-executive Director, namely Mr. Fan Rong.

The principal duties of the Strategy Committee include but not limited to the following:

1. to review, study and advise the Company's business strategies, and monitor the progress of the application of the net proceeds from the Global Offering and implementation of the Company's business strategies;

2. to research and recommend on the long term development strategy of the Company; and

3. to research and recommend on other significant matters affecting the development of the Company.

The written terms of reference of the Strategy Committee are available on the websites of the Stock Exchange and the Company.

From the Listing Date and up to the year ended 31 December 2017, two Strategy Committee meetings were held and all the members of the Strategy Committee attended the meetings. At the meetings, the Strategy Committee reviewed and advised the Group's business strategies, and monitored the use of the net proceeds from the Global Offering.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and senior management are set out in notes 13 and 14 to the consolidated financial statements in this annual report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2017 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

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

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the "Independent Auditor's Report" on pages 74 to 79 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control and risk management system to safeguard Shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The Group's internal audit department plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the financial condition and internal control and risk management of the Company and conducting comprehensive audits of all subsidiaries of the Company on a regular basis.

The Board considers that the existing internal control system is reasonably effective and adequate.

AUDITOR'S REMUNERATION

The remuneration for the audit services and non-audit services provided by the Auditor to the Group during the year ended 31 December 2017 amounted to RMB0.92 million and RMB0.32 million respectively.

COMPANY SECRETARY

Mr. Tong Tai Alex (湯泰), the company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. Tong will undertake not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged directors' and officers' liability insurance for its Directors and senior management. The insurance covers the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of corporate activities.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, the Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

From the Listing Date and up to 31 December 2017, according to the records of the Company, all Directors received the training in the form of written materials and briefing/seminars, in respect of updates on corporate governance, laws, rules and regulations, and industry specific.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairperson of the Board Committees will attend the AGM to answer Shareholders' questions. The Auditor will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or any one of the company secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 17th and 18th Floors, Cang Hai Industry Building, No. 3388 Cang Hai Road, Yinzhou District, Ningbo City, Zhejiang Province, China (email address: chanhigh@chanhigh.com.hk).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum of association has been adopted and with effect from 15 March 2017 and Articles of Association have been adopted on 15 March 2017 and with effect from the Listing Date, and up to 31 December 2017, there were no changes made in the Company's constitutional documents.

ABOUT THIS REPORT

Chanhigh Holdings Limited is pleased to present the 2017 ESG Report to provide an overview of the Group's management of significant issues affecting the operation, including ESG issues.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

REPORTING PERIOD

The ESG Report illustrates the Group's policies and performance regarding the environmental and social aspects during the reporting period from 1 January 2017 to 31 December 2017.

REPORTING SCOPE

The ESG Report covers the Group's core business: provision of services of municipal work and landscape construction and the related services in the PRC.

REPORTING BASIS

The ESG Report is prepared in accordance with ESG Guide to summarise the ESG performance of the Group. The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Guide.

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's relevant policies. A complete content index is appended in the last chapter hereof for quick reference. The Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the English version shall prevail.

INFORMATION AND FEEDBACKS

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to send to us via email to the following address: chanhigh@chanhigh.com.hk

ABOUT THE GROUP

The history of the Group dates back to 2001. The Group is an integrated construction enterprise that starts with municipal works and urban landscaping. Its main businesses include municipal utilities, landscaping projects, housing construction projects, urban and road lighting projects, water conservancy and hydropower projects, municipal conservation and so on. With more than ten years of unremitting efforts, the Group has operations in 18 provinces, 3 municipalities and 3 autonomous prefectures in the PRC.

The Group has attained various certifications, including but not limited to First-Grade Urban Landscape Construction Enterprises Qualification Certificate (城市園林綠化企業資質證書壹級), the First-Grade General Contractor for Municipal Public Works (市政公用工程施工總承包壹級), the First-Grade Professional Contractor for Urban and Street Lighting Projects (城市及道路照明工程專業承包壹級), the First-Grade Professional Contractor for Building Renovation Projects (建築裝修裝飾工程專業承包壹級), and the First Grade General Contractor for Water Works and Hydropower projects Qualification（水利水電工程施工總承包壹級資質）the First-Grade Professional Contractor for Historic Building Projects (園林古建築工程專業承包壹級).

Besides, it has been awarded with highly regarded honorary titles in the industry, such as "Landscaping Enterprise with Credit Grade AAA in the PRC", "Top 50 Urban Landscaping Enterprise in the PRC" (全國城市園林綠化企業50強) and many other honorary titles.

STAKEHOLDER ENGAGEMENT

The Group emphasises the participation of its stakeholders, including staff, customers, suppliers etc. All of them have a substantial impact on the success of its business or activities.

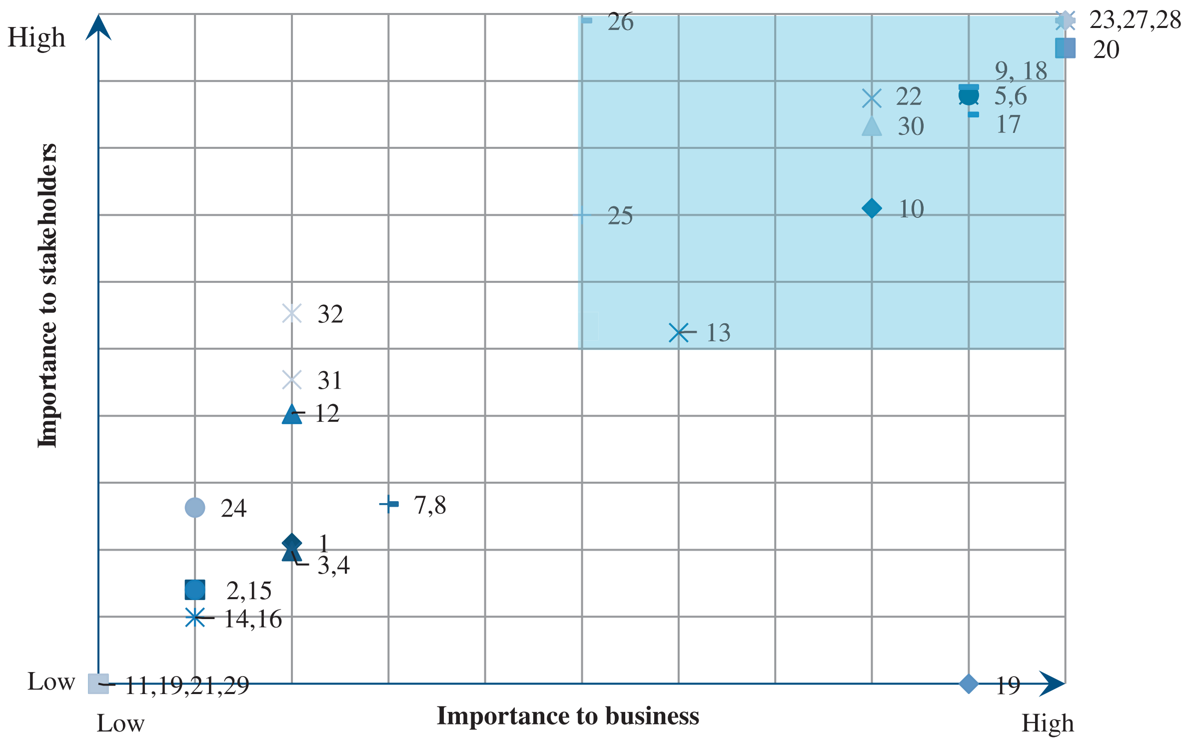
In compiling the ESG Report, the Group consulted its internal stakeholders, to monitor and manage its impact on all aspects of the environment and society. Besides, the Group has established various engagement channels for its stakeholders, including employees, customers, suppliers, shareholders, investors, regulatory authority, media and government departments to understand their concerns regarding the Group's operation. The Group believes that stakeholders engagement has significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group's strategy formulation and decision-making.

Stakeholder	Issues of concern	Engagement Channels
Government	• To comply with law • Proper tax payment • Promote regional economic development and employment	• Corporate events • Annual, quarterly and interim reports and other published information
Shareholders and Investors	• Low risk • Return on investment • Information disclosure and transparency • Protection of interests and fair treatment of shareholders	• Corporate events • Annual general meeting and other shareholder meetings • Annual, quarterly and interim reports and other published information • Website of the Company and the Stock Exchange, respectively
Employee	• Working environment • Career development opportunities • Self-actualisation • Health and safety	• Training, seminars, briefing sessions • Cultural activities • Intranet and emails
Client	• Comply with laws and high-quality services • Stable relationships • Information transparency • Integrity • Business ethics	• Website, brochures, annual, quarterly reports and other published information • Email and customer service hotline • Social communication channels • Feedback forms
Supplier	• Fair competition • Quality and price • Supplier evaluation	• Supplier rating system • Supplier conference • Site visit
Peer Industries	• Experience sharing • Cooperation • Fair competition	• Conference meeting • Exhibitions • Corporate events
Community	• Community involvement • Social responsibilities	• Community service • Charity and social investment

MATERIALITY ASSESSMENT

A list of sustainability issues, which were potentially material to the Group, was composed in the context of its business and daily operation. A materiality assessment matrix was developed from the result of stakeholder engagement exercises conducted with stakeholders. The materiality assessment and prioritisation took into account of two dimensions. It included the importance of issues to stakeholders and disclosure area based on the assessment result. The ESG Report will focus more on issues that are considered as relatively material (within the coloured region in the matrix).

Materiality Assessment



Item	Issues
1	The types of emissions and respective emissions data
2	Greenhouse gas emissions in total and intensity
3	Total hazardous waste produced and intensity
4	Total non-hazardous waste produced and intensity
5*	Measures to mitigate emissions and results achieved
6*	How hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved
7	Direct and/or indirect energy consumption by type in total and intensity
8	Water consumption in total and intensity
9*	Energy use efficiency initiatives and results achieved
10*	Whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved
11	Total packaging material used for finished products with reference to per unit produced
12	Significant impacts of activities on the environment and natural resources and the actions taken to manage them
13*	Total workforce by gender, employment type, age group and geographical region
14	Employee turnover rate by gender, age group and geographical region
15	Number and rate of work-related fatalities
16	Lost days due to work injury
17*	Occupational health and safety measures adopted, how they are implemented and monitored
18*	The percentage of employees trained by gender and employee category
19	The average training hours completed per employee by gender and employee category
20*	Details of measures to review employment practices to avoid child and forced labour
21	Steps taken to eliminate such practices when discovered
22*	Number of suppliers by geographical region
23*	Practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored
24	Percentage of total products sold or shipped subject to recalls for safety and health reasons
25*	Number of products and service related complaints received and how they are dealt with
26*	Practices relating to observing and protecting intellectual property rights
27*	Quality assurance process and recall procedures
28*	Consumer data protection and privacy policies, how they are implemented and monitored
29	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases
30*	Preventive measures and whistle-blowing procedures, how they are implemented and monitored
31	Focus areas of contribution
32	Resources contributed to the focus area

* Issues that are regarded as relatively material.

A. ENVIRONMENTAL SUSTAINABILITY

A1 Emissions

The Group has been accredited with ISO14001:2004 Environmental Management System (in respect of the construction of municipal engineering and the construction conservation of landscaping and correlative management activity). The Group is also committed to complying with requirements stipulated in local 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. During 2017, the Group was not aware of any material non-compliance with the environmental laws and regulations.

Regarding the operation of the Group, the Group always focuses on municipal and urban landscape projects and offers its customers sophisticated construction services, which is mainly office operation. The type of emissions[1] would be air pollutants and greenhouse gas emissions. There were no significant solid wastes generated from office operation. However, the Group has implemented various measures to minimise the environmental impacts for the construction work undertaken by subcontractors. For instance, the Group has adopted new technology and green process;, recycled used water and construction wastes.

Air Pollutant Emission[2]

The air pollutant emissions volume during 2017 is as follows:

Type of Air Pollutants	Emission Volume (kg)
Nitrogen oxides (NO_x)	1,317.05
Sulphur oxides(SO_x)	41.60
Particular matter (PM)	37.29

The air pollutant emission was mainly generated from the company mobile vehicles. Considering the emission borne by the projects, the Group has set up corresponding rules for construction workers as they may produce gas emission and harmless waste and discharge waste into water and land during construction.

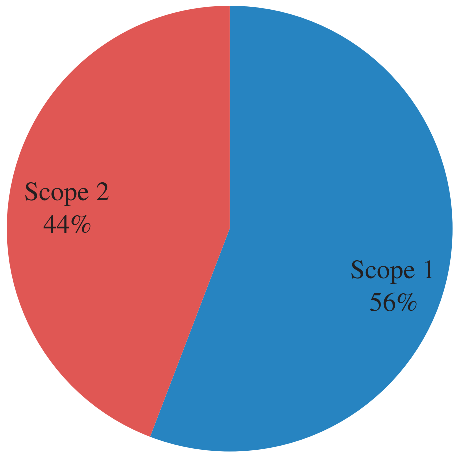
1 The emissions from construction projects, which are borne by subcontractors, are not included as they are not accessible by the Group.

2 The estimation of the emissions is made reference to "Technical Guidelines for Air Pollutants Emission Inventory of Road Vehicles (Trial)" (道路機動車大氣污染物排放清單編製技術指南 (試行)).

Greenhouse Gas Emission

Regarding the office operations of the Group, the greenhouse gas emission is mainly generated from fuel consumption of mobile vehicles and purchased electricity. The details of the greenhouse gas emission[3] during 2017 are as follows:

Emission Volume (kg CO_2-equivalent)



Scope	**Emission Volume (kg CO_2-equivalent)**
Scope 1[4]	185,110.55
Scope 2[5]	146,548.40
Total	**331,658.95**

The Group encourages its employees to communicate through telephone and wireless communications in the ordinary course of business to minimise carbon-emissions that may be produced during their business trips by vehicle and plane.

3 Estimation of greenhouse gas emission is made reference to "The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard".

Emissions from construction projects, which are borne by subcontractors, are not included as they are not accessible by the Group.

Scope 3 emission is not included as the emission from the Group's operation is not significant.

4 Scope 1 refers to direct emissions from operations that are owned or controlled by the Group.

5 Scope 2 refers to "energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.

A2 Resources Utilisation

The Group has always attached great importance to the efficient use of resources, to protect environment and to improve operational efficiency. The Group generally uses resources such as electricity, petroleum, diesel fuel, gas or petroleum gas, water resources and paper. The Group has provided certain guidance regarding the efficient use of resources in the employee manual and required its employees to enhance their cost consciousness and to use office supplies, water and electricity in an efficient manner.

Apart from written guidance, the Group has implemented initiatives on efficient use of resources, for example:

- keeping doors and windows closed when air conditioners are in use, and maintaining the temperature at 25.5 ℃ inside offices
- utilising natural light in offices and installing energy saving lamps
- turning off all lights, computers, office equipment and air conditioners when not necessary to use them
- implementing the 3R principle, which is "Reducing, Reusing and Recycling", in the ordinary course of business.

The energy consumption during 2017 is as follows:

	Consumption (kWh)
Diesel Fuel	737,004.10
Purchased Electricity	219,679.81
Total Energy Consumption	**956,683.91**
Intensity (kWh/sq.m)	318.89

Besides, the Group also places "Saving water" label in the office area in order to raise the awareness of the employee in water saving. During 2017, the water consumption was 1,219,69m^3 and the corresponding intensity was 4.09 m^3/person.

Moreover, the construction team will make use of materials available at the project site to build the landscapes there. For instance, dirt dug out from the construction site will be used to create the rockery. The Group does not consume large amount of packaging materials in the ordinary course of business as the Group is not a consumer goods manufacturer.

A3 The Environment and Natural Resources

The Group has insisted on operating its business in an environmental friendly manner at all times and implemented various measures to minimise the impact of its production and operation on the environment.

In the procurement and selection of materials used in its projects, such as paint, the Group considers chemical components of the products and whether they meet the safety and environmental protection requirements.

The Group also assigns its specialists to the construction site to supervise the compliance of environmental protection requirements by the construction teams of its subcontractors.

The Group mainly undertakes construction projects on landscape improvement and living environment improvement, which may have certain impact on the surroundings and people living around the area during their construction. However, its external subcontractors will take active measures to minimise the impact by all means. For example, the construction team adopts the following approaches to reduce its impact on environment and its consumption of natural resources:

- applying noise-reduction machines in noisy conditions and adopt automated and hermetic technologies to reduce mechanical noise
- filling landscape ponds with rainwater and irrigating landscape plants with approved natural water source nearby as much as possible in the course of construction
- transplanting existing trees in the construction sites to specific locations and replanting them when the project is almost completed
- To reduce dust, subcontractors spray water on-site when they undergo construction work, dismantling or cleaning up.

B. SOCIAL SUSTAINABILITY

The Group is committed to maintain a high level of corporate social governance as it is important for the Group in constructing a safe and healthy work environment as well as establishing product quality and social credibility. In the meantime, the Group devotes itself to preserving the sustainable development of its business and community. To promote this business model, the Group exhibits prudence in managing its operations, and is cautious in executing decisions made by the management team.

EMPLOYMENT AND LABOUR PRACTICES

B1 Employment

The Group is dedicated to promoting fair and ethical labour policies. The Group has established human resource systems relating to compensation and dismissal, recruitment and promotion, working hours, leave application, equal opportunity, diversity, anti-discrimination and other benefits and welfare, and circulated clearly such policies to all employees. The Group has complied with requirements set out in relevant laws and regulations all the times, including the Labour Law of the PRC, the Social Insurance Law of the PRC and the Trade Union Law of the PRC. During 2017, the Group was not aware of any material non-compliance with labour practices.

The employee remuneration policies were determined with reference to factors such as salary information available in local markets, overall salary standards in the industry, inflation level, operational efficiency of the Group and the employees' qualification, position, length of service and performance. Employee remuneration package is comprised of basic salary, allowance, bonus and other compensation.

The Group also communicates with the employee through different channels, e.g. corporate email, instant message mobile application, such as WeChat, employee gathering, labor union and team exploration activities.

As at 31 December 2017, the workforce data[6] and the corresponding turnover rate are as follows:

Workforce

By Gender	
Male	214
Female	99
By Age Group	
Below 30	73
30-39	134
40-49	70
50 or above	36
By Employment Categories	
Assistant General Manager or Above	8
Senior Manager	19
Manager	59
Assistant Manager	34
General Staff	193
Total	**313**

6 It covers the operations in the PRC and Hong Kong. However, there is only 1 employee in Hong Kong.

Turnover Rate[7]

By Gender	
Male	13%
Female	30%
By Age Group	
Below 30	71%
30-39	30%
40-49	16%
50 or above	13%
Overall	**35%**

B2 Health and Safety

The Group has been in strict compliance with related laws and regulations, including but not limited to Work Safety Law of the PRC, Protection Law of the PRC, Emergency Response Law of the PRC and the Regulation on Work-Related Injury Insurances. The Group has established a management system which has been accredited with OHSAS18001:2007 Occupational Health and Safety Management System (in respect of the construction of municipal engineering and the construction conservation of landscaping). During 2017, the Group was not aware of any material non-compliance with the health and safety laws and regulations and there was no case of work related injury nor fatality.

The Group has formulated a safety work management handbook to provide for the safety work management of other parties such as the project departments and other departments of the Group. The project departments are not only in charge of organising and implementing the safety work in detail, but are also responsible for supervising and monitoring the execution of safety requirements by construction teams of the subcontractors as per the requirements of the handbook.

The Group has developed an employee manual which provides guidance in respect of employees' responsibilities for their health and safety at workplace.

7 Turnover Rate = Number of employee left during the Year/Average number of employee during the Year

Work safety management system

The Group has in place stringent internal safety policies to ensure work safety operations and compliance with the relevant laws and regulations in the PRC. The quality and safety department is responsible for overseeing the compliance with the relevant laws and regulations in the PRC, conducting regular reviews and inspections of safety performance, conducting review of any material accidents, and ensuring that the Group maintains the necessary licences, approvals and permits to operate.

The Group implements a multi-tiers work safety management system. The general manager, being the first tier, is responsible for formulating and overseeing the implementation of safety standards and reporting the status to the Directors. The quality and safety department, being the second tier, together with the general manager, deputy general manager, head of the quality and safety department and project managers are responsible for the coordination and organisation of the safety management of the Group. The project team, being the third tier, comprises safety officers, workers and group leaders are responsible for preparing and updating project logbook and inspecting safety management of the projects.

Training

The Group organises vocational training on a regular basis and it is the policy that all staff and workers working on-site are required to attend not less than four days of training covering the Group's safety policies and measures, relevant legal requirements, equipment operations, prevention measures and company protocols in the event of accidents. In addition, all employees of the Group are required to attend a safety seminar and pass an examination covering the Group's production safety guidelines, safety knowledge and protocols on an annual basis.

The Group's safety management system includes a reporting and recording system for safety accidents of its construction sites. All safety accidents must be immediately reported to the general manager of the Group. Personnel from the responsible project team are required to arrive at the site immediately to oversee the handling of the safety accident and ensure evidence of the accident is kept intact. Investigation of the accident will be conducted to find out the underlying cause, to establish accountability and to identify improvement measures.

B3 Development and Training

The Group believes that its employees are valuable assets. Competition for excellent employees is fierce in the construction service industry in the PRC, and the Group offers competitive remuneration to attract and retain the talented ones. Regular review on remuneration of employees is carried out in order to retain outstanding employees and attract external talents that are valuable.

The Group lays emphasis on the development of its employees and tries its best to help them realising their career goals while making efforts to meet the business targets. The Group monitors its employees in the construction sites for safety purpose, and regularly provides them with safety and skill trainings. The Group also has corresponding requirements in place for construction site safety management.

The Group will keep upgrading the professional development platform and assessment systems for its employees, roll out the tailor-made leadership and know-how training programmes and offer them with better promotion opportunities that meet their needs.

The Group organises training session covering various topics once every two weeks. The topic of the training conducted in May 2017 was "Public-private partnership (PPP) Project Introduction and Policy Interpretation". The training was delivered by Mr. Tang, the Partners of Alljoin Law Firm. He shared about his views on the national policies related to PPP.

As at 31 December 2017, the percentage of trained employee and the average training hours are as follows:

Percentage of Trained Employee

By Gender	100%
Male	100%
Female	100%
By Employment Categories	
Assistant General Manager or Above	100%
Senior Manager	100%
Manager	100%
Assistant Manager	100%
General Staff	100%
Overall	**100%**

Average Training Hours

By Gender	Hours/person
Male	30.36
Female	38.18
By Employment Categories	
Assistant General Manager or Above	72.00
Senior Manager	72.00
Manager	72.00
Assistant Manager	18.00
General Staff	18.00

B4 Labour Standards

The Group always respects and strictly complies with all applicable national laws and local regulations as well as relevant labour laws and regulations in the place where it operates, including those relating to preventing child and forced labour. The Group has also developed rigorous and systematic measures for approval and selection, to prevent itself from illegally hiring child labour and ensure that the employment is in compliance with relevant laws and regulations.

The Group arranges the employees' working hours based on the statutory working hour standards and allows them to entitle for paid leaves and sick leaves in accordance with relevant labour laws.

During 2017, the Group was not aware of any material non-compliance with the labour requirements in relation to child and forced labour set out in relevant laws and regulations.

OPERATING PRACTICES

B5 Supply Chain Management

The Group has established relevant policies and systems in force for supply chain management, including procedures and criteria of selecting suppliers, and will review and reassess such procedures regularly.

The Group procures its construction machinery, materials and services by means of impartial and open competitions to ensure that the selected products and service providers can satisfy its needs. In addition to the consideration of the quality of products or services as well as business factors in its bidding process for supplier selection, the Group prefers suppliers who proactively fulfil their social responsibilities with an aim to improve the sustainable development of the Group.

The Group is impartial to every product/service provider to facilitate long-term cooperation. Furthermore, the Group reviews its product and service providers regularly based on their pricing, quality and after-sales service, to ensure that it is continuously provided with high-quality products and services. If suppliers are in violation of the Group's provisions or any other regulations, they will be blacklisted and receive no further orders from the Group.

During 2017, there were 16 suppliers from Zhejiang Province for providing the Group with construction materials, including seedlings, concrete, gravel, cement and cable.

B6 Product Responsibility

The Group is committed to providing high-quality services and guarantees that the quality of its projects is in line with quality standards and sustainability requirements. It also pursues to meet higher criteria all the time.

The Group has always been focusing on quality control in project construction since its incorporation. In respect of human resources, it has a team of project managers with rich experience in undertaking various landscape and municipal works construction projects.

In respect of systems, the Group owns a comprehensive quality management system and is accredited with ISO9001 Quality Management System. In respect of the management of technology, operation, human resource and file management, a complete and constantly effective management policy has been established.

The Group also carries out trainings and has established a management system covering various aspects including management of quality of construction staff, quality control on raw material and site management, so as to ensure the timely and efficient completion of its projects.

The Group has standard procedures in place to deal with client's complaints. Upon receiving any complaint, it will take timely action to keep track of its settlement, ensuring every complaint being handled properly. During 2017, the Group was not aware of any cases of complaints.

The Group has set rules for the completion approval of construction projects as well as the repair and maintenance during the warranty period.

Quality Management

Stringent quality control is critical to the Group's reputation and success. As such, it adopts comprehensive quality control measures to ensure work quality. The Group has in place an organisational structure for quality control. The general manager is responsible for setting the overall quality control decisions, managing quality control matters and assessing the effectiveness of the quality control measures. The quality and safety department is responsible for formulating and monitoring the implementation of quality control policies, receiving and reporting quality control issues and making recommendations to enhance work quality. At project site, in addition to project manager, the quality inspection officer(s) in each project team primarily responsible for day-to-day monitoring of the quality control measures, such as supervising raw materials procurement and carrying out work quality inspections. The following is a summary of the key quality control measures the Group implements:

- Inspection of raw materials: Incoming raw materials are inspected in accordance with the Group's quality standards and the specifications of its customers in the construction contracts. A product certificate is required before using such raw materials for the construction projects;

- Training: Staff are provided with training to ensure their understanding of, and compliance with, the Group's quality standards. In addition, daily meeting is held with staff working on-site to review construction safety measures and precautions;
- Standardised construction: Standardised construction methods and technique are implemented in the construction projects to facilitate the implementation of such methods and technique by workers on-site;
- On-site inspections and rectification: Periodic inspections and spot checks are conducted on the construction projects, and the Group's personnel are required to implement immediate rectification measures if any quality control issues are identified. Upon rectification, the quality control issues will be inspected again to ensure that such issues have been resolved. Independent construction supervisor appointed by the customers will conduct periodic inspections and spot inspections of the construction projects; and
- Quality control review: After completion of each project and at the end of each quarter, a comprehensive review and analysis of any quality control issues is conducted.

Intellectual Property Management

The Group has been in strict compliance with the laws related to intellectual property protection in the PRC. In order to protect the intellectual property, the Group has implemented protective measures covered various phases of the project. For example, design, construction etc.

Customer Information Protection

The Group has formulated the Policy of Confidential Information Protection (檔案保密制度). Only designated personnel are allowed to access the filing room. Personnel are required to obey the related regulations. For example, they are not allowed to discuss the content of the files with outsiders and review documents that are not relevant to their job duties. Strict procedures are applied when the archives needed to be destroyed. If there are any file missing or stolen, it must be reported to the senior management in a timely manner.

B7 Anti-corruption

The Group 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 Group has a series of practices and employees' code of conduct against corruption and money laundering in effect.

The Group values honesty and integrity and prevents itself from corruption or violation of rules such as bribery, money laundering, extortion and fraud. The Group believes that it is necessary to enhance the morality in the Group, so as to maintain its sustainability and to win the confidence of its employees, customers, suppliers and other business partners.

Paying high attention to anti-fraud, the Group has formed the corporate culture featuring with integrity and fairness inside the Group. It may unconditionally dismiss any employee who is involved in corruption or bribery or deceives the Group by means of forgery, and take legal action against such person whether or not the Group suffers from any loss because of such misconducts.

The Group has whistle-blowing procedures in effect for employees to report directly to the Group's senior management any misconduct and dishonest behaviour, such as bribery, fraud and other offences.

Furthermore, the Group has specified in the employees' handbook that it is entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

During 2017, the Group had complied with the relevant laws and regulations regarding anti-corruption and money-laundering and had no concluded legal case regarding corrupt practices brought against the Group or its employees.

B8 Community Investment

The Group has been actively involved in charitable activities in the communities and cities where its projects are operating and constructing, and encourages the employees to participate in in-house or external community activities.

THE STOCK EXCHANGE ESG GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
ENVIRONMENTAL			
Aspect A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions	55
KPI A1.1	The types of emissions and respective emissions data	Emissions	55-56
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	56
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	No significant wastes generated	NA
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	No significant wastes generated	NA
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions	55-56
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	No significant wastes generated	NA

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect A2 Use of Resources			
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials	Resources Utilisation	57
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per meal)	Resources Utilisation	57
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Resources Utilisation	57
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Resources Utilisation	57
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Resources Utilisation	57
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	NM	NA
Aspect A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources	58
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources	58

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
SOCIAL			
Employment and Labour Practice			
Aspect B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment	59
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment	59
KPI B2.1	Employee turnover rate by gender, age group and geographical region	Employment	60
Aspect B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	60

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
KPI B2.1	Number and rate of work-related fatalities	No case of work related fatalities	NA
KPI B2.2	Lost days due to work injury	No case of work injuries	NA
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	60-61
Aspect B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	62
KPI B3.1	The percentage of employees trained by gender and employee category	Development and Training	62
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and Training	63
Aspect B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Labour Standards	63
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards	63
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Labour Standards	63

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Operating Practices			
Aspect B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of supply chain	Supply Chain Management	64
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management	64
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	64
Aspect B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	64-65
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	NM	NA
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No complaint received	NA
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility	66
KPI B6.4	Description of quality assurance process and recall procedures	Product Responsibility	65-66

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	66
Aspect B7 Anti-corruption			
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	67
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded case	NA
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	67
Community			
Aspect B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment	67
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	NM	NA
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	NM	NA

Note:

NM: Not material according to the materiality assessment

NA: Not Applicable

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TO THE SHAREHOLDERS OF CHANHIGH HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chanhigh Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 130, 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, consolidated statement of changes in equity and 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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 Hong Kong Institute of Certified Public Accountants (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 these requirements and 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. The key audit matters we identified are:

1. Recoverability of trade receivables

2. Contract revenue and profits, and gross amount due from/to customers for contract works

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Recoverability of trade receivables	
Refer to notes 5(a) and 20 to the consolidated financial statements The Group has trade and bills receivables with aggregate values of RMB512,241,000 before the allowance for trade receivables of RMB11,037,000 as at 31 December 2017. No specific credit period was granted for its customers. As at 31 December 2017, the trade receivables of RMB191,398,000 were aged over 1 year. This has increased the risk that the carrying values of trade receivables may be impaired. The Group recognised allowance for trade receivables of RMB11,037,000 during the year ended 31 December 2017. The determination of the allowance for trade receivables was based on the review of customers' credit worthiness and the collection of outstanding balances. Management concluded that there is no further impairment in respect of the trade receivables. This conclusion required significant management judgement in assessing the recoverability of trade and bills receivables.	Our procedures included: – Obtaining confirmations from debtors on a sample basis to verify the accuracy of the debtor balances; – Re-computing the accuracy of the ageing analysis on a sample basis; – Reviewing the receipt of cash after the year end for significant debtor balances; – Assessing the impairment allowance made by management after taking account of the past collection experience of the Group; – Discussing with management the credit status of those debtors with overdue balances including any collection actions planned and loss provision made; and – Assessing the adequacy of the credit risk disclosures in relation to trade receivables.

RSM

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Contract revenue and profits, and gross amount due from/to customers for contract works	
Refer to notes 5(b), 7 and 21 to the consolidated financial statements The Group provides construction service for municipal work and landscape construction and related services. The Group recognised contract revenue and profit of RMB1,144,539,000 and RMB182,047,000 respectively for the year ended 31 December 2017. As at 31 December 2017, the Group recorded gross amount due from customers for contract works and gross amount due to customers for contract works of RMB868,377,000 and RMB16,079,000 respectively, being the net of contract costs incurred plus recognised profits less recognised losses to date of RMB5,143,464,000 and progress billings of RMB4,291,166,000. The Group recognised contract revenue, profit and amounts due from/(to) customers for contract works according to the Group's management's estimation of the total outcome of the contracting service contracts as well as the percentage of completion of contracting service which is measured by reference to the work certified. Where any work is uncertified as at the reporting date, the percentage of completion is adjusted using the cost-to-cost method. This requires management to exercise significant judgement in estimating the outcome of contracts, their percentage of completion and the amount of revenue and profit or loss to be recognised in each reporting period. Management is also required to exercise significant judgement in their assessment of the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within forecast timescales.	Our procedures included: – Evaluating the estimation of revenue and profit recognised on construction contracts, on a sample basis, by: • agreeing the contract sum to signed contracts; • understanding from management and project managers how the percentage of completion was determined; • agreeing work certified to certificates issued by surveyors; • checking the percentage of completion was properly adjusted to take account of any uncertified work; • agreeing total budgeted costs to approved budgets; • obtaining an understanding from management and project managers how the approved budgets were determined; • checking the contract costs properly expensed by reference to the stage of completion; • challenging the reasonableness of key management judgements in preparing the budgets; and • challenging management's assessment of the Group's ability to deliver contracts within budgeted timescales and any penalty for late delivery of contract works by comparing the progress of the contracts against the terms stipulated in the contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
2. **Contract revenue and profits, and gross amount due from/to customers for contract works** *(continued)*	Our procedures included: *(continued)* – Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; – Checking the accuracy of the amounts due from customers for contract works by agreeing the amount of progress billings, on a sample basis, to billings issued to customers; and – Assessing the recoverability of the amounts due from customers for contract work by interviewing the project managers about the status of completion and expected progress billings.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information 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 DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors 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. We report our opinion 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.

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 skepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- 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.

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 Tam Shing Yu.

RSM Hong Kong
Certified Public Accountants
Hong Kong

26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	7	**1,144,539**	1,551,858
Cost of services rendered		**(956,924)**	(1,333,225)
Business tax and auxiliary charges		**(5,568)**	(24,007)
Gross profit		**182,047**	194,626
Other income and gains	8	**10,329**	7,675
Administrative and other operating expenses		**(68,898)**	(42,312)
Profit from operations		**123,478**	159,989
Finance costs	10	**(3,627)**	(9,503)
Profit before tax		**119,851**	150,486
Income tax expense	11	**(39,523)**	(42,482)
Profit for the year attributable to owners of the Company	12	**80,328**	108,004
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year attributable to owners of the Company		**80,328**	108,004
Earnings per share			
Basic and diluted (RMB cents per share)	16	**13.9**	24.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	17	7,834	2,448
Available-for-sale financial assets	19	13	64
Total non-current assets		7,847	2,512
Current assets			
Trade and other receivables	20	701,129	720,599
Gross amount due from customer for contract work	21	868,377	694,020
Bank and cash balances	23	375,852	111,308
Total current assets		1,945,358	1,525,927
TOTAL ASSETS		1,953,205	1,528,439
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Paid in capital	24	5,487	—
Reserves	26	798,281	260,587
Total equity		803,768	260,587
Current liabilities			
Trade payables	27	824,213	895,397
Accruals and other payables	28	80,648	56,809
Receipts in advance		18,270	18,034
Gross amount due to customers for contract work	21	16,079	8,994
Amount due to a director	22	—	160,337
Borrowings	29	111,000	61,000
Current tax liabilities		99,227	67,281
Total current liabilities		1,149,437	1,267,852
TOTAL EQUITY AND LIABILITIES		1,953,205	1,528,439

Approved by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Peng Yonghui	**Peng Tianbin**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company					
	Paid-in capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	152,000	—	—	19,972	154,763	326,735
Total comprehensive income for the year	—	—	—	—	108,004	108,004
Transfer from retained earnings	—	—	—	10,885	(10,885)	—
Repurchase of equity interests of Chanhigh Construction by Chanhigh HK from Peng Family	(152,000)	—	(7,370)	—	—	(159,370)
Dividend paid (note 15)	—	—	—	—	(14,782)	(14,782)
Changes in equity for the year	(152,000)	—	(7,370)	10,885	82,337	(66,148)
At 31 December 2016 and 1 January 2017	—	—	(7,370)	30,857	237,100	260,587
Total comprehensive income for the year	—	—	—	—	80,328	80,328
Transfer from retained earnings	—	—	—	10,007	(10,007)	—
Issue of shares for capitalisation of amount due to a director (note 24 (c))	—	159,370	—	—	—	159,370
Shares issued under the global offering and over-allotment (note 24 (d), (f))	1,493	301,990	—	—	—	303,483
Shares capitalisation (note 24 (e))	3,994	(3,994)	—	—	—	—
Changes in equity for the year	5,487	457,366	—	10,007	70,321	543,181
At 31 December 2017	5,487	457,366	(7,370)	40,864	307,421	803,768

	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	119,851	150,486
Adjustments for:		
Allowance for trade and other receivables	11,593	—
Depreciation	661	486
Interest income	(3,668)	(5,914)
Dividend income from unlisted equity investments	(9)	(9)
Finance costs	3,627	9,503
Operating profit before working capital changes	132,055	154,552
Increase in amount due from/to customers for contract work	(167,272)	(320,076)
Decrease/(increase) in trade and bills receivables	1,599	(58,194)
Decrease in prepayments, deposits and other receivables	13,878	23,777
(Decrease)/increase in trade payables	(71,184)	198,509
Increase/(decrease) in receipts in advance	236	(8,207)
Increase in accruals and other payables	23,839	18,152
Cash (used in)/generated from operations	(66,849)	8,513
Income taxes paid	(7,577)	(13,671)
Interest paid	(3,627)	(9,503)
Net cash used in operating activities	(78,053)	(14,661)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit paid for acquisition of a subsidiary	(7,600)	—
Purchases of property, plant and equipment	(6,047)	(863)
Proceeds from disposals of financial assets	51	—
Repayment from related companies	—	330,672
Increase in deposits with initial term of over three months	(906)	(1,573)
Dividend income from unlisted equity investments	9	9
Interest received	3,668	5,914
Net cash (used in)/generated from investing activities	(10,825)	334,159

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	**111,000**	191,000
Repayment of borrowings	**(61,000)**	(436,100)
Dividend paid	—	(14,782)
Proceeds from issue of shares	**303,483**	—
(Repayment to)/advance from a director	**(967)**	160,337
Repayment to a staff	—	(14,000)
Repurchase of equity interests of Chanhigh Construction by Chanhigh HK from Peng Family	—	(159,370)
Net cash generated from/(used in) financing activities	**352,516**	(272,915)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**263,638**	46,583
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**108,065**	61,482
CASH AND CASH EQUIVALENTS AT END OF YEAR	**371,703**	108,065
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances (note 23)	**371,703**	108,065

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 17th and 18th Floors, Cang Hai Industry Building, No. 3388 Cang Hai Road, Yinzhou District, Ningbo City, Zhejiang Province, China.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the consolidated financial statements.

In the opinion of the directors, as at 31 December 2017, the Peng Family is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are effective for annual periods beginning on or after 1 January 2017. Of these, the following new or revised IFRSs are relevant to the Group:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided this information in note 30.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatment	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(b) New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

The Group expects to irrevocably designate those unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under IFRS 9 these instruments will be measured at fair value.

(b) Impairment

IFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the directors of the Group anticipate that the adoption of IFRS 9 would not have material impact on the results and financial position of the Group.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(b) New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Currently, revenue arising from construction contracts is recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from construction contracts.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

(b) New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 33, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB4,807,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Foreign currency translation *(continued)*

(iii) Translation on consolidation (continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases), held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	Over the shorter of the term of the lease, and 25 years
Leasehold improvement	3 years
Plant and machinery	5-10 years
Office equipment, furniture and fixtures	5-10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(e) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured. If the variations have not been agreed with customer, variations will be recognised only to the extent of contract cost incurred that it is probable will be recoverable.

Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue in a given period. When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised on the percentage-of-completion method, measured by reference to the work certified of the relevant contracts and the proportion of costs incurred to date to the estimated total costs of the relevant contracts. Revenue from a cost plus construction contract is recognised on 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 costs of the relevant contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable. When it is probable that total contracts costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the consolidated statement of financial position under "Trade and bills receivables". Amounts received before the related work is performed are included in the consolidated statement of financial position under "Receipts in advance".

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(g) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial assets *(continued)*

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

(h) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from construction contracts is recognised based on the stage of completion of the contract activity as detailed in note 4(e) above.

Maintenance service income is recognised when the service is rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholder's right to receive payment are established.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(t) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade and other receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. KEY SOURCES OF 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 discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2017, accumulated impairment loss for bad and doubtful debts amounted to RMB12,433,000 (2016: RMB1,040,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(b) Revenue and profit recognition

As disclosed in note 4(e) to the consolidated financial statements, revenue recognition on a construction contract is dependent on management's estimation of the total outcome of the construction contracts, as well as the work done to date. The Group estimates the percentage of completion of the construction contracts by reference to the work certified or by reference to proportion of contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision. During the year, approximately RMB1.14 billion (2016: RMB1.55 billion) of revenue from construction contracts was recognised.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2017, if the Hong Kong dollar had weakened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB368,000 (2016: RMB8,000) lower, arising mainly as a result of the foreign exchange loss on bank and cash balances denominated in Hong Kong dollar. If the Hong Kong dollar had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB368,000 (2016: RMB8,000) higher, arising mainly as a result of the foreign exchange gain on bank and cash balances denominated in Hong Kong dollar.

At 31 December 2017, if the US$ had weakened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB2,459,000 (2016: RMB Nil) lower, arising mainly as a result of the net foreign exchange loss on bank and cash balances denominated in US$. If the US$ had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB2,459,000 (2016: RMB Nil) higher, arising mainly as a result of the net foreign exchange gain on bank and cash balances denominated in US$.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and cash and bank balances. In order to minimise credit risk of trade and bill receivables, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Trade payables	**824,213**	—	—	—	**824,213**
Accruals and other payables	**78,830**	—	—	—	**78,830**
Borrowings	**114,191**	—	—	—	**114,191**
At 31 December 2016					
Trade payables	895,397	—	—	—	895,397
Accruals and other payables	54,191	—	—	—	54,191
Amount due to a director	160,337	—	—	—	160,337
Borrowings	62,537	—	—	—	62,537

6. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and bank borrowings.

These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

	2017 RMB'000	2016 RMB'000
100 basis points	**1,979**	376
(100) basis points	**(1,979)**	(376)

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained profits that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates.

(e) Categories of financial instruments at 31 December

	2017 RMB'000	2016 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**1,063,458**	822,330
Available-for-sale financial assets	**13**	64
Financial liabilities:		
Financial liabilities at amortised cost	**1,014,043**	1,170,925

(f) Fair values

Except as disclosed in note 19 to the consolidated financial statement, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2017 RMB'000	2016 RMB'000
Revenue from construction contracts	**1,144,539**	1,551,858

8. OTHER INCOME AND GAINS

	2017 RMB'000	2016 RMB'000
Interest income on:		
Amounts due from related parties	**—**	5,513
Bank deposits	**1,104**	360
Financial products	**2,564**	—
Others	**—**	41
Total interest income for financial assets that are not at fair value through profit or loss	**3,668**	5,914
Bad debt recovery	**44**	724
Reversal of allowance for other receivables	**200**	—
Dividend income from unlisted equity investments	**9**	9
Government incentives and awards (note)	**6,385**	974
Exchange gain	**—**	9
Others	**23**	45
	10,329	7,675

Note: Government incentives and awards mainly related to the incentive and awards received from the local government authority for the achievement of the Group.

9. SEGMENT INFORMATION

The Group has four operating segments as follows:

Landscape construction	—	Variety of municipal and private landscaping projects such as planting of trees, modifying the layout of land, carrying out foundation work for landscape construction, building and construction of parks, etc.
Municipal works construction	—	Mainly municipal or local government works such as municipal road construction, water and lighting works, etc.
Building works	—	Construction of gas stations, auto repair shops, office building and temporary warehouse, etc.
Others	—	Maintenance and heritage restoration services and undertaking renovation works.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technologies and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The directors assess the performance of the operating segments based on a measure of segment results. Unallocated income, unallocated corporate expenses, finance costs, income tax expense and other major items that are isolated and non-recurring in nature are not included in segment results.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except unallocated cash and bank balances, prepayments, deposits and other receivables and other unallocated assets.

Segment liabilities mainly consist of current liabilities as disclosed in the consolidated statement of financial position except amount due to a director, current tax liabilities, borrowings, trade and other payables and others.

9. SEGMENT INFORMATION *(continued)*

(i) Information about operating segment profit or loss, assets and liabilities:

	Landscape construction RMB'000	Municipal works construction RMB'000	Building works RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2017					
External revenue	351,455	475,432	241,709	75,943	1,144,539
Segment results	65,973	67,695	36,658	11,721	182,047
At 31 December 2017					
Segment assets	559,432	563,709	170,031	76,409	1,369,581
Segment liabilities	(16,484)	(14,831)	(221)	(2,813)	(34,349)

	Landscape construction RMB'000	Municipal works construction RMB'000	Building works RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2016					
External revenue	628,200	708,783	161,656	53,219	1,551,858
Segment results	94,251	83,877	11,052	5,446	194,626
At 31 December 2016					
Segment assets	538,648	539,162	86,764	43,286	1,207,860
Segment liabilities	(17,342)	(8,120)	(245)	(1,321)	(27,028)

9. SEGMENT INFORMATION *(continued)*

(ii) Reconciliation of operating segment revenue and profit or loss

	2017 RMB'000	2016 RMB'000
Revenue		
Total revenue of reportable segments	1,144,539	1,551,858
Elimination of intersegment revenue	—	—
Consolidated revenue	1,144,539	1,551,858
Profit and loss		
Total profits of reportable segments	182,047	194,626
Elimination of intersegment profits	—	—
Unallocated amounts:		
Interest income	3,668	5,914
Government incentives and awards	6,385	974
Depreciation	(661)	(486)
Finance costs	(3,627)	(9,503)
Staff costs	(21,959)	(9,419)
Operating lease charges	(2,510)	(1,195)
Net exchange loss	(4,665)	—
Listing expenses	(6,179)	(18,159)
Bad debts	(733)	—
Allowances for trade and other receivables	(11,593)	—
Others	(20,322)	(12,266)
Consolidated profit before tax	119,851	150,486

9. SEGMENT INFORMATION *(continued)*

(iii) Reconciliation of segment assets and liabilities

	2017 RMB'000	2016 RMB'000
Assets		
Total assets of reportable segments	1,369,581	1,207,860
Bank and cash balances	375,852	111,308
Prepayments, deposits and other receivables	199,925	206,759
Others	7,847	2,512
Consolidated total assets	1,953,205	1,528,439
Liabilities		
Total liabilities of reportable segments	34,349	27,028
Trade payables	824,213	895,397
Accruals and other payables	80,648	56,809
Borrowings	111,000	61,000
Current tax liabilities	99,227	67,281
Amount due to a director	—	160,337
Consolidated total liabilities	1,149,437	1,267,852

(iv) Geographical information

Based on the locations of the customers, all the revenues are earned in the PRC.

The information about the Group's non-current assets by location of assets is detailed below:

	2017 RMB'000	2016 RMB'000
Hong Kong	913	—
PRC except Hong Kong	6,921	2,448
Consolidated total	7,834	2,448

9. SEGMENT INFORMATION *(continued)*

(v) Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2017 RMB'000	2016 RMB'000
Municipal works construction and building work customer A	203,135	N/A

N/A: Revenue from a single customer during the year did not exceed 10% of the Group's revenue.

10. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank borrowings	3,627	9,503

11. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax - PRC		
Provision for the year	39,523	42,482

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2016: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB16,429,000 (2016: RMB11,926,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing for reversal of the temporary differences and it is probable that such differences will not reverse in foreseeable future.

For the year ended 31 December 2017, one of the subsidiaries of the Company incorporated in the PRC, 宣城市滄海園林工程有限公司 (Xuancheng Chanhigh Municipal Landscape Engineering Limited) ("Xuancheng Landscape"), is assessed and paid the PRC EIT on a deemed profit basis which is calculated by first multiplying an applicable percentage determined by the relevant tax authority of 4% (2016: 4%) and then applying a preferential enterprise income tax rate of 20% on 50% reduced assessable profit as Xuancheng Landscape is qualified as a small and low-profit enterprise.

11. INCOME TAX EXPENSE *(continued)*

For the year ended 31 December 2017, the EIT of other subsidiaries in the PRC have been provided at a rate of 25% (2016: 25%).

The reconciliation between the income tax expenses and the product of profit before tax multiplied by the PRC EIT rate is as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	**119,851**	150,486
Tax at the EIT of 25% (2016: 25%)	**29,963**	37,622
Tax effect of income that is not taxable	**(61)**	(181)
Tax effect of expenses that are not deductible	**9,621**	5,024
Tax effect of using deemed profit method	**—**	17
Income tax expense	**39,523**	42,482

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2017 RMB'000	2016 RMB'000
Auditors' remuneration		
– for audit and other services	**1,318**	—
– for listing purposes (included under the listing expenses)	**—**	2,698
	1,318	2,698
Cost of services rendered	**956,924**	1,333,225
Depreciation	**661**	486
Bad debts written off	**733**	—
Allowance for trade and other receivables	**11,593**	—
Reversal of allowance for other receivables	**(200)**	—
Net exchange loss/(gain)	**4,665**	(9)
Listing expenses	**6,179**	18,159
Operating lease charges - land and buildings	**2,510**	1,195

Cost of services rendered includes staff costs and depreciation of approximately RMB10,508,000 for the year ended 31 December 2017 (2016: RMB12,559,000) which are included in the amounts disclosed separately.

13. EMPLOYEE BENEFITS EXPENSE

	2017 RMB'000	2016 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	20,616	16,031
Retirement benefit scheme contributions	7,031	5,213
	27,647	21,244

The five highest paid individuals in the Group during the year included three directors (2016: two) and whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining two (2016: three) individuals are set out below:

	2017 RMB'000	2016 RMB'000
Basic salaries and allowances	1,414	942
Discretionary bonus	818	—
Retirement benefit scheme contributions	154	51
	2,386	993

The emoluments fell within the following band:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	1	3
HK$1,000,001 to HK$1,500,000	1	—
	2	3

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) The emoluments of each director were as follows:

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2017					
Executive directors (redesignated on 15 March 2017)					
Peng Daosheng	—	1,384	—	—	1,384
Peng Tianbin	—	1,365	—	23	1,388
Peng Yonghui	—	1,384	—	50	1,434
Non-executive director (redesignated on 15 March 2017)					
Wang Sufen	—	52	—	—	52
Independent non-executive directors					
Fan Rong (appointed on 15 March 2017)	—	53	—	—	53
Shi Weixing (appointed on 15 March 2017)	—	53	—	—	53
Yang Zhongkai (appointed on 15 March 2017)	—	53	—	—	53
	—	4,344	—	73	4,417
Year ended 31 December 2016					
Directors					
Peng Daosheng	—	70	—	—	70
Peng Tianbin	—	67	—	24	91
Peng Yonghui	—	121	—	43	164
Wang Sufen	—	—	—	—	—
	—	258	—	67	325

Note:

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year (2016: Nil).

14. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(b) The information about guarantees or security provided to certain controlled bodies corporate and connected entities of Peng Family in respect of loans, quasi-loans or credit transactions is as follows:

			Maximum liability that may be incurred under the guarantee			
Name of the borrower	Nature of connection	Nature of guarantee or security	at the beginning of the year RMB'000	at the end of the year RMB'000	during the year RMB'000	Amounts or liabilities incurred during the year for the purpose of fulfilling the guarantee or discharging the security RMB'000
At as 31 December 2017:						
Loan						
CHHG	Controlled body corporate of Peng Family	Guarantee	–	–	–	–
YZTB	Controlled body corporate of Peng Family	Guarantee	–	–	–	–
As at 31 December 2016						
Loan						
CHHG	Controlled body corporate of Peng Family	Guarantee	65,000	–	65,000	–
YZTB	Controlled body corporate of Peng Family	Guarantee	16,000	–	16,000	–

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. DIVIDEND

No dividend was declared/paid during the year ended 31 December 2017.

During the year ended 31 December 2016, the Company's subsidiary made the following distributions to its then shareholders:

	2017 RMB'000	2016 RMB'000
Dividends declared and paid/payable to its then shareholders during the year by:		
Chanhigh Construction	—	14,782

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of calculating basic earnings per share	80,328	108,004

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	576,097	449,998

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for both periods has been adjusted for the effect of the capitalisation issue as more fully explained in note 24(e) to the consolidated financial statements.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2016	—	—	12,634	839	661	14,134
Additions	—	—	81	512	270	863
At 31 December 2016 and 1 January 2017	—	—	12,715	1,351	931	14,997
Additions	2,942	272	36	669	2,128	6,047
At 31 December 2017	2,942	272	12,751	2,020	3,059	21,044
Accumulated depreciation						
At 1 January 2016	—	—	11,249	580	234	12,063
Charge for the year	—	—	289	98	99	486
At 31 December 2016 and 1 January 2017	—	—	11,538	678	333	12,549
Charge for the year	—	25	219	175	242	661
At 31 December 2017	—	25	11,757	853	575	13,210
Carrying amount						
At 31 December 2017	2,942	247	994	1,167	2,484	7,834
At 31 December 2016	—	—	1,177	673	598	2,448

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation/ establishment	Particular of issued share capital	Equity interests attributable to the Group		Principal activities
			Direct	Indirect	
Chanhigh Investments	British Virgin Islands	United States Dollar 2	100%	—	Investment holding
Chanhigh HK	Hong Kong	HK$1	—	100%	Investment holding
Chanhigh Construction	The PRC	Registered capital of RMB152,000,000	—	100%	Provision of services of municipal work and landscape construction and the related services
Xuancheng Landscape	The PRC	Registered capital of RMB100,000	—	100%	Provision of services of municipal work and landscape construction and the related services
浙江滄海實業投資有限公司 (Zhejiang Chanhigh Industrial Investment Co., Ltd *)	The PRC	Registered capital of HK$235,000,000	—	100%	Investment holding
Chanhigh Worldwide Trading Limited	Hong Kong	HK$100	—	100%	Investment holding
寧波滄海小鎮投資管理有限責任公司 (Ningbo Chanhigh Small Town Investment Management Limited *)	The PRC	Registered capital of RMB10,000,000	—	100%	Investment holding

* For identification only

18. INVESTMENTS IN SUBSIDIARIES *(continued)*

The above list contains the particulars of subsidiaries which, in the opinion of the Directors, principally affected the results of 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.

As at 31 December 2017, the bank and cash balances of the Group' subsidiaries denominated in RMB amounted to RMB300,228,000 (2016: RMB111,126,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	RMB'000
Non-current assets:		
Unlisted equity investments	**13**	64

The unlisted equity investments were carried at cost as they do not have a quoted market price in an active market and their carrying value cannot be reliably measured.

As at 31 December 2016, included in the unlisted equity investments, the Group invested RMB51,000 to set up 合肥綠群市政園林有限公司 (Hefei Lvqun Municipal Works and Landscape Company Limited) ("Hefei Landscape"), a company incorporated in the PRC, in 2013 and owned 51% equity interests in Hefei Landscape. Due to the Group could not appoint any director to Hefei Landscape in accordance with the shareholders' agreement, the Group is unable to exercise control or significant influence over Hefei Landscape. The investment is classified as available-for-sale financial assets. In October 2017, the Group disposed of the 51% equity interests to the other equity owner of Hefei Landscape at cost.

20. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade and bills receivables		
Trade receivables	510,331	512,540
Less: Allowance for trade receivables	(11,037)	—
	499,294	512,540
Bill receivables	1,910	1,300
	501,204	513,840
Deposits		
Deposit paid for acquisition of a subsidiary	7,600	—
Other deposits	231	—
	7,831	—
Prepayments		
Advance of suppliers	6,367	4,812
Listing expenses	—	4,765
Administrative and operating expenses	456	—
	6,823	9,577
Other receivables		
Construction contracts performance guarantees and deposit for tender	118,771	115,999
Retentions receivables (note 1)	62,028	78,239
Others	4,472	2,944
	185,271	197,182
	701,129	720,599

Included in the trade receivables was amount due from CHHG and Canghu, related companies of the Group, of approximately RMB Nil (2016: RMB20,000) and RMB39,095,000 (2016: RMB259,000) respectively as at 31 December 2017.

Trade and bills receivables represented the construction contracts and rendering of services receivables from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by the directors.

20. TRADE AND OTHER RECEIVABLES *(continued)*

The aging analysis of trade and bills receivables, based on the contract terms for the works certified is as follows:

	2017 RMB'000	2016 RMB'000
0 to 90 days	**110,117**	180,870
91 to 180 days	**56,909**	76,059
181 to 365 days	**142,780**	86,373
Over 1 year but less than 2 years	**93,014**	89,521
Over 2 years but less than 3 years	**51,524**	63,718
Over 3 years	**46,860**	17,299
	501,204	513,840

The movement in the allowance for trade receivables is as follows:

	2017 RMB'000	2016 RMB'000
Balance at the beginning of year	—	—
Allowance for the year	**11,037**	—
Balance at the end of year	**11,037**	—

The carrying amount of the Group's trade and bills receivables are all denominated in RMB.

20. TRADE AND OTHER RECEIVABLES *(continued)*

The movement in the allowance for bad and doubtful debts of other receivables is as follows:

	2017 RMB'000	2016 RMB'000
Balance at the beginning of year	1,040	1,040
Allowance for the year	556	—
Reversal for the year	(200)	—
Balance at the end of year	1,396	1,040

Note:

1. The aging analysis of retention receivables past due but not impaired are as follows:

	2017 RMB'000	2016 RMB'000
Not yet due	20,661	40,211
Within 1 year	26,424	29,989
Over 1 year but less than 2 years	14,943	8,039
	62,028	78,239

21. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 RMB'000	2016 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	5,143,464	4,236,842
Less: Progress billings	(4,291,166)	(3,551,816)
	852,298	685,026
Gross amount due from customers for contract work	868,377	694,020
Gross amount due to customers for contract work	(16,079)	(8,994)
	852,298	685,026

In respect of construction contracts in progress at 31 December 2017, retentions receivables included in other receivables are RMB62,028,000 (2016: RMB78,239,000), in which RMB12,450,000 (2016: RMB35,274,000) is expected to be recovered after more than twelve months.

Advances received in respect of construction contracts at 31 December 2017 amounted to RMB18,270,000 (2016: RMB18,034,000).

22. AMOUNT DUE TO A DIRECTOR

	2017 RMB'000	2016 RMB'000
Mr. Peng YH	—	160,337

The amounts due to a director are unsecured, interest-free and have no fixed terms of repayment. The amounts due of approximately RMB159,370,000 has been fully settled through capitalisation and issue of 1,000 ordinary shares of the Company to each of Vast Base and TEUR in March 2017, and the remaining amounts due has repaid to the director in March 2017.

23. BANK AND CASH BALANCES

	2017 RMB'000	2016 RMB'000
Cash at banks and on hand	371,703	108,065
Deposits with initial term of over three months	4,149	3,243
	375,852	111,308

The interest rates on deposits with initial terms over three months were 2.0% to 3.5% (2016: 0.3% to 3.5%) per annum for the year ended 31 December 2017.

The carrying amounts of the bank and cash balances are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	300,228	111,126
HK$	9,803	182
US$	65,821	—
	375,852	111,308

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. PAID IN CAPITAL

	Note	The Company		
		No. of shares	Amount	
		'000	HK$'000	RMB'000
Authorised:				
Ordinary share of HK$0.01 per share at 1 April 2016 (date of incorporation), 31 December 2016 and 1 January 2017	(a)	38,000	380	317
Increase of authorised share capital	(c)	1,962,000	19,620	17,416
At 31 December 2017		2,000,000	20,000	17,733
Issued and fully paid:				
Upon incorporation on 1 April 2016	(a)	—	—	—
Issue of 1,998 shares at nil paid	(b)	2	—	—
At 31 December 2016 and 1 January 2017		2	—	—
Issue of shares for capitalisation of amount due to a director	(c)	2	—	—
Share capitalisation	(e)	449,996	4,500	3,994
Global offering of shares	(d)	150,000	1,500	1,329
Over-allotment of shares	(f)	18,502	185	164
At 31 December 2017		618,502	6,185	5,487

Note:

(a) The Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 1 April 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, the initial subscribing shareholder transferred the one issued share to Vast Base at par and allotted and issued one issued share to TEUR at par.

(b) On 11 April 2016 each of Vast Base and TEUR transferred one ordinary share of Chanhigh Investments to the Company in consideration of the Company allotted and issued 999 ordinary shares of HK$0.01 each of the Company to Vast Base and TEUR respectively.

(c) On 15 March 2017, pursuant to a resolution passed by the directors of the Company to capitalise the amount due to a director, Mr. Peng YH which amounted to approximately RMB159,370,000 by allotting and issuing 1,000 ordinary shares to Vast Base and 1,000 ordinary shares to TEUR credited as fully paid.

On the same date, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of additional 1,962,000,000 shares of HK$0.01 each.

24. PAID IN CAPITAL *(continued)*

Note: *(continued)*

(d) Pursuant to written resolutions passed on 15 March 2017, the shareholders of the Company approved the allotment and issue of 150,000,000 new ordinary shares of HK$0.01 each of the Company (the "New Shares") in connection with the global offering of shares by the Company (the "Global Offering"). 150,000,000 New Shares, issued on 30 March 2017, at HK$2.17 each. The premium on the issue of 150,000,000 New Shares, net of listing related expenses, amounting to approximately RMB267,665,000 was credited to the Company's share premium account. These 150,000,000 New Shares were fully paid-up, rank pari passu in all respects with the existing issued and fully paid-up shares of the Company.

(e) Pursuant to written resolutions passed on 15 March 2017, the shareholders of the Company approved as a result of the issuance of the New Shares pursuant to the Global Offering as mentioned in note (d) above, an amount of HK$4,499,960 standing to the credit of the share premium account of the Company was capitalised by applying such sum forwards paying up in full at par for allotment and issue to each of Vast Base and TEUR 224,998,000 ordinary shares respectively before the completion of the Global Offering.

(f) On 21 April 2017, the over-allotment option described in the prospectus published by the Company on 21 March 2017 was exercised and, 18,502,000 additional new shares, were issued and allotted by the Company on 26 April 2017 at HK$2.17 per share. The premium on the issue of shares, net of issue costs, amounting to approximately RMB34,325,000 was credited to the Company's share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

24. PAID IN CAPITAL *(continued)*

The Group monitors its capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total equity attributable to owners of the Company. The gearing ratios as at 31 December 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Total borrowings	**111,000**	61,000
Total equity attributable to owners of the Company	**803,768**	260,587
Gearing ratio	**0.14**	0.23

The decrease in gearing ratio during 2017 resulted primarily from the increase of paid in capital and share premium by the Global Offering in March 2017.

The externally imposed capital requirements for the Group are in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2017, 27.2% of the shares were in public hands.

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investments in subsidiaries	18	—	—
Total non-current assets		—	—
Current assets			
Amount due from a subsidiary		372,510	159,370
Bank and cash balances		75,391	—
Total current assets		447,901	159,370
TOTAL ASSETS		447,901	159,370
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Paid in capital	24	5,487	—
Reserves	25(b)	440,959	—
Total equity		446,446	—
Current liabilities			
Accruals and other payables		1,455	—
Amount due to a director		—	159,370
Total current liabilities		1,455	159,370
TOTAL EQUITY AND LIABILITIES		447,901	159,370

Approved by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Peng Yonghui
Director

Peng Tianbin
Director

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Accumulated loss RMB'000	Total RMB'000
As at date of incorporation	—	—	—
Total comprehensive income for the period	—	—	—
At 31 December 2016 and 1 January 2017	—	—	—
Total comprehensive income for the year	—	(16,407)	(16,407)
Issue of shares for capitalisation of amount due to a director (note 24 (c))	159,370	—	159,370
Shares issued under the Global Offering and over-allotment (note 24 (d), (f))	301,990	—	301,990
Shares capitalisation (note 24 (e))	(3,994)	—	(3,994)
Changes in equity for the year	457,366	(16,407)	440,959
At 31 December 2017	457,366	(16,407)	440,959

26. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Other reserve

Other reserve arose as a result of the group reorganisation as more fully explained in the section headed "Reorganisation" in "History, Development and Reorganisation" section of the prospectus dated 21 March 2017 issued by the Company and represented the difference between the consideration of repurchase of equity interests in Chanhigh Construction by Chanhigh HK over the registered capital of Chanhigh Construction.

(iii) Statutory surplus reserve

The statutory surplus reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

27. TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	824,213	895,397

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2017 RMB'000	2016 RMB'000
0 to 90 days	75,802	189,706
91 to 180 days	14,508	92,796
181 to 365 days	212,660	233,401
Over 1 year but less than 2 years	260,930	289,616
Over 2 year but less than 3 years	223,132	55,917
Over 3 years	37,181	33,961
	824,213	895,397

The carrying amount of the Group's trade payables are all denominated in RMB.

28. ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Accrued staff costs	18,153	13,807
Accrued expense	6,543	5,641
Accrued listing expense	—	8,470
Other tax payables	52,257	24,030
Deposit from suppliers	1,818	2,618
Others	1,877	2,243
	80,648	56,809

29. BORROWINGS

	2017 RMB'000	2016 RMB'000
Bank loans repayable within one year	111,000	61,000

The carrying amount of the Group's borrowings are denominated in RMB.

The average interest rate per annum at the end of each year were as follows:

	2017	2016
Bank loans	4.93%	5.43%

The Group's borrowings of RMB111,000,000 as at 31 December 2017 (2016: RMB61,000,000) were arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2017, borrowings of RMB50,000,000 were secured by a corporate guarantee from CHHG. Other borrowings of RMB61,000,000 were unsecured.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017 RMB'000	Cash flows RMB'000	Interest expenses RMB'000	31 December 2017 RMB'000
Bank borrowings (note 29)	61,000	46,373	3,627	111,000

31. CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

As at 31 December 2016, the Group is a defendant in a law suit claiming of approximately RMB2.8 million. The Group intends to contest the claim. While the final outcome of the proceedings is uncertain, it is the directors' opinion that the ultimate liability, if any, will not have a material impact on the Group's financial position. The legal case has been settled during the year ended 31 December 2017.

32. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2017 RMB'000	2016 RMB'000
Consideration to be paid for acquisition of a subsidiary	68,400	—

33. LEASE COMMITMENTS

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	3,388	1,641
In the second to fifth years inclusive	1,417	300
After five years	2	3
	4,807	1,944

Operating lease payments represent rentals payable by the Group for its offices. Leases are negotiated for an average term of 1 to 4 years and rentals are fixed over the lease terms and do not include contingent rentals.

34. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2017 RMB'000	2016 RMB'000
Contract revenues from CHHG	—	2,257
Contract revenues from Canghu	203,135	28,393
Interest income from related companies	—	5,513
Rental expenses and building management fees paid to a related company	1,851	1,150

Peng Family is interested in the transactions above to the extent they are ultimate beneficial shareholders of the related companies.

(b) The remuneration of directors and other members of key management during the year was as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	5,758	1,058
Discretionary bonus	818	—
Retirement benefits scheme contributions	227	67
	6,803	1,125

35. EVENTS AFTER THE REPORTING PERIOD

On 8 December 2017, the Group entered into an agreement to acquire the entire equity interests of XFY Construction at a cash consideration of RMB76,000,000. The transaction has been completed on 17 January 2018. Details are set out in the Group's announcement dated 8 December 2017.

"AGM"	the annual general meeting of the Company to be held on Thursday, 1 June 2017
"Acting-in-Concert Confirmation"	an acting-in-concert confirmation dated 20 March 2011 executed by Mr. Peng YH, Mr. Peng TB, Mr. Peng DS and Ms. Wang SF whereby the Peng Family confirmed that, inter alia, it has a common control and influence on the management, operations and voting rights of Chanhigh Construction and its subsidiaries
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	audit committee of the Company, comprising all the independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai
"Auditor"	RSM Hong Kong
"Beautiful China"	a development strategy proposed by the PRC government in the 13th Five-year Plan to 2015 highlighting the prominent position of ecological civilisation construction to achieve sustainable development
"Board of Directors" or "Board"	the board of Directors
"Board Committees"	the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee
"BVI"	the British Virgin Islands
"Canghu"	Huzhou Canghu Construction Investment Company Limited (湖州滄湖建設投資有限公司), a limited liability company established in the PRC which is indirectly owned as to 72.7% by CHHG, 20% by Huzhou Nantaihu Municipal Construction Company Limited (湖州南太湖市政建設有限公司) (an Independent Third Party) and 7.3% by Mr. Peng TB and his spouse
"Cayman Islands Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CHHG"	Chanhigh Holding Group Limited (滄海控股集團有限公司), formerly known as Ningbo Chanhigh Investment Ltd. (寧波滄海投資有限公司) and Ningbo Chanhigh Holding Group Ltd. (寧波滄海控股集團有限公司), a limited liability company established in the PRC on 26 April 2005, which is owned as to 30% by Mr. Peng TB, 20% by Mr. Peng DS and 50% by Ms. Wang SF, and a connected person of the Company
"Chanhigh Investments"	Chanhigh Investments Limited (滄海投資有限公司), a limited liability company established in the BVI on 15 March 2016, which is a wholly-owned subsidiary of the Company
"Chanhigh HK"	Chanhigh Hong Kong Limited (滄海香港有限公司), a limited liability company established in Hong Kong on 30 March 2016, which is wholly owned by Chanhigh Investments

"Chanhigh Construction"	Zhejiang Chanhigh Construction Limited (浙江滄海建設有限公司), formerly known as Zhejiang Chanhigh Municipal Landscape Construction Limited (浙江滄海市政園林建設有限公司), Yin County Shanshui Landscape Engineering Limited (鄞縣山水園林工程有限公司), Ningbo Shanshui Landscape Construction Limited (寧波山水園林建設有限公司) and Ningbo Shanshui Construction Limited (寧波山水建設有限公司), a limited liability company established in the PRC on 22 February 2001, which is a wholly-owned subsidiary of Chanhigh HK and an indirect wholly-owned subsidiary of the Company
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Company"	Chanhigh Holdings Limited (滄海控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 1 April 2016
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the Peng Family, Vast Base and TEUR
"Director(s)"	the director(s) of the Company
"EIT"	the PRC Enterprise Income Tax
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as amended or supplemented from time to time
"ESG"	Environmental, Social and Governance
"ESG Guide"	Appendix 27 to the Listing Rules "Environmental, Social and Governance Reporting Guide"
"ESG Report"	Environmental, Social and Governance Report
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Group"	the Company and its subsidiaries
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK$" or "HKD"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"IFRS"	the International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

"Listing Date"	the date on which dealings in the Shares on the Main Board commence, which was 31 March 2017
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
"Mr. Peng DS"	Mr. Peng Daosheng (彭道生), the founder and an executive Director, a member of the Peng Family, spouse of Ms. Wang SF, and father of Mr. Peng TB and Mr. Peng YH
"Mr. Peng TB"	Mr. Peng Tianbin (彭天斌), an executive Director and chairman of the Company, a member of the Peng Family, son of Mr. Peng DS and Ms. Wang SF, and brother of Mr. Peng YH
"Mr. Peng YH"	Mr. Peng Yonghui (彭永輝), an executive Director and chief executive officer of the Company, a member of the Peng Family, son of Mr. Peng DS and Ms. Wang SF, and brother of Mr. Peng TB
"Mr. Tong"	Mr. Tong Tai Alex (湯泰), the chief financial officer and company secretary of the Company
"Ms. Wang SF"	Ms. Wang Sufen (王素芬), a non-executive Director, a member of the Peng Family, spouse of Mr. Peng DS, and mother of Mr. Peng TB and Mr. Peng YH
"Nomination Committee"	nomination committee of the Company, comprising two independent non-executive Directors, namely Mr. Shi Weixing and Mr. Yang Zhongkai and one executive Director, namely Mr. Peng YH
"Peng Family"	Mr. Peng DS, Ms. Wang SF, Mr. Peng TB and Mr. Peng YH
"PPP"	Public-Private-Partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector
"PRC"	the People's Republic of China, which excludes Hong Kong, Macau Special Administrative Region and Taiwan
"PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"Prospectus"	the prospectus issued by the Company dated 21 March 2017
"PYH Family Trust"	The Peng Yong Hui Family Trust, a discretionary trust set up by Mr. Peng YH, the beneficiaries of which shall include Mr. Peng YH and his descendants who carry the "PENG" (彭) surname

"PTB Family Trust"	The Peng Tian Bin Family Trust, a discretionary trust set up by Mr. Peng YH, the beneficiaries of which shall include Mr. Peng TB and his descendants who carry the "PENG" (彭) surname
"Remuneration Committee"	remuneration committee of the Company, comprising two independent non-executive Directors, namely Mr. Yang Zhongkai and Mr. Shi Weixing and one executive Director namely Mr. Peng TB
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sponge City"	a city that can hold, clean and drain water in a natural way using an ecological approach through the implementation of green infrastructure with increased ability to control flood and manage storm disasters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	strategy committee of the Company, comprising two executive Directors, namely Mr. Peng TB and Mr. Peng YH, and one independent non-executive Director, namely Mr. Fan Rong
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"TEUR"	TEUR Holdings Limited (天鈺控股有限公司), a company incorporated under the laws of BVI with limited liability on 15 March 2016, and is wholly-owned by Mr. Peng YH as the Trustee of the PTB Family Trust
"Trustee"	Mr. Peng YH, the trustee of the PYH Family Trust and the PTB Family Trust
"Vast Base"	Vast Base Investments Limited (浩程投資有限公司), a company incorporated under the laws of BVI with limited liability on 15 March 2016, and is wholly-owned by Mr. Peng YH as the Trustee of the PYH Family Trust
"VAT"	value-added tax
"XFY Construction"	Xing Feng Ying (Fujian) Construction Limited (興鋒盈(福建)建設有限公司), the entire interests of which were acquired by the Group in January 2018
"YZTB"	Ningbo Yinzhou Tianbin Trading Limited (寧波市鄞州天賓貿易有限公司), a company owned as to 90.18% by CHHG and as to 9.82% by Ms. Wang SF
"%"	per cent.