巨匠建设

JUJIANG CONSTRUCTION GROUP

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

(A joint stock limited liability company established in the People's Republic of China)

Stock Code: 1459

2017 Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lv Yaoneng *(Chairman)*
Mr. Lv Dazhong
Mr. Li Jinyan
Mr. Lu Zhicheng
Mr. Shen Haiquan
Mr. Zheng Gang

Independent Non-Executive Directors

Mr. Yu Jingxuan
Mr. Lin Tao
Mr. Wong Ka Wai

SUPERVISORS

Mr. Zou Jiangtao
Mr. Chen Xiangjiang
Mr. Lv Xingliang
Mr. Zhu Jialian

AUDIT COMMITTEE

Mr. Yu Jingxuan *(Chairman)*
Mr. Wong Ka Wai
Mr. Lin Tao

NOMINATION COMMITTEE

Mr. Lin Tao (Chairman)
Mr. Lv Yaoneng
Mr. Yu Jingxuan

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wong Ka Wai *(Chairman)*
Mr. Lv Yaoneng
Mr. Lin Tao

STRATEGIC COMMITTEE

Mr. Lv Yaoneng *(Chairman)*
Mr. Lin Tao
Mr. Zheng Gang

JOINT COMPANY SECRETARIES

Mr. Hong Kam Le
Mr. Jin Shuigan

AUTHORISED REPRESENTATIVES

Mr. Lv Yaoneng
Mr. Jin Shuigan

LEGAL ADVISER

As to Hong Kong Law

Li & Partners

As to PRC Law

AllBright Law Offices

AUDITOR

Ernst & Young

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

H SHARE REGISTRAR

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

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Construction Bank Corporation Tongxiang Branch
China Construction Bank Corporation Qingbei Branch
China Construction Bank Corporation Xingfu Branch
Industrial and Commercial Bank of China Limited Tongxiang Branch
Industrial Bank Co., Ltd Jiaxing Branch
Bank of Communications Co., Ltd Tongxiang Branch
China Merchants Bank Co., Ltd Jiaxing Tongxiang Branch
Tongxiang Rural Commercial Bank Gaoqiao Branch

REGISTERED ADDRESS

Gaoqiao Town
Jiaxing City
Zhejiang Province
PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. 669 Qingfeng South Road (South)
Tongxiang City
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F,
World-Wide House
19 Des Voeux Road Central
Hong Kong

STOCK CODE

1459

WEBSITE

www.jujiang.cn

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Major Items of Consolidated statement of Profit or Loss and Other Comprehensive Income					
Revenue	**4,803,019**	4,032,168	4,424,646	4,289,367	4,072,105
Gross profit	**276,692**	224,697	233,156	229,726	202,200
Gross profit margin	***5.8%***	5.6%	*5.3%*	*5.4%*	*5.0%*
Profit for the year	**125,203**	90,234	98,524	82,823	60,720
Net profit margin	***2.6%***	*2.2%*	*2.2%*	*1.9%*	*1.5%*

As at 31 December	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Major Items of Consolidated statement of Financial Position					
Non-current assets	**226,676**	240,688	204,610	206,429	233,772
Current assets	**4,563,540**	4,225,649	3,900,960	4,074,466	3,198,650
Non-current liabilities	**827**	24,804	24,402	11,682	14,273
Current liabilities	**3,659,330**	3,436,077	3,307,199	3,593,588	2,825,527
Total equity	**1,130,059**	1,005,456	773,969	675,445	592,622
Gearing ratio (Note 2)	**39.6%**	55.8%	82.6%	86.3%	107.7%

Notes:

(1) The results and summary of assets and liabilities for the years ended 31 December 2013 and 2014 which were extracted from the prospectus dated 30 December 2015.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board ("Board") of directors ("Directors") of Jujiang Construction Group Co. Limited ("Jujiang Construction" or the "Company", together with the subsidiaries, the "Group"), I hereby present the annual results of the Company for the year ended 31 December 2017.

The Chinese economy showed a positive trend in 2017, as suggested by some aggregate indicators such as the increased rate of growth in both imports and exports in support of investment in the manufacturing sector, the remarkably improved employment and stability of both RMB exchange rate and foreign exchange reserves. However, the rate of growth in fixed-asset investment and consumption continued to slide. More importantly, imbalanced and inadequate economic development remained to be a challenging issue. In the real estate sector, the Chinese Government continued to maintain the keynote of its real estate policy in 2017 that "houses are used for accommodation rather than for speculation". The local governments targeted a cluster of cities as the area for regulating the housing market by shifting from placing a curb on the demand side as a conventional approach to the increase on the supply side, and by imposing restrictions on purchases, loans and sales coupled with tightened land auctions to optimize the composition of housing supply so that the regulatory controls began to work gradually. As a result of this, the construction industry continued to grow at a low rate, with falling speed of development, which forced the construction companies to modify their strategic options and development approaches in the next several years.

With its constant focus on the yearly development strategy and business plan, Jujiang Construction's management restructured the business vigorously and pushed for the optimization of market layout proactively in 2017. It also strengthened the allocation of business resources by making full use of the Company's own brand superiority to achieve remarkable results in market expansion. Firstly, outstanding achievements were achieved from the "major customers" strategy. The Group both consolidated its good collaboration with more large local customers such as Zhenshi Holding Group Co., Ltd. ("Zhenshi"), Jushi Group Co., Ltd. ("Jushi"), Tongkun Group Co., Ltd.*（桐昆集團股份有限公司）("Tongkun") and Zhejiang Huayou Cobalt Co., Ltd. ("Huayou"), and maintained and expanded its partnership with a dozen of large real estate companies such as Country Garden Holdings Company Limited ("Country Garden"), China Vanke Co., Ltd. ("Vanke"), Greentown China Holdings Limited ("Greentown"), Sunac China Holdings Limited ("Sunac") and China Fortune Land Development Co., Ltd. ("China Fortune"). Secondly, the "going out" strategy was highly effective. The Company both undertook large operations in a number of cities in various provinces such as Ningbo, Hangzhou, Huzhou and Taizhou, made a new plan for the Henan market and strived to establish a firm presence in Zhengzhou where it built a strategic partnership with the local construction companies such as Jianye, Meisheng and Kangqiao. Thirdly, the "quality business strategy" was executed vigorously. On the one hand, the Company boosted the development of quality businesses through the "major customers" and "going out" strategies. On the other hand, it was proactive in project bidding and tendering, with a main focus on the major and quality projects, so that the quality of winning projects increased substantially.

Jujiang Construction has been placing great emphasis on construction standardization and delicacy management, with continuous innovation in technical management. In 2017, Jujiang Construction kept strengthening the management of functional elements and carried out the planning for project construction as well as the synchronous planning for the commencement of projects by utilizing management resources in various lines of the Company. It effectively carried out actual measurements at construction sites, conducted further comprehensive assessment and comparison every quarter and improved the quality of physical projects. Secondly, it effectively carried out construction standardization by summarizing state-of-the-art practices, improving the process standard, speeding up the establishment of a system for technical standards, and enhancing the research and application of new technologies and new materials such as PC structure, aluminum mold and steel support. Construction standardization was carried out with the guidance of construction projects at model areas to make construction standardization a regular practice at construction sites. Thirdly, the Company was proactive in creating excellence and benchmarking. The Company was awarded a total of 17 quality projects during the year, creating 23 standardized sites. In particular, the Zhenshi Headquarters Building (振石總部大樓) project won the recognition and support from the competent authorities, industry counterparts and construction units for the achievements in its technical application of the Building Information Model ("BIM") and construction standardization. The project was awarded various titles such as "Demonstration Project with Innovative Technology Applications across the Nationwide Construction Industry", "Work Safety and Production Standardized Construction Site of China Construction Projects (全國建設工程項目施工安全生產標準化建設工地)" and the "17th Batch of Demonstration Projects with New Construction Technology Applications in Zhejiang Province".

Based on the working guideline of "proactive concern, strength reserve and real-time follow-up", Jujiang Construction proactively explored new aspects for development. By unleashing its advantages in qualification, performance and brand, the Company expanded Engineering Procurement Construction ("EPC") project and formed a team which successfully won the bid for the Phase I of EPC project for "Buttonwood +". Construction of this project proceeded in an orderly manner, making a zero breakthrough in EPC projects. The Company was aggressively following up the negotiations about public-private partnership ("PPP") projects with thorough explorations and constant practices, trying to look for more collaboration. It also pushed for the research on the prefabricated structure for precast concrete ("PC") by taking the construction of the existing PC structure as an opportunity to sum up experience and reserve technology for completing preliminary work on the preparations for building an industrialization base.

Based on the analysis of the current situation and the projections about the future development of the construction industry, Jujiang Construction will tone up business expansion and enhance market competitiveness.

Firstly, the Company will "cultivate" the principal business intensively to increase its local market share; expand the advantages in quality, brand, service and influence fully; "cultivate" the local market intensively to increase market share; proceed with the "major customer" strategy to step up collaboration with major customers using better quality and services to develop a potential major customer base proactively. It will proceed with the "going out" strategy, with a focus on planning a regional layout. Based on the existing market, measures will be adjusted to local conditions and key points, elements and features will be highlighted by integrating the strengths of the Company with the regional elements organically so as to enable the Company to "both go out and go out well". The Company will proceed with the "quality business" strategy by placing great emphasis on the construction of government and platform projects, participating in and planning the bidding and tendering of more projects to increase the participation rate and the bid winning rate, while putting a focus on the quality business from other channels, so as to increase the volume of the quality business.

Secondly, the Company will expand the industrial chain. It will seize the opportunities arising from "new-pattern urbanization", "sponge city" and "green, low-carbon construction". On the one hand, it will push forward the development of existing specialized companies and subsidiaries in an all-round way by looking for breakthroughs and working in a flexible way to increase market share. On the other hand, it will accelerate the extension of the grand construction aspect by moving into other aspects such as underground pipeline corridor, roads and bridges and rail transit, trying to make a breakthrough progress in access requirements, related technologies and team building.

Thirdly, the Company will explore new aspects for development by expanding the EPC business and unleashing the potential of existing EPC projects. On the basis of completing a project strongly, it will summarize experience, enhance capacity and carry out publicity and promotion to make sure that the quantity and quality of EPC projects will be raised. It will proceed with construction industrialization, implement an accountability system, conduct research on special topics, promote construction

CHAIRMAN'S STATEMENT

industrialization and effectively proceed with the construction of a base, with a focus put on the application of technology and team. It will explore PPP projects, conduct research seriously, carry out planning and integration aggressively, and try to move into the field of PPP projects at the right time. It will place emphasis on the "One Belt, One Road" initiative by building a team which will go abroad and effectively attempt to do business overseas.

Looking ahead, as the Chinese government continues to push forward with its ""One Belt, One Road" initiative, along with ongoing urbanization and acceleration of the establishment of a housing system for renting and purchasing, the construction industry, as a traditional industry, will continue to hold tremendous potential for development and a promising future. With a firm determination for development, a strong sense of responsibility and strong execution capabilities, Jujiang Construction will stand firm at a new starting point, make a new plan, aim to carry out new development based on its original mission and with diligence and courage, striving to bring forth high-speed growth and high-quality development.

Lv Yaoneng
Chairman
29 March 2018

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lv Yaoneng (呂耀能), aged 58, has over 31 years of experience in construction engineering industry. Mr. Lvhas been the chairman of the Board, executive Director and general manager of the Company since 17 July 1996, being the date of incorporation of the Company. He was also appointed as the president of the Company since December 2008. He is primarily responsible for corporate strategic planning and overall business development, management of the Company and decision making. The spouse of Mr. Wang Shaolin (王少林), one of the vice presidents of the Company, is the sister of Mr. Lv. From December 1976 to February 1987, Mr. Lv worked at Qitang Commune Construction Agency* (騎塘公社建築社). From March 1987 to April 1991, he worked as Manager and person-in- charge for technical matters at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社). From May 1991 to June 1996, he worked as the vice chairman and general manager at Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司).

Mr. Lv completed one-and-half-year studies and obtained a professional certificate (專業證書) in industrial and civil construction (工業及民用建築) from Zhejiang University* (浙江大學) in China in January 1995. Mr. Lv obtained a qualification certificate for senior economist (高級經濟師) issued by the Office of Personnel of Zhejiang Province* (浙江省人事廳) of the PRC in December 2006. Mr. Lv also obtained a qualification certificate for senior engineer in construction engineering management issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in March 2013.

Mr. Lv Yaoneng held 204,000,000 domestic Shares of the Company, representing 38.25% of the total number of issued shares of the Company.

Mr. Lv Dazhong (呂達忠), aged 55, has over 35 years of experience in construction engineering industry. Mr. Lv has been an executive Director since 17 July 1996, being the date of incorporation of the Company. He was also appointed as the vice president of the Company since September 2009. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. From September 1979 to December 1992, Mr. Lv worked at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社). From January 1993 to July 1996, he worked as the deputy general manger of Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司).

Mr. Lv Dazhong completed two years part-time studies in industrial and civil construction (工業及民用建築) at Zhejiang University of Technology* (浙江工業大學) in China in June 2004. Mr. Lv Dazhong obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in November 1994. He also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2010.

Mr. Li Jinyan (李錦燕), aged 41, has over 20 years of experience in construction engineering industry. He has been an executive Director since 6 September 2011. He was also appointed as the vice president of the Company since September 2009. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-today management of our business operations. From August 1994 to July 1995, he joined Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司) as a technician and worked as deputy chief of production technology department of the same company from July 1995 to July 1996.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li completed five and half years studies in construction engineering at Tongji University* (同濟大學) in China in December 2000. Mr. Li also obtained a qualification certificate for senior engineer in construction engineering issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in February 2011.

Mr. Lu Zhicheng (陸志城), aged 49, has over 27 years of experience in construction engineering industry. Mr. Lu has been an executive Director since 6 September 2011. He joined our Group as construction worker in July 1996 and was also appointed as the project manager of the Company since May 1998. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company. From May 1987 to May 1995, he worked at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社), while from May 1995 to July 1996, he worked at Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司).

Mr. Lu completed two years studies in civil engineering at China University of Petroleum* (中國石油大學) in China in July 2006. He also obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in September 2009.

Mr. Shen Haiquan (沈海泉), aged 44, has over 15 years of experience in construction engineering industry. He has been an executive Director since 6 September 2011. He joined our Group as construction worker in September 1999 and was also appointed as the project manager of the Company since July 2012. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company. From April 2003 to June 2006, Mr. Shen worked as the manager of engineering department of Zhejiang Jujiang Real Estate Group Co., Ltd.* (浙江巨匠房地產集團有限公司).

Mr. Shen. Mr. Shen completed four years studies in industrial and civil construction (工業及民用建築) at Jiaxing College* (嘉興學院) in China in June 2004. He also completed two and half years studies via online distant learning in civil engineering at Wuhan University of Technology (武漢理工大學) in PRC in July 2011. Mr. Shen obtained a qualification certificate for senior engineer in construction issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會 保障廳) of the PRC in March 2013.

Mr. Zheng Gang (鄭剛), aged 49, has over 27 years of experience in construction engineering industry. Mr. Zheng has been an executive Director since 6 September 2011. He joined our Group as director of technology centre in October 2008 and was also appointed as the vice president of the Company since July 2011. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. From September 1992 to December 1999, he worked as the director of testing room at Zhejiang Jiaxing Construction Installation Company Ltd.* (浙江嘉興建築安裝有限公司). From January 2001 to April 2003, he worked as director of testing centre at Zhejiang Zhongyuan Construction Company Ltd.* (浙江中元建設股份有限公司). From May 2003 to October 2006, he worked as the manager at Jiaxing City Zhongyuan Engineering Inspection Company Ltd.* (嘉興市中元工程檢驗有限責任公司). Mr. Zheng worked as the general manager of Jiaxing City Zhongxu Engineering Inspection Company Ltd.* (嘉興市中旭工程檢驗有限責任公司) and Jiaxing City Chunqiu Construction Engineering Inspection Company Ltd.* (嘉興市春秋建設工程檢測有限責任公司) from November 2006 to March 2008 and from April 2008 to September 2008, respectively.

Mr. Zheng completed two years studies in materials science and engineering majoring in building materials at Tongji University* (同濟大學) in China in July 1988. He also completed five and half years studies in industrial and civil construction (工業與民用建築) at Tongji University* (同濟大學) in China in December 1999. Mr. Zheng obtained a qualification certificate for senior engineer of professor grade in construction (建築施工專業教授級 高級工程師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會 保障廳) of the PRC in April 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Jingxuan (余景選), aged 46, obtained a master's degree in management majoring in accounting from Shanghai University of Finance and Economics in February 2001, and a doctor's degree in management majoring in agricultural economics management from Northwest A&F University in June 2011. Mr. Yu has been an associate professor at the School of Accounting in Zhejiang University of Finance and Economics (浙江財經大學會計學院) ("ZUFE") since November 2004, and is currently the secretary and deputy officer to the financial management department of Party Branch Committee. He served as a teaching assistant from August 1993 to March 1999, and a lecturer from March 1999 to November 2004 in ZUFE.

Mr. Lin Tao (林濤), aged 42, has over 14 years of experience in the construction education. Mr. Linhas been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. From July 1997 to August 1998, he worked as assistant architect at Ningbo Institute of Construction Design Company Ltd.* (寧波建築設計研究院有限公司). Since April 2001, he is a lecturer and assistant officer of faculty of Zhejiang University* (浙江大學) Faculty of Construction. Mr. Lin completed a bachelor's degree and a master degree in construction (建築學), and a doctoral degree in architectural design from Zhejiang University* (浙江大學) in the PRC in June 1997, March 2001 and June 2012, respectively. He was accredited as a class one registered architect by the Office of Personnel of Zhejiang Province* (浙江省人事廳) in September 2004. He is also a member of the Planning and Design Professional Committee* (規劃設計專業委員會) under the Zhejiang Province Village and Town Construction and Development Research Association* (浙江省村鎮建設與發展研究會) since August 2015.

Mr. Wong Ka Wai (王加威), aged 38, has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. From February 2017 to June 2017, he was an independent non-executive director of Green International Holdings Limited (Stock code: 2700), a company listed on the Main Board of the Stock Exchange. Mr. Wong has worked in various international accounting firms for over seven years. From January 2013 to March 2017, he is the chairman of Jai Dam Distribution (Hong Kong) Co. Ltd.. He is the chief financial officer and company secretary of the Ruifeng Power Group Company Limited (stock code: 2025) since May 2017. Mr. Wong obtained a bachelor's degree of business administration in accountancy from the City University of Hong Kong in November 2001. He was admitted as a member of the Association of Chartered Certified Accountants in 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF SUPERVISORS

Mr. Zou Jiangtao (鄒江滔), aged 40, has joined the Company since November 2000 and is currently serving as the manager of the Anhui branch office of the Company. He was appointed as an employee representative Supervisor since 25 December 2014. Mr. Zou Jiangtao completed four years studies in civil engineering at Zhuzhou Institute of Technology* (株洲工學院) in July 2000. Mr. Zou Jiangtao also obtained a qualification certificate for senior engineer in construction engineering issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in February 2011.

Mr. Chen Xiangjiang (陳祥江), aged 59, has joined our Company as a Shareholder representative Supervisor since 19 August 2015. He was the head of factory of Zhejiang Longchang Leather Group Co., Ltd* (浙江龍昌皮革集團有限責任公司) from January 1991 to October 1998. He is a general manager of Zhejiang Xianglong Leather Co., Ltd. (浙江祥隆皮革有限公司) since October 1998. Mr. Chen completed secondary school at Nanri Secondary School* (南日中學) in PRC in 1975.

Mr. Lv Xingliang (呂興良), aged 45, completed three years studies in industrial and civil construction at Zhejiang Radio & Television University* (浙江廣播電視大學) in June 2001. He joined the Company as the deputy chief of the operation division in August 1996, and promoted to chief of the operation division in April 2001. He served as the manager of sales department of the Company from February 2006 to January 2014. He served as the standing deputy general manager of the sales centre of the Company from January 2014 to December 2016 and he is currently served as assistant to the president. Previously, he served as a budget forecaster of Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司), the predecessor of the Company, from December 1991 to August 1996.

Mr. Zhu Jialian (朱家煉), aged 55, completed three years studies in Mathematics at Zhejiang Institute of Education* (浙江教育學院) in July 1989. Mr. Zhu has been the general manager of Zhejiang Yonghe Adhesive Products Co., Ltd* (浙江永和膠粘製品股份有限公司) since August 1998 and a director at Bank of Jiaxing since May 2007. Before that, he served as a biology teacher in Tongxiang City Gaoqiao Secondary School* (桐鄉市高橋中學) from July 1983 to June 1988 and the factory director of school-run factory of Tongxiang City Gaoqiao Secondary School* (桐鄉市高橋中學校辦廠) from June 1988 to August 1998.

SENIOR MANAGEMENT

Mr. Lv Yaoneng (呂耀能), aged 58, has been appointed as the president of the Company since December 2008. For biographical details of Mr. Lv please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" in this report.

Mr. Lv Dazhong (呂達忠) and **Mr. Li Jinyan** (李錦燕), aged 58 and 41 respectively, have been appointed as the vice president of the Company since September 2009. For biographical details of Mr. Lv and Mr. Li please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" in this report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zheng Gang (**鄭剛**), aged 49, has been appointed as the vice president of the Company since July 2011. For biographical details of Mr. Zheng please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" in this report.

Mr. Wang Shaolin (王少林), aged 55, joined the Company in July 1996 and has been our vice president since 15 September 2009. Mr. Wang completed two years studies via online distant learning in civil engineering at China University of Geosciences* (中國地質大學) in China in January 2007. Mr. Wang obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事 局) of the PRC in April 2004. Mr. Wang also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2011.

Mr. Gao Xingwu (高 興 武), aged 56, has been our chief engineer since 3 September 2001. Mr. Gao has over 26 years of experience in contracting of building construction. Mr. Gao worked at China Nuclear Industry 22nd Construction Co., Ltd. (中國核工業第22建 設公司) from August 1989 to August 2001. Mr. Gao completed four years studies in civil engineering majoring in industrial and civil construction (工業及民用建築) at Zhejiang University* (浙江大學) in China in June 1993. Mr. Gao also completed two years studies in economics management at Party School of the Central Committee of the Communist Party of China* (中共中央黨校) in December 2004.

Mr. Jin shuigen (金水根), aged 38, has been appointed as the joint company secretary and of the Company since 31 August 2016. He has also been appointed as the vice president of the Company since January 2018, mainly responsible for the strategic planning and operation management of enterprise development. He completed master's degree studies in construction and civil engineering at Tongji University* (同濟大學) in July 2016 and obtained a bachelor's degree from East China Jiaotong University in civil engineering majoring in water supply and sewerage engineering in July 2003. He joined our Company and served as the deputy general manager of the enterprise development centre from July 2010 to June 2013. He served as the deputy general manager of Zhejiang Jujiang Real Estate Group Co., Ltd.* (浙江巨匠房地產集團有限公司) from July 2013 to January 2015. He served as the standing deputy general manager of the enterprise development centre of the Company since January 2015 and also as the assistant to president of the Company since January 2016, which he is mainly responsible for the strategic planning and operation management of the enterprise development. Previously, he worked as a technician in Shanghai branch of China Railway Construction Engineering Group Co., Ltd.* (中鐵建工集團有限公司上海分公司) from July 2003 to June 2005 and served as an engineer and a senior manager in Shanghai Merchant Property Co., Ltd.* (上海招商置業有限公司) from June 2005 to June 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhong Zhihua (鍾志華), aged 40, has been our Chief Financial Officer since 2017. He is primarily responsible for the Company's financial management and business development operation. Mr. Zhong has over 17 years of experience in the construction industry. He joined the Company in September 2000 as the Office Manager, handling administrative matters. From February 2008, he became manager of the finance department and was responsible for the financial management work. Starting from 2014, he has been the executive vice general manager of the integrated management center and concurrently serves as the joint company secretary from August 2015 to August 2016 and the president's assistant from 2015 to 2017, and has served as vice president and general manager of the integrated management center since 2018. Mr. Zhong completed a two-year specialty course majoring in modern secretarial training at the Zhejiang Radio & Television University* (浙江廣播電視大學) in June 1999. He also completed a two and a half year online course majoring in accountancy at the East China University of Science and Technology* (華東理工大學) in January 2011. In July 2006, he completed a two-year online course majoring in administrative management at the East China University of Science and Technology* (華東理工大學). He also obtained a qualification certificate for assistant economist (助理經濟師) issued by Jiaxing City Personnel Bureau* (嘉興市人事局) in January 2005. In September 2009, he obtained a qualification certificate for engineer issued by Jiaxing City Personnel Bureau* (嘉興市人事局).

Mr. Cao Lijun (曹立峻), aged 46, is mainly responsible for the Company's market expansion. Mr. Cao has over 19 years of experience in the real estate development industry. He worked as a project manager in Zhejiang Zhingfang Real Estate Co., Ltd.* (浙江中房置業股份有限公司) from June 1998 to March 2004. From April 2004 to November 2016, he was the deputy general manager of Zhejiang Zhongcheng Industrial Co., Ltd.* (浙江中成實業有限公司) and from December 2016 to present, he served as vice president and general manager of the market expansion center of the Company.

JOINT COMPANY SECRETARIES

Mr. Hong Kam Le (康錦里), aged 38, has been our joint company secretary since 2 September 2015. He has more than seven years' experience in legal professional industry and is currently a senior associate of Li & Partners which is also the Company's legal advisers as to Hong Kong laws in the Global Offering. Prior to joining Li & Partners as an associate solicitor in June 2010, he worked at another Hong Kong law firm and was mainly involved in commercial and corporate matters. Mr. Hong also acts as the company secretary and authorized representative of Shengli Oil & Gas Pipe Holdings Limited (stock code: 1080) since December 2013.

Mr. Hong obtained a Bachelor of Commerce and a Bachelor of Laws Degrees from the University of Sydney in June 2003 and May 2004, respectively and a Postgraduate Certificate in Laws from the University of Hong Kong in June 2005. Mr. Hong was admitted as a solicitor of the High Court of Hong Kong in September 2007.

Mr. Jin Shuigen (金水根), aged 38, has been appointed as the joint company secretary and of the Company since 31 August 2016.

For biographical details of Mr. Jin, please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Senior Management" in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group was established in 1965 as one of the earliest construction companies in Jiaxing, a city currently with a population of more than 4.5 million and strong commercial and light industrial activities. With more than 50 years' experience in the construction industry, the Group has built a successful track record in the industry in which the Group operates.

The Group successfully obtained the Premium Class Certificate for General Building Construction Contracting Work ("Premium Class Certificate") and the Grade A Engineering Design (Construction Industry) Certificate ("Engineering Design Certificate") on 28 January 2015 after undergoing a stringent review process. As of 31 December 2017, the Group was one of few numbers construction company in Zhejiang Province holding both certificates. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Holding these two key certificates as well as other certificates, the Group is able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. The Group believes holding these certificates will also allow us to charge a premium rate for our services, resulting in higher profit margins in our construction projects.

MARKET REVIEW

China's rapid economic growth over the years has spurred the development of its construction industry. Given China's continuous urbanization in relation to improving community functions and facilities in urban areas, the demand for construction industry is expected to maintain its momentum. The urbanization rate of China was 58.5% in 2017. Urbanization rate represents the rate of change in the size of the urban population over a certain period. According to the report by Ipsos, by 2020, it is projected that approximately 100 million of the rural population will settle in urban areas, which will bring significant demand for new urban residential construction. In line with the historical trend of increases in the average fee for construction projects, the total output value of construction industry in China increased from approximately RMB19,356.7 billion for the year ended 31 December 2016 to approximately RMB21,395.4 billion for the year ended 31 December 2017, representing an increase of 10.5%.

BUSINESS REVIEW

In 2017, with its constant focus on the yearly development strategy and business plan, management of the Company restructured the business vigorously and pushed for the optimization of market layout proactively. It also make full use of the Company's own brand superiority to strengthen the allocation of business resources by deepening the strategies of 'major customers', 'going out', and 'quality business'. While consolidating and developing the regional competitive advantage, the Company actively expanded new business areas and ensured the smooth realization of all the objectives. During the year, the net value of new projects significantly increased by approximately 63.5% to approximately RMB7.3 billion as compared with the same in last year. As at 31 December 2017, the outstanding backlog in terms of contract value was approximately to RMB8.0 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Year ended 31 December	
	2017	2016
	RMB'million	RMB'million
Opening value of backlog	**5,422.6**	4,999.4
Net value of new projects[1]	**7,305.4**	4,468.0
Revenue recognized[2]	**(4,751.2)**	(4,044.8)
Closing value of backlog[3]	**7,976.8**	5,422.6

Notes:

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

(2) Revenue recognized means the revenue that has been recognized during the relevant year indicated, such amounts are before deducting business tax.

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

With the Company's development strategy of "major customers", the Company has not only enhanced good relationship with local customers, but also expanded its engagement with China's top ten real estate companies. Since 2016, the Company has been committed to nurturing new and high-quality customers such as Country Garden Holdings Company Limited ("Country Garden"), China Vanke Co., Ltd. ("Vanke"), Sunac China Holdings Limited ("Sunac")and Greentown China Holdings Limited, and in 2017, it has further expanded the cooperation and successfully seized the opportunity to strive for new large-scale development projects. In the past, the Company's major customers were local large customers such as Zhenshi Holding Group Co., Ltd., Jushi Group Co., Ltd., Tongkun Group Co., Ltd.*（桐昆集團股份有限公司）and Zhejiang Huayou Cobalt Co., Ltd., representing approximately 13.4% of the Company's total contract value for the same period last year. However, following the transformation of the Company's development strategy and the improvement of project quality, customers are more confident in establishing a long-term partnership with the Company. This year, China's top ten real estate companies (Country Garden, Vanke, Sunac and China Fortune Land Development Co., Ltd.) accounted for a total of approximately 26.8% of the total contract value of the Company in 2017, representing an increase of approximately 3.1 times as compared to 2016, reflecting an increase in the proportion of major customers in the Company's contract value. At the same time, the Company actively exploring new areas. Making use of the Company's potentials, performance, and brand advantages, it successfully won the bid for the Phase I of Engineering Procurement Construction ("EPC") project for "Buttonwood +", making a zero breakthrough in EPC projects. The Company was aggressively following up the negotiations about public-private partnership ("PPP") projects. It also pushed for the research on the prefabricated structure for precast concrete ("PC") for completing preliminary work on the preparations for building an industrialization base.

MANAGEMENT DISCUSSION AND ANALYSIS

With the Company's development strategy of "going out", the customer base is also increasingly diversified. In terms of our footprint in China, the Company expanded beyond Jiaxing market and contracted a large number of projects in Zhejiang, Ningbo, Hangzhou, Huzhou and Taizhou in 2017. Furthermore, it has established cooperative relationships with local Central China Real Estate Group (China) Company Limited(建業住宅集團(中國)有限公司), Zhengzhou Meisheng Real Estate Development Co., Ltd.* (鄭州美盛房地產開發有限公司) and Zhengzhou Kangqiao Real Estate Development Co., Ltd.* (鄭州康橋房地產開發有限責任公司) in Zhengzhou, Henan Province to understand the local business environment, which indicates a further market expansion potential. By region, Jiaxing market accounted for the Company's total new contract amounts of approximately 51.4%, a decrease of approximately 10.0% compared to the same period of last year, reflecting that the Company's customers are no longer confined to the local market but have continued to expand geographically this year which in turn raised the profile of the Group in other provinces and regions in Zhejiang.

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

	Year ended 31 December				
	2017		2016		Change
	RMB'million	**%**	RMB'million	%	%
Jiaxing City	**3,753.0**	**51.4**	2,743.6	61.4	36.8
Zhejiang Province (except Jiaxing City)	**1,751.0**	**24.0**	462.3	10.4	278.8
Other areas (except Zhejiang Province)	**1,801.4**	**24.6**	1,262.1	28.2	42.7
Total	**7,305.4**	**100.0**	4,468.0	100.0	

The Company has been placing a great deal of emphasis on innovation in production technologies. In 2017, the Company leveraged on the "Academician Workstations" and "Industry-Academic Research" platforms to expand the scale of technological cooperation with external parties, aiming to offer technical support to its on-going projects, explore new technologies and construction methods for its projects, and facilitate the declaration of patented technologies. In 2017, five applications for national patents filed by the Company were accepted, two patents were approved, and one excellent QC accomplishment award at the provincial-level, and three at the municipal-level were granted, effectively promote the upgrading of construction technology. Meanwhile, the strengthened application of the Building Information Model ("BIM") Technology in the projects had brought about fruitful results in respect of BIM awards. During the year, the Group was awarded the Second Prize of "BIM Awards", the Third Prize of "Long Tu Cup" (龍圖杯), the titles of "Best Practice Enterprise" (最佳實踐企業) and "Application of Benchmarking Project" (應用標桿項目), "MagiCAD benchmark users" (MagiCAD標桿用戶) and other accolades, which had significantly enhanced the recognition of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2017, approximately 98.9% of the revenue was contributed by the construction contracting business. The Group recorded revenue of approximately RMB4,803.0 million for the year ended 31 December 2017, increased by 19.1% year-by-year. The net profit for the year ended 31 December 2017 as compared to the net profit for the year ended 31 December 2016 increased by approximately 38.8% to approximately RMB125.2 million. The following table sets forth a breakdown of our revenue by business and project type for the years indicated:

	Year ended 31 December			
	2017		2016	
	RMB'million	%	RMB'million	%
Construction contracting business				
Residential	2,423.8	50.5	1,691.1	42.0
Commercial	1,506.4	31.4	1,754.1	43.5
Industrial	618.0	12.9	339.4	8.4
Public works	203.0	4.2	214.5	5.3
	4,751.2	99.0	3,999.1	99.2
Other business	51.8	1.0	33.1	0.8
Total revenue	4,803.0	100.0	4,032.2	100.0

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 19.1% from approximately RMB4,032.2 million for the year ended 31 December 2016 to approximately RMB4,803.0 million for the year ended 31 December 2017. The increase in the revenue was mainly a result of an increase in revenue from construction contracting business. The revenue from construction contracting business increased by approximately 18.8% from approximately RMB3,999.1 million for the year ended 31 December 2016 to approximately RMB4,751.2 million for the year ended 31 December 2017. Such increase was due to benefits of the strategies of the Group, 'major customers', 'going out', and 'quality business', the net value of new projects increased significantly by 63.5%, especially for the residential construction projects. During the year, the revenue from the residential construction projects increased by approximately RMB732.7 million to approximately RMB2,423.8 million as compared with last year, which offset by a decrease in revenue from commercial construction projects and public construction projects amounting to approximately RMB247.7 million and approximately RMB11.5 million, respectively.

Gross profit increased by approximately 23.1% from approximately RMB224.7 million for the year ended 31 December 2016 to approximately RMB276.7 million for the year ended 31 December 2017 mainly due to the increase in business activities of the construction contracting business for the reasons discussed above. The gross profit margin improved from approximately 5.57% for the year ended 31 December 2016 to approximately 5.76% for the year ended 31 December 2017, such increase is mainly attributing to increase in gross profit margins of the residential construction projects which is in line with our strategies to focus on quality customers and high-margin projects. During the year, the Group increased to work with the major property developers which projects have higher profit margins.

Other income and gains

Other income and gains decreased by approximately 48.7% from approximately RMB20.2 million for the year ended 31 December 2016 to approximately RMB10.4 million for the year ended 31 December 2017 primarily because the Company received one-off government grants of approximately RMB11.0 million in relation to the Listing during prior year as no such government grant was received during the year.

Administrative expenses

The administrative expenses decreased by approximately 9.1% from approximately RMB73.3 million for the year ended 31 December 2016 to approximately RMB66.6 million for the year ended 31 December 2017 which primarily because (i) decrease in tax expenses as the local government suspended to charge surcharge and (ii) decrease in professional fee in relation to the Listing, such expenses were incurred for the year ended 31 December 2016.

Other expenses

Other expenses increased by approximately RMB8.1 million from RMB4.8 million for the year ended 31 December 2016 to approximately RMB12.9 million for the year ended 31 December 2017, primarily as increase in impairment on receivables amounting to approximately RMB5.1 million.

Finance costs

Finance costs decreased by approximately 8.6% from approximately RMB42.7 million for the year ended 31 December 2016 to approximately RMB39.0 million for the year ended 31 December 2017 primarily attributing to decrease in average interest rates and average loan balances.

Income tax expense

Income tax expenses increased by 28.0% from approximately RMB33.8 million for the year ended 31 December 2016 to approximately RMB43.3 million for the year ended 31 December 2017 primarily because of an increase in the provision of tax as a result of the increased profit. The effective tax rate decreased from 27.2% for the year ended 31 December 2016 to 25.7% for the year ended 31 December 2017 primarily because dividend income do not subject to assessable profits and tax adjustment in relation to previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year

Profit for the year increased by approximately 38.8% from approximately RMB90.2 million for the year ended 31 December 2016 to approximately RMB125.2 million for the year ended 31 December 2017. Net profit margin increased from approximately 2.24% for the year ended 31 December 2016 to approximately 2.61% for the year ended 31 December 2017, primarily due to the improvement of gross profit margins and decrease in administrative and finance costs.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from cash generated from operating activities, interest-bearing bank and other borrowings. As of 31 December 2017 and 2016, the Group had cash and cash equivalents of approximately RMB83.9 million and approximately RMB65.0 million, respectively. Increase in cash and cash equivalents is a result of improvement of net cash flows from operating activities. The cash inflows from operating activities increased from approximately RMB287,000 for the year ended 31 December 2016 to approximately RMB153.2 million for the year ended 31 December 2017.

Treasury Policies and Objectives

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

Amounts due from contract customers

The amounts due from contract customers increased from approximately RMB2,998.3 million as of 31 December 2016 to approximately RMB3,084.5 million as of 31 December 2017, representing 71.0% and 67.6% of the total current assets as of the same dates. The proportion of the amounts due from contract customers to the total current assets was decreased due to the Group strict control over the billings process. Increase in absolute amounts of amounts due from contract customers primarily because of the usual timing difference between the date of completion of construction works and the date of progress billings and the duration of the construction projects typically range from one to three years leading to an accumulated effect of the balance of amounts due from contract customers.

Borrowings and charge on assets

As of 31 December 2017, the Group relied on interest-bearing bank and other borrowings in the amount of approximately RMB549.6 million (31 December 2016: approximately RMB644.5 million) which are repayable within 1 year and carried effective interest rate with a range from 4.4% to 20.4% per annum (31 December 2016: 4.4% to 21.6% per annum).

As at 31 December 2017, certain general banking facilities were secured by the land use rights and buildings of approximately RMB95.5 million (31 December 2016: approximately RMB98.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

The gearing ratio decreased from 55.8% as at 31 December 2016 to 39.6% as at 31 December 2017. The decrease was mainly attributable to a steady increase in the total equity during the year and repayments of the bank loans.

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

Capital Expenditure

Capital expenditures decreased from approximately RMB21.2 million for the year ended 31 December 2016 to approximately RMB6.6 million for the year ended 31 December 2017. During the year ended 31 December 2017, the Group purchased the construction equipment for business expansion.

Capital Commitments

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

Contingent liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plan for material investments and capital assets for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2017, the Group had total of 727 employees (31 December 2016: 678 employees), of which 601 were based in Jiaxing City, and 126 were based in other areas in Zhejiang Province and in other provinces and regions in China. In 2017, the Group incurred total staff costs of approximately RMB38.9 million, representing an increase of approximately 3.5% as compared with those in 2016, mainly attributable to salary incremental.

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

FUTURE PROSPECTS

The Group based on the analysis of the current situation and the projections about the future development of the construction industry, the Company will tone up business expansion and enhance market competitiveness.

Firstly, the Company will "cultivate" the principal business intensively to increase its local market share; expand the advantages in quality, brand, service and influence fully; "cultivate" the local market intensively to increase market share; proceed with the "major customer" strategy to step up collaboration with major customers using better quality and services to develop a potential major customer base proactively. It will proceed with the "going out" strategy, with a focus on planning a regional layout. Based on the existing market, measures will be adjusted to local conditions and key points, elements and features will be highlighted by integrating the strengths of the Company with the regional elements organically so as to enable the Company to "both go out and go out well". The Company will proceed with the "quality business" strategy by placing great emphasis on the construction of government and platform projects, participating in and planning the bidding and tendering of more projects to increase the participation rate and the bid winning rate, while putting a focus on the quality business from other channels, so as to increase the volume of the quality business.

Secondly, the Company will expand the industrial chain. It will seize the opportunities arising from "new-pattern urbanization", "sponge city" and "green, low-carbon construction". On the one hand, it will push forward the development of existing specialized companies and subsidiaries in an all-round way by looking for breakthroughs and working in a flexible way to increase market share. On the other hand, it will accelerate the extension of the grand construction aspect by moving into other aspects such as underground pipeline corridor, roads and bridges and rail transit, trying to make a breakthrough progress in access requirements, related technologies and team building.

Thirdly, the Company will explore new aspects for development by expanding the EPC business and unleashing the potential of existing EPC projects. On the basis of completing a project strongly, it will summarize experience, enhance capacity and carry out publicity and promotion to make sure that the quantity and quality of EPC projects will be raised. It will proceed with construction industrialization, implement an accountability system, conduct research on special topics, promote construction industrialization and effectively proceed with the construction of a base, with a focus put on the application of technology and team. It will explore PPP projects, conduct research seriously, carry out planning and integration aggressively, and try to move into the field of PPP projects at the right time. It will place emphasis on the "One Belt, One Road" initiative by building a team which will go abroad and effectively attempt to do business overseas.

DIRECTORS' REPORT

The Directors hereby presents the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company is construction contracting business and other business, namely our design, survey and consultancy business. The principal activities of its subsidiaries are, set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by segments is set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 and the financial information of the Group as at 31 December 2017 are set out in the audited financial statements of this annual report.

BUSINESS AND FINANCIAL REVIEW

The business and financial review of the Group for the year ended 31 December 2017 and a discussion on the Group's future development are set out in the section head "Management Discussion and Analysis" on pages 14 to 22 of this annual report.

KEY RISKS AND UNCERTAINTIES

Business and market

Demand for services and products of the Group is cyclical in nature and directly correlates with the level of real estate development and construction activities in China and in regions and provinces in which the Group operate, including Jiaxing, Zhejiang Province, where a majority of the construction projects awarded to the Group were located during the year. The real estate industry and the construction industry are sensitive to economic fluctuations and market uncertainty, and are closely controlled and monitored by the PRC Government through policymaking. The PRC financial market has experienced significant fluctuations in recent months. They cannot assure Group that such fluctuations will not negatively affect the overall economic condition in China or the real estate or construction industry in China. Revenue from the real estate industry and the construction industry may be adversely affected if the growth of the PRC economy slows down or enters into recession, or if fixed capital investment is reduced, including any reduction in infrastructure investment by the PRC Government. The ongoing projects, in which the Group have invested significant resources and capital, may be put on hold or stopped if economic conditions deteriorate, and the Group may be unable to collect payments and recover our costs.

In addition, the Group are susceptible to the adverse changes in national or local policies related to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing, foreign investment and taxation. During the year, the PRC Government implemented various regulations and policies aimed to cool the real estate market and the inflation of property prices. Various property price control policies have been implemented in recent years, including limitations on the purchase of property outside the province of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions, among others. More recently, the PRC Government lowered interest rates to stimulate the slowing real estate industry and associated industries, including the construction industry. These policies may affect the level of activity in the PRC real estate industry, and in turn affect the number of construction projects available to the Group prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

DIRECTORS' REPORT

Financial

The major financial risks faced by the Group are interest risk, credit risk and liquidity risk. Management of the Group meets regularly to analyse and formulate measures to manage the Group's exposure to these risks, the financial risk management objectives and policies are set out in the note 34 to the consolidated financial statement

Management of the Group will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL PROTECTION

The environmental protection policy adopted by the Group is set out in the section head "Environment Social and Governance Report" on pages 52 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors and management team, comprising experienced professionals that possess extensive technical and industry experience, has a proven record of successfully operating and expanding the business. Therefore, the Group ensures the remuneration package of Directors and management are reasonable and competitive in the market and also continue to improve and regularly review and update its policies on remuneration and benefits.

Through the efforts of sales and marketing team the Group have established solid relationships with many of our long-term customers for periods ranging from three to ten years. During the year, most of our major customers were located in Jiaxing. We continue to maintain such relationships by conducting periodic visits to understand the construction needs of our customers and learn about their new projects.

The Group is in good relationship with its suppliers. The procurement department maintains a list of qualified suppliers, from which project management department procures on an as-needed basis. The qualified suppliers are selected based on various criteria, including price, quality, record of timely delivery, location, supply capacity, credit terms, environment protection assessment and customer service. The procurement department is responsible to review and update the list of qualified suppliers annually. The Group have established long-term relationships for a period ranging from three to ten years.

DIRECTORS' REPORT

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2017 is as follows:

Class of Shares	Number of shares	Approximate percentage of the total issued share capital
Domestic shares	400,000,000	75.0%
H shares in issue	133,360,000	25.0%
Total	533,360,000	100.0%

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (31 December 2016: Nil).

The Company is not aware of any arrangement under which a shareholder has waived or agreed to waived or agreed to waive any dividends.

PUBLIC FLOAT

As at the Latest Practicable Date, based on the available public information of the Company, so far as the Directors are aware of, the Company has met the requirements of public float under the Rule 8.08 of the Listing Rules.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2017, the Group acquired additional property, plant and equipment of approximately RMB5.9 million. Details of the movements are set out in note 12 to the financial statements.

PRE-EMPTIVE RIGHTS

According to the laws of the PRC and the Articles of Association, there are no provisions on the pre-emptive rights to offer new Shares by the Company to its existing Shareholders on a pro rata basis.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2017 and up to the date of this report, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

DISTRIBUTABLE RESERVES

As at 31 December 2017, reserves available for distribution of the Company amounted to RMB354.0 million (2016: RMB241.2 million).

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 31 December 2017 represented approximately 7.4% (2016: 13.6%) and 22.6% (2016: 39.6%), respectively, of the Group's total revenue from sales operations.

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 31 December 2017 respectively amounted to RMB109.7 million (31 December 2016: RMB46.8 million) and RMB350.9 million (31 December 2016: RMB131.3 million).

To the best of the Directors' knowledge, none of the Directors or their respective close associates, and none of the existing shareholders who owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Lv Yaoneng *(Chairman)*
Mr. Lv Dazhong
Mr. Li Jinyan
Mr. Lu Zhicheng
Mr. Shen Haiquan
Mr. Zheng Gang

Independent Non-Executive Directors

Mr. Yu Jingxuan
Mr. Lin Tao
Mr. Wong Ka Wai

BOARD OF SUPERVISORS

Mr. Zou Jiangtao
Mr. Chen Xiangjiang
Mr. Lv Xingliang
Mr. Zhu Jialian

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 8 to 13 in this annual report.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which will be 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 or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange are as follows:

The Company

Director/Supervisor	Nature of interest	Number of shares of the relevant corporation (including associated corporation) held [1]	Approximate percentage of shareholdings in the total share capital of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company
Mr. Lv Yaoneng[2]	Interest of controlled corporation	204,000,000 Domestic Shares (L)	38.25%	51%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) Zhejiang Jujiang Holdings Group Co., Ltd (浙江巨匠控股集團有限公司) ("Jujiang Holdings") is held as to approximately 51.33% by Mr. Lv Yaoneng. Mr. Lv Yaoneng controls more than one-third of the voting rights of Jujiang Holdings and are deemed to be interested in its interest in the Company by virtue of the SFO.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at to 31 December 2017, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of Part XV of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Shareholders	Nature of interest	Number of Shares held (1)(2)	Approximate percentage of shareholdings in the total share capital of the Company	Approximate percentage of shareholdings in the relevant class of Shares (3)
Jujiang Holdings(4)	Beneficial Owner	204,000,000 Domestic Shares (L)	51%	38.25%
Ms. Shen Hongfen(5)	Interest of spouse	204,000,000 Domestic Shares (L)	51%	38.25%
Jujiang Equity Investment(6)	Beneficial Owner	196,000,000 Domestic Shares (L)	49%	36.75%
Chan Ka Wo	Beneficial Owner	9,480,000 H Share (L)	7.1%	1.78%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) The calculation is based on the percentage of shareholding in the Domestic Shares.

(3) The calculation is based on the total number of 533,360,000 Shares in issue after the Global Offering.

(4) Jujiang Holdings will be directly interested in approximately 38.25% in the Company.

(5) Ms. Shen Hongfen (沈洪芬), the spouse of Mr. Lv Yaoneng, is deemed to be interested in Mr. Lv Yaoneng's interest in the Company by virtue of the SFO.

(6) Jujiang Equity Investment will be directly interested in approximately 36.75% in the Company.

Save as disclosed above, as at 31 December 2017, so far as the Directors, Supervisors and the chief executive of the Company are aware of, no other persons have interests and/or short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2017, no claim has been made against the Directors and senior officers.

DIRECTORS' REPORT

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHTS IN THE SUBSCRIPTION OF SHARES AND DEBENTURES

During the year ended 31 December 2017, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that can be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report no transactions, arrangement or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, or its parent company was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

TRANSACTIONS WITH CONNECTED PERSON

Jujiang Holdings mainly engages in the business of, amongst other things, property development and investment holding and it is also the shareholder of various subsidiaries (including the Company). As at 31 December 2017, Jujiang Holdings was owned as to approximately 51.33% by Mr. Lv Yaoneng and approximately 48.67% by eight other individual shareholders.

The Company is owned as to 38.25% by Jujiang Holdings, as such it is one of our controlling shareholders and a connected person of the Company. Accordingly, the following transactions between Jujiang Holdings and the Group, will constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 31 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules but, save as disclosed hereinbelow, are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

Construction Contracting Service Master Agreement

The Group, as service provider, entered into a construction contracting service master agreement on 25 August 2016 ("2016 Master Agreement") with Jujiang Holdings, one of the controlling shareholders and a connected person of the Company. For a term ending on 31 December 2018, pursuant to which Jujiang Holdings agreed to engage construction contracting services such as building construction, foundation work, curtain wall construction, building decoration and fire equipment installation from our Group. The annual caps for the transactions contemplated for the three years ending 31 December 2018 are RMB321 million, RMB235 million and RMB318 million respectively. During the year ended 31 December 2017, a total of RMB117.2 million service fees was received from Jujiang Holdings under the 2016 Master Agreement.

The construction contracting service fees payable by Jujiang Holdings Group to our Group under the 2016 Master Agreement will be determined after arm's length negotiation between Jujiang Holdings Group and our Group. In order to ensure that the service fees we received for our provision of construction contracting services are fair and reasonable and in line with market practices, we will keep ourselves abreast of the prevailing fee level in market and the market conditions.

Save as disclosed herein, there were no transactions required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

Confirmation from independent non-executive Directors and the auditor of the Company

Confirmation from Directors

The Directors (including the independent non-executive Directors) have reviewed and confirmed that for the year ended 31 December 2017 the above continuing connected transactions have been and will be entered into in the ordinary and usual course of our Group's business and are based on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from auditor of the Company

Based on work performed, our independent auditor, has confirmed in a letter to the Board to the effect that nothing has come to its attention that causes it to believe that the above transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have exceeded the caps disclosed in the announcement dated 25 August 2016 made by the Company in respect of the disclosed continuing connected transactions.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2017, the Group entered into transactions with related parties set out in notes 31 to the consolidated financial statements. Some of these related party transactions constituted connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules and the Company have complied with the disclosure requirement thereon. Amongst the related party transactions shown in notes 31 (income received from design, survey and consultancy service) to the consolidated financial statements constituted connected transactions or continuing connected transactions but are exempt from shareholders' approval and disclosure and other requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and Supervisors of the Company and five highest paid individuals are set out in note 9 to the consolidated financial statements.

REMUNERATION POLICY

The Group's Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company. The Group regularly review and determine the remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of the Company.

NON-COMPETITION AGREEMENT

To ensure that competition will not exist in the future, the Mr. Lv Yaoneng, Jujiang Holdings and Jujiang Equity Investment as controlling shareholders (the "Controlling Shareholders") have entered into non-competition agreement (the "Non-Competition Agreement") with the Company to the effect that each of them will not, and will procure their subsidiaries (other than the Company) and their close associate(s) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, the principal business and other businesses.

NON-COMPETITION

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

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

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

Each of Mr. Lv Yaoneng, Jujiang Holdings and Jujiang Equity Investment, as the Controlling Shareholders, has confirmed to the Company of his compliance with the Non-Competition Agreement for the year ended 31 December 2017.

The independent non-executive Directors of the Company had reviewed the status of compliance and received confirmation by each of the Controlling Shareholders and, on the basis of such confirmation, are of the view that, to the best of their knowledge, the Controlling Shareholders have complied with the Non-Competition Agreement and such Non-Competition Agreement has been enforced by the Company in accordance with its terms.

COMPETING INTERESTS

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

DIRECTORS' REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Details of corporate governance practice adopted by the Company are set out in the section of "Corporate Governance Report" of this Annual Report.

EVENT AFTER THE REPORTING PERIOD

On 20 March 2018, the resolution in relation to issuance of corporate bonds with an aggregate principal of not exceeding USD200 million ("Corporate Bonds") were considered and approved at the extraordinary general meeting ("EGM") of the Company. For details of term of the Corporate Bonds, please refer to the circular of the Company dated 2 February 2018. The relevant resolutions for the issuance of the Corporate Bonds shall be effective for 24 months from the date of approval at the EGM.

Save as disclosed above, there is no significant event of the Group occurred after the end of the reporting period.

AUDITOR

There is no change in the Group's auditors, Ernst & Young, since 12 January 2016, being the Listing Date.

Ernst & Young will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting ("AGM"). A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

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

Zhejiang Province, the PRC, 29 March 2018

SUPERVISORS' REPORT

The current session the Board of Supervisors consists of four Supervisors, comprising two representatives of employees (namely Mr. Lv Xingliang and Mr. Zou Jiangtao) and two external supervisors (namely Mr. Zhu Jialian and Mr. Chen Xiangjiang).

WORK OF THE BOARD OF SUPERVISORS

In 2017, all the members of the Board of Supervisors of Jujiang Construction Group Co., Ltd. (the "Company") discharged their own duties cautiously and conscientiously in accordance with various regulations and requirements such as the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors. They exercised powers independently in accordance with the law to make sure that the Company operated in a regulated manner, and to safeguard the interests of the Company and investors. The Board of Supervisors supervised the Company's business plans, use of proceeds, connected transactions, the Company's production and business activities and financial position as well as the discharge of duties by the Company's directors and senior management members and the operation of the subsidiaries to facilitate the regulated operation and sound development of the Company.

I. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Company convened one meeting in total:

(1) The eighth meeting of the first session of the Board of Supervisors was convened on 29 March 2017, at which the following resolutions were considered and approved:

i. the "Resolution on the Audited Annual Report and Results Announcement of the Company for 2016" was considered;

ii. the "Profit Distribution Proposal for 2016" was considered;

iii. the "Resolution on the Re-appointment of Ernst & Young as Auditor of the Company for 2017" was considered;

iv. the "Resolution on the Work Report of the Board of Supervisors of the Company for 2016" was considered.

II. Supervisory Opinions of the Board of Supervisors on the Relevant Matters of the Company during 2017:

1. The Company's operations in accordance with the law

In 2017, the Board of Supervisors of the Company conscientiously discharged its supervisory duties in strict compliance with the Company Law, the Articles of Association, the Rules of Procedure of the Board of Supervisors and requirements under relevant laws and regulations, and on basis of effectively safeguarding the interests of the Company as well as the rights and interests of all the minority shareholders as a whole. Members of the Board of Supervisors attended all previous board meetings and general meetings in 2017 and considered that the Board of Directors conscientiously enforced the resolutions adopted at general meetings, and faithfully performed its obligation of good faith, without any acts of jeopardizing the interests of the Company and its shareholders; that all the resolutions of the Board of Directors were in compliance with the Company Law, other laws and regulations as well as requirements under the Articles of Association. The Board of Supervisors supervised the Company's production and business activities during the tenure of office, and considered that the management team of the Company was diligent and responsible, and conscientiously enforced all the resolutions of the Board of Directors, and that no irregularities were found in the Company's operations.

2. The Company's financial position

The Board of Supervisors of the Company examined the financial status of the headquarters and subsidiaries of the Company by listening to the briefing reports of the financial department and carrying out regular audit based on the true picture of the Company, thus having strengthened its supervision over the financial work of the Company. The Board of Supervisors of the Company considered that the Company and its subsidiaries had independent financial departments, independent books of accounts and independent accounting, and complied with the Accounting Law and relevant financial rules and regulations. In 2017, the finance of the Company and its subsidiaries was managed in a regulated manner, and their financial statements were a true and accurate reflection of the true picture of the Company and its subsidiaries.

3. Connected transactions

During the reporting period, the connected transactions conducted between the Company and its connected parties on a regular basis were all considered at the Board of Directors and general meetings of the Company. In these connected transactions, the transactions were conducted on an arm's length basis pursuant to contracts or agreements without any prejudice to the interests of the Company.

4. The Company's internal control

During the reporting period, the Company established a sound internal control system across all aspects to make sure that the Company carried out its business activities in a normal way and to safeguard the security and integrity of the Company's assets. The Company's internal control office had a complete structure, while the internal audit department and staffing were in place, which made sure that the key activities in the Company's internal control were carried out and monitored fully and effectively. In 2017, no violations of the "Guidelines for Internal Control of Listed Companies" and the Company's internal control system were found. The Board of Supervisors considered that the self-evaluation of the Company's internal control was a comprehensive and true reflection of the true picture of the Company's internal control.

III. The work plan of the Board of Supervisors for 2018

2018 is a critical year for the Group to carry on with the development plan during the period of the "13th Five-year Plan" and the "5th Five-year Construction Plan". The Board of Supervisors will continue, as always, to work diligently in 2018 to safeguard the interests of the Company and its shareholders and boost the sustainable development of the Company, discharge its responsibilities more effectively and further facilitate the Company's regulated operation. The Company is encountering many obstacles and problems. We must work together concertedly and diligently to seize the opportunities to boost the stable development of the Company. With a close focus on the business objectives and tasks of the Company for 2018, the Board of Supervisors will further step up its supervision, conscientiously discharge its supervision and inspection functions, reinforce the control and supervision of funds using financial supervision as the core, and effectively safeguard the legitimate rights and interests of the Company and its shareholders.

1. The Company will continue to explore and improve the working and operation mechanisms of the Board of Supervisors so as to facilitate the institutionalization and standardization of its work. Using financial supervision as the core, it will establish a sound supervision and management system for the operation of large amounts of funds, expand the advantage of the system for the Board of Supervisors to attend the Company's meetings to strengthen their supervision and management responsibilities.

2. The Board of Supervisors will continue to supervise and inspect the Company's finance on a regular basis, and get hold of the Company's operation and economic operation, enforcement of relevant laws and regulations as well as compliance with the Articles of Association, resolutions and decisions of the general meetings as well as the Company's operating conditions.

3. The Board of Supervisors will urge directors, managers and managerial staff at all levels to discharge their duties conscientiously, get hold of the business activities of the management team and evaluate the performance of their business operations.

4. The Board of Supervisors will supervise and inspect the operation of funds for the Company's investment projects to make sure that the funds are utilized efficiently.

5. The Company will reinforce the build-up of the Board of Supervisors by reinforcing its ideological, organizational and work-style build-up, and strive to improve its capability for discharging duties as well as its supervision and deliberation standards, increase its innovation capability of its work and enhance the effectiveness of supervision and inspection for discharging the functions of the Board of Supervisors conscientiously.

6. Based on the proposal on the assessment of targets for 2018, the Board of Supervisors will step up the tracking and implementation of these targets to make sure that the assessment by the Company is carried out seriously. It will focus on how the Company conducts target assessments for various work units to identify whether or not the internal assessments by these work units are in violation of the Company's regulations.

The Board of Supervisors will discharge its supervisory duties conscientiously, continue to work on a regular basis and propose supervisory opinions on specific issues. If a problem is identified, it will recommend that the Board of Directors or the management team of the Company implement an accountability system, make rectifications and execute any recommendations so as to make sure that the overall targets of the Company for 2018 can be attained.

On behalf of the Board of Supervisors
LV XingLiang
Chairman

Zhejiang Province, the PRC, 29 March 2018

CORPORATE GOVERNANCE REPORT

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "Code Provisions") of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2017 and up to the date of this report, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below.

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

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

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the audit committee (the "Audit Committee"), the remuneration and appraisal committee (the "Remuneration and Appraisal Committee"), the nomination committee (the "Nomination Committee"), and the strategic committee (the "Strategic Committee") (each a "Board Committee" and collectively the "Board Committees"), to oversee different areas of the Company's affairs. As of the date of this annual report, the composition of the Board is as follows:

Executive Directors:	Mr. Lv Yaoneng *(Chairman)*
	Mr. Lv Dazhong
	Mr. Li Jinyan
	Mr. Lu Zhicheng
	Mr. Shen Haiquan
	Mr. Zheng Gang
Independent Non-executive Directors:	Mr. Yu Jingxuan
	Mr. Lin Tao
	Mr. Wong Ka Wai

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 8 to 13 in the annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Company's website.

There is no financial, business or other material/relevant relationships among members of the Board.

The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each of our Directors has entered into a service contract with the Company. Each of the independent non-executive Directors has entered into service contracts or agreements with the Company for a specific term of three years and is subject to re-election.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

Accountability

The Directors acknowledge their responsibility to present a balanced, clear and understandable set of consolidated financial statements in each of the annual and interim reports. If the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Company. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of the Company and that he/she is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

In February 2017, the Company, together with its legal advisers, organized training sessions to each of the Directors in relation to continuous responsibilities of Hong Kong listed company and its directors before and after listing. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

Name of Director	Types of training Attending in-house training organized by professional organizations	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Lv Yaoneng *(Chairman)*	✓	✓
Mr. Lv Dazhong	✓	✓
Mr. Li Jinyan	✓	✓
Mr. Lu Zhicheng	✓	✓
Mr. Shen Haiquan	✓	✓
Mr. Zheng Gang	✓	✓
Independent Non-executive Directors		
Mr. Yu Jingxuan	✓	✓
Mr. Lin Tao	✓	✓
Mr. Wong Ka Wai	✓	✓

Independence of Independent Non-Executive Directors

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

They serve actively on the Board and Board Committees to provide their independent and objective views. In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

Board Committees

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference of the Audit Committee, Nomination Committee and the Remuneration and Appraisal Committee are respectively available on the Company's website.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company has established an audit committee on 23 December 2015 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Wong Ka Wai, Mr. Lin Tao and Mr. Yu Jingxuan. Mr. Yu Jingxuan currently serves as the chairman of our audit committee.

Pursuant to the meeting of the Audit Committee on 29 March 2018, the Audit Committee has reviewed, among other things, the financial statements of the Company for the year ended 31 December 2017, including the accounting principles and practices adopted by the Company, report prepared by the external auditors covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Company's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditors. During the year, the Audit Committee held two meetings.

Remuneration and Appraisal Committee

The Company has established a remuneration and appraisal committee on 23 December 2015 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration and appraisal committee are to evaluate the performance and make recommendations on the remuneration of Directors and our senior management and to recommend members of the Board.

Our remuneration and appraisal committee consists of three members, being Mr. Lv Yaoneng, Mr. Lin Tao and Mr. Wang Ka Wai. Mr. Wang Ka Wai currently serves as the chairman of our remuneration and appraisal committee.

Pursuant to the meeting of the Remuneration and Appraisal Committee on 29 March 2018, the Remuneration and Appraisal Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. During the year, the Remuneration and Appraisal committee held one meeting.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors and Supervisors for the year ended 31 December 2017 are set out in note 9 to the consolidated financial statements.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of non-Director members of the senior management for the year ended 31 December 2017 is as follows:

Remuneration band (RMB)	Number of individuals
0 – 1,000,000	2
1,000,000 – 1,500,000	–
1,500,000	–

Nomination Committee

The Company has established a nomination committee on 23 December 2015 with its written terms of reference in compliance with paragraph A.5 of the Corporate Government Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of three members, being Mr. Lv Yaoneng, Mr. Lin Tao and Mr. Yu Jingxuan, Mr. Lin Tao currently serves as the chairman of our nomination committee.

During the year, the Nomination Committee has reviewed the policy for the nomination of Directors the structure, size and composition of the Board and assessed independence of the independent non-executive Directors and has recommended Mr. Yu Jingxuan to be Directors to the Board. During the year, the Nomination Committee held one meeting.

Strategic Committee

The Company has established a strategic committee on 24 November 2016. The primary duties of the strategic committee are to the Company's long-term development strategy and major investment decision making research and make recommendation.

Our strategic committee consists of three members, being Mr. Lv Yaoneng, Mr. Lin Tao and Mr. Zheng Gang, Mr. Lv Yaoneng currently serves as the chairman of our strategic committee.

One meeting was held by the Strategic Committee during the year ended 31 December 2017.

Corporate Governance Functions

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

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

CORPORATE GOVERNANCE REPORT

Attendance Record of Directors

The attendance record of each of the current Directors at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2017 is set out in the table below. The Directors did not authorize any alternate Director to attend Board or Board Committee meetings.

	Attendance/Number of Meetings						
Name of Directors	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategic Committee	General Meeting	Extraordinary in any General Meeting
Mr. Lv Yaoneng	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Mr. Lv Dazhong	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Mr. Li Jinyan	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Mr. Lu Zhicheng	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Mr. Shen Haiquan	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Mr. Zheng Gang	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Mr. Yu Jingxuan	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Mr. Lin Tao	4/4	2/2	1/1	1/1	1/1	1/1	1/1
Mr. Wong Ka Wai	4/4	2/2	1/1	1/1	1/1	1/1	1/1

Board Proceedings

Meetings of the Board of Directors shall be held regularly at least four times each year and shall be convened by the chairman of the Board of Directors. Directors shall be notified ten days before the date of the meeting. A quorum will be formed by more than half of the Directors (including the proxies) attending a Board meeting in person. If a Director is unable to attend a Board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization. Directors attending Board meetings on behalf of other directors shall exercise their power as directors within their scope of authorization. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have waived his rights to vote at that meeting. Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the Board of Directors must be passed by more than half of all the Directors. Where the numbers of votes cast for and against a resolution are equal, the chairman shall have the right to cast an additional vote.

During the year ended 31 December 2017, there were 4 Board meetings held and all Directors attended the meetings that they were required to attend.

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") in 23 December 2015 in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- at least 1/3 of the members of the Board shall be independent non-executive directors;
- at least 1 of the members of the Board shall have obtained accounting or relevant financial management professional qualifications; and
- at least 50% of the members of the Board shall have 7 years or more of experience in the industry he is specialised in.

Board of Supervisors

The Board of Supervisors consists of four Supervisors, comprising two representatives of employees (namely Mr. Lv Xingliang and Mr. Zhou Jiangtao) and two external supervisors (namely Mr. Zhu Jialian and Mr. Chen Xiangjiang). Except for the employee representative Supervisors elected by employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of the Board of Supervisors include reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the financial activities of the Company, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a service contract with our Group.

Model code for securities transactions

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules ("Model Code") as the Company's code of conduct regarding Directors' and supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the year ended 31 December 2017.

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

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

The Group have appointed Mr. Jin Shuigan (金水根) as one of our joint company secretaries. For details of Mr. Jin, please see the section headed "Biographical Details of Directors, Supervisors and Senior Management – Joint Company Secretaries." Mr. Jin, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, the Group have made the following arrangements:

- Mr. Jin will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by the Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

- the Group have appointed Mr. Hong Kam Le (康錦里), who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Jin in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Jin to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary; and

- upon expiry of the three-year period, the qualifications and experience of Mr. Jin will be re-evaluated. Mr. Jin is expected to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Mr. Hong's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

The Group have applied to the Stock Exchange for and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon expiry of the initial three-year period, the qualifications of Mr. Jin will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Jin has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

The Company confirms that Mr. Jin and Mr. Hong Kam Le have for the year of 2017 complied with Rule 3.29 of the Listing Rules and attend to less than 15 hours of relevant professional training.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Company's financial statements which give a true and fair view of the Company's state of affairs, results and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Company has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal controls and risk management

The Board recognizes its responsibility to ensure the Group maintains a sound and effective internal control system and risk management, the Board has conducted a review of the effectiveness of the internal control system and risk management of the Group during the year, The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks, review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls, No major issue but areas for improvement have been identified, The Board and the Audit Committee considered that the key areas of the Company's internal control and risk management systems are reasonably implemented and considered them efficient and adequate.

External Auditor

Ernst & Young has been appointed as the external auditor of the Company, The Audit Committee has been notified of the nature and the service charges performed by Ernst & Young and considered that such services have no adverse effect on the independence of the external auditor.

For the year ended 31 December 2017, the fees payable to Ernst & Young in respect of its annual audit services provided to the Company was RMB1.1 million.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

The Company did not change the auditor over the past three years.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an EGM.

Right to convene extraordinary general meeting

When requesting the convening of an extraordinary general meeting or a class meeting, it shall be handled according to the following procedures:

(1) Shareholder(s), individually or collectively holding 5% or more of the shares carrying the right to vote at the meeting shall sign one or more written requests of the same form stating the subject of the meeting and requesting that the Board of Directors convene an extraordinary general meeting or a class meeting thereof. The Board of Directors shall convene an extraordinary or a class general meeting responsively after receipt of such request. The aforesaid amount of shareholding is calculated as on the day when the Shareholders make the request in writing.

(2) If the Board of Directors fails to send notification of the meeting within 20 days from the date of the receipt of such request, requesting Shareholders may call the meeting within four months of the date of the receipt of such request by the Board of Directors, and the procedures for calling the meeting shall remain as same as possible when the Board of Directors would call the meeting.

Shareholders can make enquiries to the Board and submit their written requisition by mailing to the Board or the company secretary of the Company at the Company's principal business at 22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong or by fax at +86 573 8810 4880.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the AGM, the annual and interim reports notices, announcements and circulars and the Company's website at www.jujiang.cn.

Constitutional Documents

During the year ended 31 December 2017, there had been no significant change in the Company's constitutional documents.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group is committed to upholding a high quality of corporate social responsibilities ("CSR") and issued this environmental, social and governance report pursuant to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules. During the year, the Group continued to improve its performance in fulfilling its CSR through diversified measures. The report provides details of the Company's policies and practices in three aspects namely working environment, environmental protection, and community involvement for the year ended 31 December 2017.

WORKING ENVIRONMENT

Employees

Our Directors 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. Besides these, the Group has made detailed regulations in its employee manual with respect to dismissal, working hours, vacations and other aspects.

The Group mainly recruit through recruitment fairs and on-campus recruitment. As at year ended 31 December 2017, we had a total of 727 employees, of which 601, or 82.7%, were based in Jiaxing, and 126, or 17.3%, were based in other areas in Zhejiang Province and in other provinces and regions in China. The following table sets forth the number and breakdown of our full-time employees by function as at year ended 31 December 2017:

	Number of employees
Project management	313
Quality and safety	187
Administrative and management	103
Design, survey and consultancy	59
Sales and marketing	40
Finance	25
Total	727

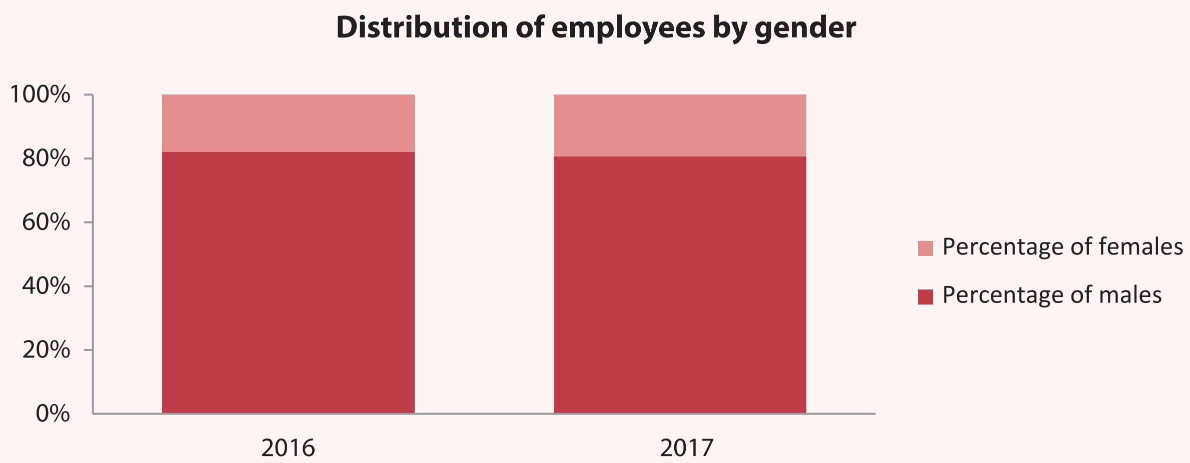
Fair recruitment

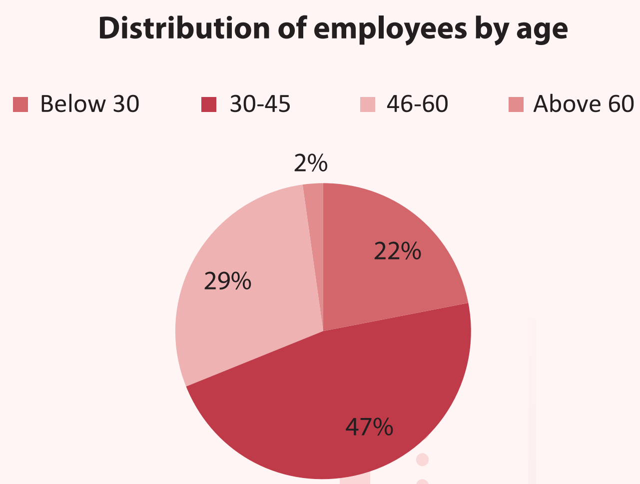
The Group recruits staff based on a fair, open and impartial principle to ensure the recruitment and selection process is objective and consistent. The Company only take into account an individual's competence, regardless of the age (no recruitment of minors under the age of 16), nationality, race, gender, religion, pregnancy or disability. This process avoids any employment discrimination and offers equal employment opportunities to all candidates.

Employment

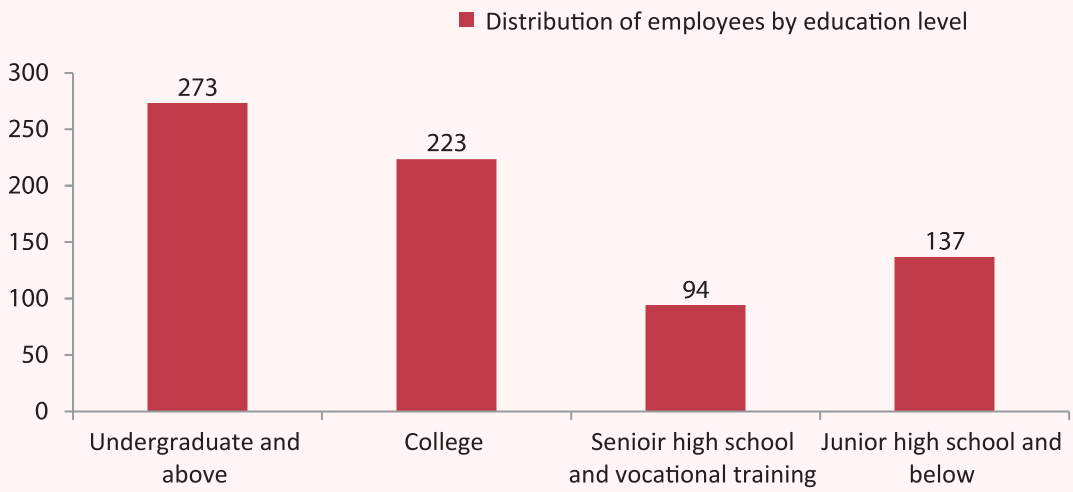
The Company strictly followed Labour Law of the People's Republic of China, Law of the People's Republic of China on Employment Contracts and Provisions on the Prohibition of Using Child Labour to recruit and manage staff and expressly specified that must follow the policies such as national labour law and forbid employing child labours younger than 16 years old. Forbid forcing the staff to do the jobs at certain post or to work, and the Company forbids all types of compulsory work. And forbid taking punitive measures, management means and behaviours like abusing, corporal punishment, violence, spirit oppression, sexual harassment (including improper language, posture and body contact) or sexual abuse. In addition, the Company regularly provides the management with education training in terms of management ability and skills to further avoid the occurrence of events aforesaid.

Employment statistics by gender, age and education level Training





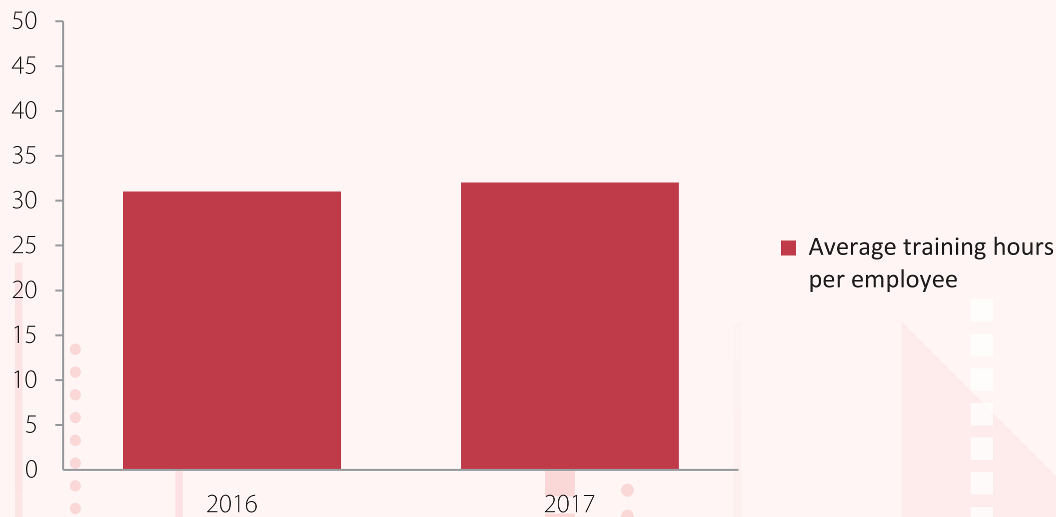
Distribution of employees by education level



Training

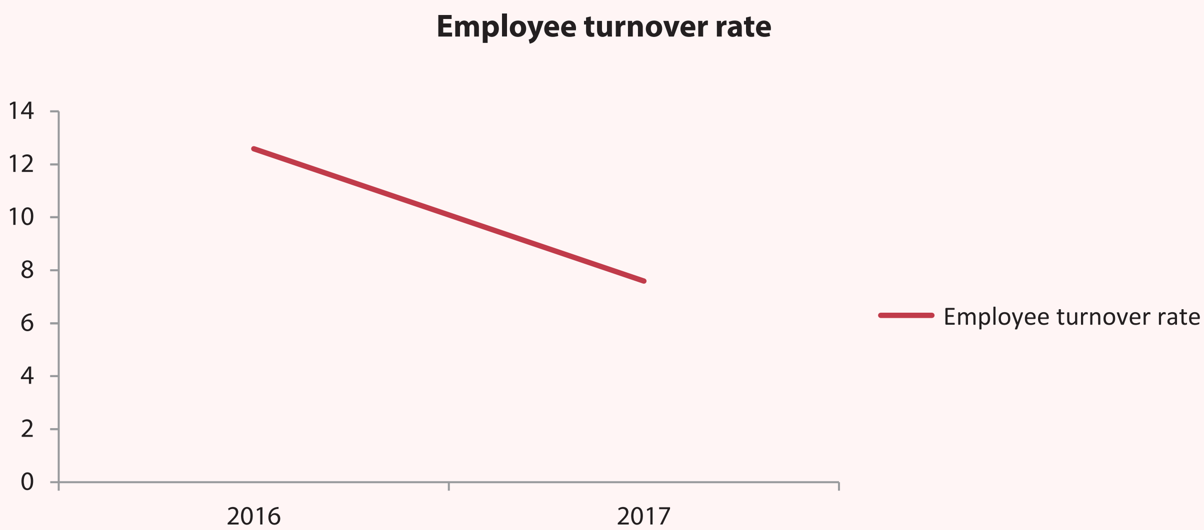
The Group provides different career development and training programs to all levels of staff. Continuous learning is one of our core values. Employees may be provided with in-house training sessions or may enrol in external training courses, such as seminars, workshops, visits and demonstrations, so as to upgrade their skills and strengthen their knowledge, thus enabling them to fulfil their duties more efficiently.

Average training hours per employee



Benefits

To attract, motivate and retain talents, the Group has set up a compensation and benefits management system, and regularly reviews the compensation and benefits packages of employees to ensure their competitiveness in the market. The employment benefits provided by the Group include pension, medical insurance, high temperature subsidy, labour protection and training subsidy.



The Group have a labor union that protects our employees' rights, assists us in attaining the economic objectives of the Company, encourages employees to participate in management decisions and assists us in mediating disputes with union members.

OCCUPATIONAL HEALTH AND SAFETY

Safety Management System

The Group have in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations. Our quality and safety department, which is based at our headquarters, is responsible for overseeing our compliance with relevant PRC laws and regulations, conducting regular reviews and inspections of our safety performance, conducting review of any material accidents, and ensuring that we maintain the necessary licenses, approvals and permits to operate. We maintain GB/T28001- 2011 certificates for our construction contracting business and our civil defense products manufacturing business. Such certificates have a validity period of three years (From 10 April 2017 to 23 April 2020).

Pursuant to Provisions on the Administration of Construction Enterprises' Work Safety Permits, we are required to meet a number of requirements, including but not limited to: (i) management personnel and the operators shall accept work safety education training; (ii) ensure that office areas and living quarters of the construction site and the construction operation space, safety appliances, machinery and equipment, construction machinery, tools and fittings comply with the relevant laws, regulations, standards and rules concerning work safety; and (iii) implement prevention and monitoring measures and emergency safety plan for construction works that are more dangerous and where serious accidents are more likely to occur.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2017, the Group was granted 22 construction safety awards at national-level, provincial-level, municipal-level or county-level. The most significant awards included: a Work Safety and Production Standardized Construction Site of China Construction Projects (全國建設工程項目施工安全生產標準化建設工地) accredited by the Construction Safety Branch of China Construction Industry Association, and fours Safe and Civilised Construction Demonstration Sites in Zhejiang Province accredited by the Zhejiang Provincial Department of Construction.

Accident Rate Analysis

For the years ended 31 December 2016 and 2017, the accident rate on the Group's construction projects was 0.48 and 0.37 workplace accidents for every 1,000 workers, respectively. The Group accident rate equals the number of workplace accidents (including fractures and other injuries) during the relevant year or period divided by the annual average number of workers on our construction projects (including our project management personnel and subcontracted workers). Moreover, a table showing the Group's lost time injuries frequency rates ("LTIFR(s)") (Note) is set out below:

For the years ended 31 December	
2016	Less than 0.01
2017	Less than 0.01

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year to divide the number of recordable cases and multiply by 1,000,000. It is assumed that the working hours of each worker is 10 hours per day.

For the years ended 31 December 2016 and 2017, the number of workplace accidents (including fractures and other injuries) occurred on our construction sites was five and four respectively.

Having considered the number of accidents and fatalities nationally and in Zhejiang Province from 2016 to 2017, Our Directors believe that we did not have a high accident or fatality number during the year ended 31 December 2017.

Supply Chain Management

The Group recognises that supply chain management is essential in improving operational efficiency, and therefore we work closely with our suppliers and contractors to meet customers' needs in an effective and efficient manner, while emphasising responsible operating practices. In addition, the Group closely monitors the budget and materials used in order to avoid unnecessary waste and increase to use recyclable material in the projects.

We manage the procurement of principal raw materials separately from the procurement of other raw materials. The other raw materials are procured by the project management department upon receiving approval from the procurement department. As for principal raw materials, the procurement department maintains a list of qualified suppliers, from which the project management department procures on an as-needed basis. Qualified suppliers are selected based on various criteria, including pricing, quality, record of timely delivery, location, supply capacity, credit terms, environmental protection assessment and customer service. The list of qualified suppliers is reviewed annually. During the reporting period, all of our major suppliers were domestic companies, with whom we have established long-term relationships of three to ten years. We may procure principal raw materials from suppliers not on the list of qualified suppliers only in special circumstances and such procurement must be reviewed by the relevant project manager and approved by the procurement department.

Most of our equipment and machinery are procured domestically from manufacturers in China, with whom we have established long-term relationships. We select our equipment and machinery suppliers based on numerous factors, including quality, pricing, reputation and aftersales services. We have in place a strict policy and approval system for the procurement of equipment and machinery.

Data Protection and Privacy Policies

The company stringently comply with Tort Law of the People's Republic of China and all employees are prohibited from disclosing any confidential information under the Company's confidentiality policy. Data including project-related information and other sensitive information is subject to access control to ensure its security and prevent any abuse or misuse.

Bribery, corruption and other misconduct

In addition to strict compliance with the Criminal Law of the People's Republic of China, the Company has established employee handbook according to its features and circumstances, to regulate our employees' conduct with respect to conflicts of interest, bribery, corruption and other misconduct. We provide regular training for our employees to emphasize the importance of employees' conduct and refresh their knowledge on the reporting system on employees' misconduct. Moreover, training in connection with anti-bribery rules and regulations under the PRC laws from our PRC Legal Advisers will be arranged for our Board and senior management team to enhance their awareness of the effect and consequences of bribery. An effective whistle blowing policy is also in place to minimize the risk of fraudulent acts, criminal offences or wrongdoings occurring in the workplace.

ENVIRONMENTAL PROTECTION

The Group has established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure our compliance with ISO14001:2004 standards and the relevant PRC laws and regulations. We have adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control, air pollution control, as well as solid waste and waste water treatment. Set forth below is a summary of the standard environmental protection measures we have implemented:

Environmental matter	Measures
Noise control	Use low-noise equipment and machinery Inspect and maintain all equipment before use to be in compliance with permitted noise level Undertake works in accordance with the permitted working hours as specified by PRC law
Air pollution control	Suppress dust particles on construction sites by use of water Install dust screens as necessary Lower dust and harmful particles generated on construction sites through use of construction techniques and equipment
Solid waste disposal	Transport solid waste to landfills designated by local governments
Waste water treatment	Use sedimentation tanks to reduce the suspended solids in the waste water before being discharged Discharge rain and waste water separately

Our efforts in environmental protection is highly recognised by the society, and 22 awards at provincial-level, municipal-level, or county-level were granted to our environmentally friendly construction projects during the year. The most significant awards included: a Safe and Civilised Construction Demonstration Site in Jiangsu Province accredited by the Jiangsu Provincial Department of Housing and Urban-Rural Development, and a Green Demonstration Construction Project in Jiaxing City accredited by the Jiaxing City Construction Industry Association.

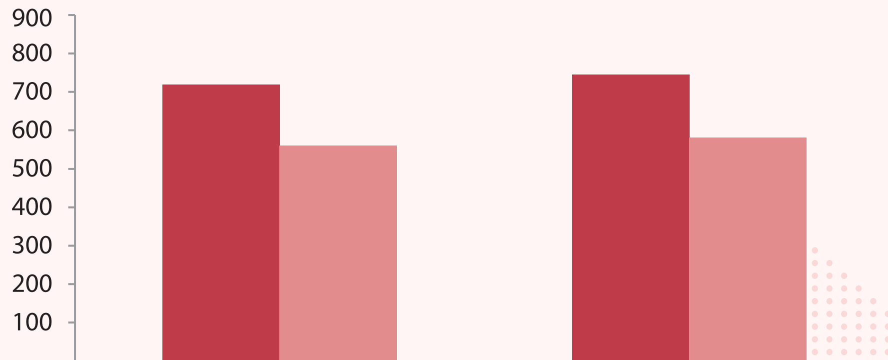
ENERGY CONSERVATION AND EMISSION REDUCTION

Reducing energy consumption and improving energy efficiency are keys to slowing down global climate change, and therefore the Group strives to improve its energy saving performance on operation and project development.

POWER CONSUMPTION CONTROL

The headquarters and other offices of the Group all adhere to the principle of energy conservation and environmental protection. Each office of the Group has formulated a guideline on the use of air-conditioners, where heaters are allowed in winter only when the temperature is below 0°C, and air-conditioning are allowed during summer when the temperature is above 30 °C.

Power consumption and corresponding carbon emission



	2016	2017
Power consumption (kWh in ’000s)	719.8	746.6
Carbon emission (tonnes)	561.4	582.3

During the year, the total power consumption of approximately 746,581 kWh, and the intensity is approximately 82.3 kWh / RMB million revenue.

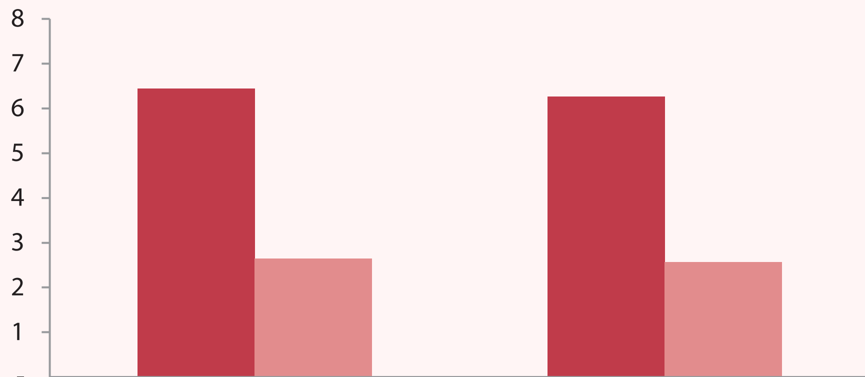
WASTE MANAGEMENT

The group's operating activities involve a minimal generation of waste. The majority of its wastes generated are construction waste and general waste, where part of the construction waste will be recycled and reused as raw materials for foundation of buildings. The rest of the wastes will be disposed as urban wastes.

WATER CONSUMPTION CONTROL

The Group treasures water resources and is committed to controlling water consumption and avoiding wastage.

Water consumption and corresponding carbon emission



	2016	2017
Water consumption (kilotonnes)	6.44	6.25
Carbon emission (tonnes)	2.64	2.56

During the year, the total water consumption is approximately 6,254 tonnes and the intensity is approximately 118.2kg/RMB million revenue.

Economical Use of Resources

The Group strictly complies with the requirements of Energy Conservation Law of the People's Republic of China and has formulated rules in relation to i) integrated planning of usage of water and electricity during production, proper arrangement for preheating and energy-consuming procedures for production workshops, turning off no load current equipment and shutting off the electric power once production is finished in accordance with the characteristics of production procedures generally; and ii) fostering awareness of water and electricity conservation among all staff and turning off lights, faucets, air conditioners and computers, etc. when the use of them is unnecessary to reduce the consumption of energy.

Packing materials

The Group does not use cartons, paper and plastics as packaging materials. Therefore, the company does not consume packaging materials.

Adhere to that, the Group power and water consumption were reduced, the GHG emissions also declined accordingly. The Group will continue to closely monitor the utilisation of resources and conduct regular assessment to seek better ways for contributing to environmental protection.

QUALITY CONTROL AND MANAGEMENT

Stringent quality control is critical to the Group's reputation and success. As such, we adopt comprehensive quality control measures to ensure the high quality of our construction contracting services. Our quality and safety department is responsible for the adoption of quality control measures and periodic inspections of our operations. The following is a summary of the key quality control measures we implement:

- Inspection of raw materials. We inspect raw materials in accordance with our quality standards and the specifications of our customers. We are typically required to provide a product certificate and obtain our customer's approval before using such raw materials in our construction projects;

- Training. We provide training to our project management teams and our subcontracted workers to ensure their understanding of, and compliance with, our quality standards on a monthly basis. In addition, our project management team also holds daily assemblies with our subcontracted workers to review construction safety measures and precautions;

- Standardized construction. We implement standardized construction methods and technologies in all of our construction projects. For large-scale and complex construction projects, we may set up construction process demonstration areas on project sites, where key standardized construction methods and processes are exhibited or detailed to ensure our compliance with such methods and processes;

- Onsite inspections and rectification. We conduct periodic inspections and spot checks on our construction projects, and require our personnel to implement immediate rectification measures if any quality control issues are identified. Upon rectification, we re-inspect the quality control issues to ensure that such issues have been resolved. As required by our customers, independent surveyors will conduct periodic inspections and spot inspections of our construction projects. Inspection results will be documented in a monthly report, setting forth an assessment of construction quality, our construction progress and targets for construction progress and construction quality in the next month;

- Quality control review. After the completion of each project and at the end of each quarter, we conduct a comprehensive review and analysis of any quality control issues. In addition, we survey our customers for feedback on an annual basis and after completion of each project to improve the quality of our services and products;

- Subcontractors. We require our construction subcontractors to fully abide by our quality control measures when performing work for our construction projects.

COMMUNITY INVOLVEMENT/CHARITABLE DONATIONS

The Group is committed to fulfilling its CSR and continues to dedicate its internal resources to charitable activities. During the year ended 31 December 2017, the Group donated a total of RMB450,000 to students and poor families.

The Group also actively participated in community activities, such as engaging in voluntary community services, volunteering in blood donation and visiting welfare institutions.

FUTURE DIRECTION

The Group recognises the importance of CSR, and strives to improve its performance in this aspect going forward. As our businesses continue to expand, we will strive to promote our CSR initiatives to all operation units and communities where our businesses are located.

We will continue to work hard on various aspects to improve our performance in CSR, including:

- Continue to reinforce and comply with sustainable environmental practices; and
- Continue to enhance the occupational health & safety standards; and
- Continue to ensure positive contribution to good CSR practices from the tendering stage of each project.

The Group will regularly review this CSR policy to ensure the CSR initiatives and performance address the needs of the society in this ever-changing environment.

INDEPENDENT AUDITOR'S REPORT

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Central, Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

To the shareholders of Jujiang Construction Group Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Jujiang Construction Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 122, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("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 ("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") issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

Key audit matter:	How our audit addressed the key audit matter:
Percentage of completion of construction and related construction contract revenue and costs	
The Group provides construction contracting services to its customers and the construction revenue amounting to RMB4,751.2 million and costs amounting to RMB4,489.9 million are recognised on the percentage of completion method ("POC"). The POC of a construction contract is estimated by reference to the completed construction works certified by a construction surveyor. Budgeted construction costs are prepared by management factoring the complexity of the construction project, materials and labour, and assumptions and estimates need to account for variability of other cost components. The recognition of construction revenue and costs involves significant judgement and estimates, whereby the Group reviews and revises the estimates of construction revenue and costs, as appropriate, based on variation orders requested by customers, as construction progresses. Considering the significance of the surveyors' certification and the estimates and assumptions used in computing the construction revenue and costs, the construction revenue and costs accounts are considered to be of most significance in our audit. The Group's disclosures about construction revenue and costs are included in Note 3.3 – Summary of significant accounting policies, Note 4 – Significant accounting judgements and estimates, in Note 6 – Revenue, other income and gains, as well as Note 8- Profit before tax to the financial statements.	Our audit procedures included, amongst others, the assessment of the Group's controls over the estimation of the POC of construction contracts, the construction costs budgeting process, and the budget updating process for variation orders. We tested the POC of selected construction projects through confirmation procedures with related construction surveyors. We interviewed selected surveyors to understand their procedures to certify completed construction works and POC. We assessed their professional qualifications, objectivity and independence for establishing the basis of our understanding on their representation. We also observed selected construction work sites that were certified by the construction surveyors to assess consistency between the construction status and the related POC used for estimating the construction revenue and costs. We evaluated the assumptions and methodologies used by the Group in determining the budgeted construction costs. We reviewed the supporting documentations of construction costs to evaluate the budgeting process. We discussed and assessed management's estimates with taking into account the historical accuracy of such estimates. On a sample basis, we compared the actual construction revenue and costs with the contract revenue and budgeted costs for completed projects, considering the effect of variation orders and reviewing the project gross margin for trend analysis. We also recomputed the related construction revenue and costs based on the POC and budgeted revenue and costs.

Recoverability of receivables

The Group's receivables mainly consist of trade receivables, deposits and other receivables. As at 31 December 2017, trade receivables amounting to RMB 799.8 million and provision for impairment amounting to RMB30.7 million; deposits and other receivables amounting to RMB 218.8 million and provision for impairment amounting to RMB29.4 million which were material to the Group's consolidated financial statements. Trade receivables represent progress billings raised to the Group's customers related to certified construction work performed by the Group based on construction contract terms. Trade receivables also include retention fees withheld by the Group's customers until the expiration of the warranty period. Deposits and other receivables mainly consist of construction performance guarantees held by the Group's customers which will be released to the Group upon the completion of the construction projects. The determination as to whether the receivables are collectable requires a high level of management judgement and estimates, whereby the Group considers specific factors including the age of the balances, location of customers, existence of disputes, historical payment patterns and any other relevant information concerning the creditworthiness of the counterparties. Given the significant judgement and estimates used in assessing the provision for impairment of the receivables, the assessment of the recoverability of receivables is considered to be of most significance to our audit.

The Group's disclosures about the impairment of receivables are included in Note 3.3 – Summary of significant accounting policies, Note 19 – Trade and bills receivables, as well as in Note 20 – Prepayments, deposits and other receivables to the financial statements.

We evaluated and tested the controls over the accounting process of the impairment allowance of trade and other receivables.

We assessed the aging of selected receivables by checking to the related supporting documentations. We assessed management's judgement and estimates in assessing the recoverability of the receivables, taking into account the historical cash collection patterns, our knowledge of the business environment and industry benchmarks, especially for those aged and overdue receivables.

We checked the post year-end payments up to the date of completing our audit procedures.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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 Shun Lung Wai.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	6	**4,803,019**	4,032,168
Cost of sales		**(4,526,327)**	(3,807,471)
Gross profit		**276,692**	224,697
Other income and gains	6	**10,365**	20,218
Administrative expenses		**(66,632)**	(73,332)
Other expenses		**(12,923)**	(4,823)
Finance costs	7	**(39,047)**	(42,741)
PROFIT BEFORE TAX	8	**168,455**	124,019
Income tax expense	10	**(43,252)**	(33,785)
PROFIT FOR THE YEAR		**125,203**	90,234
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**125,203**	90,234
Profit attributable to:			
Owners of the parent		**123,792**	89,684
Non-controlling interests		**1,411**	550
		125,203	90,234
Total comprehensive income attributable to			
Owners of the parent		**123,792**	89,684
Non-controlling interests		**1,411**	550
		125,203	90,234
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	11	**0.23**	0.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**132,559**	135,336
Prepaid land lease payments	13	**8,997**	9,288
Other intangible assets	14	**2,407**	2,102
Available-for-sale investment	15	**–**	3,600
Deferred tax assets	16	**17,113**	15,891
Trade receivables	19	**25,173**	26,648
Prepayments, deposits and other receivables	20	**40,412**	47,707
Other non-current assets		**15**	116
Total non-current assets		**226,676**	240,688
CURRENT ASSETS			
Prepaid land lease payments	13	**291**	291
Inventories	17	**12,028**	7,612
Amounts due from contract customers	18	**3,084,495**	2,998,346
Trade and bills receivables	19	**926,544**	647,359
Prepayments, deposits and other receivables	20	**437,571**	488,918
Pledged deposits	21	**18,752**	18,110
Cash and cash equivalents	21	**83,859**	65,013
Total current assets		**4,563,540**	4,225,649
CURRENT LIABILITIES			
Trade and bills payables	22	**2,586,026**	2,330,523
Other payables, advances from customers and accruals	23	**232,574**	216,549
Amounts due to contract customers	18	**132,125**	113,970
Interest-bearing bank and other borrowings	24	**549,561**	644,491
Tax payable		**159,044**	130,544
Total current liabilities		**3,659,330**	3,436,077
NET CURRENT ASSETS		**904,210**	789,572
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,130,886**	1,030,260
NON-CURRENT LIABILITIES			
Other payables and accruals	23	**827**	24,804
Total non-current liabilities		**827**	24,804
Net assets		**1,130,059**	1,005,456

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**533,360**	533,360
Reserves	26	**590,474**	466,682
		1,123,834	1,000,042
Non-controlling interests		**6,225**	5,414
Total equity		**1,130,059**	1,005,456

Lv Yaoneng
Director

Lv Dazhong
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Notes	Share capital RMB'000	Capital reserve* RMB'000	Special reserve* RMB'000	Statutory surplus reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent							
As at 1 January 2016		400,000	180,587	–	20,180	168,338	769,105	4,864	773,969
Profit for the year		–	–	–	–	89,684	89,684	550	90,234
Total comprehensive income for the year		–	–	–	–	89,684	89,684	550	90,234
Appropriation to statutory surplus reserve		–	–	–	9,747	(9,747)	–	–	–
Issue of shares		133,360	19,046	–	–	–	152,406	–	152,406
Share issue expenses		–	(11,153)	–	–	–	(11,153)	–	(11,153)
Transfer to special reserve	(i)	–	–	87,046	–	(87,046)	–	–	–
Utilisation of special reserve	(i)	–	–	(87,046)	–	87,046	–	–	–
As at 31 December 2016 and 1 January 2017		533,360	188,480	–	29,927	248,275	1,000,042	5,414	1,005,456
Profit for the year		–	–	–	–	123,792	123,792	1,411	125,203
Total comprehensive income for the year		–	–	–	–	123,792	123,792	1,411	125,203
Appropriation to statutory surplus reserve		–	–	–	13,044	(13,044)	–	–	–
Distribution paid to non-controlling shareholders		–	–	–	–	–	–	(600)	(600)
Transfer to special reserve	(i)	–	–	105,368	–	(105,368)	–	–	–
Utilisation of special reserve	(i)	–	–	(105,368)	–	105,368	–	–	–
As at 31 December 2017		**533,360**	**188,480**	**–**	**42,971**	**359,023**	**1,123,834**	**6,225**	**1,130,059**

* As at 31 December 2017, these reserve accounts comprise the consolidated reserves of RMB590,474,000, in the consolidated statement of financial position.

Note:

(i) In preparation of the financial statements, the Group has appropriated a certain amount of retained profits to a special reserve fund for each of the two years ended 31 December 2017 and 2016, for safety production expense purposes as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained profits until such special reserve was fully utilised.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**168,455**	124,019
Adjustments for:			
Finance costs	7	**39,047**	42,741
Dividend from available-for-sale investment	6	**(4,680)**	(3,600)
Interest income	6	**(432)**	(381)
Exchange differences, net		**4**	416
Gain on disposal of available-for-sale investment	6	**(164)**	–
Depreciation of items of property, plant and equipment	8	**8,585**	7,497
Amortisation of intangible assets	8	**435**	266
Amortisation of prepaid land lease payments	8	**291**	291
Impairment/(reversal of impairment) of trade receivables	8	**11,413**	(71)
(Reversal of impairment)/impairment of deposits and other receivables	8	**(4,089)**	2,254
Loss on disposal of intangible assets, net		**–**	31
Gain on disposal of items of property, plant and equipment, net		**(2,998)**	(1,451)
		215,867	172,012
Increase in inventories		**(4,416)**	(4,749)
Increase in amounts due from/to contract customers		**(67,994)**	(252,089)
Increase in trade and bills receivables		**(289,123)**	(264,081)
Decrease in prepayments, deposits and other receivables		**62,832**	218,748
Increase in pledged deposits		**(642)**	(7,470)
Increase in trade and bills payables		**260,183**	165,648
Decrease in other payables, advances from customers and accruals		**(7,952)**	(20,427)
Cash flows from operations		**168,755**	7,592
Interest received		**432**	381
Income tax paid		**(15,974)**	(7,686)
Net cash flows from operating activities		**153,213**	287

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of items of property, plant and equipment	12	**(5,886)**	(25,744)
Payments for acquisition of intangible assets	14	**(740)**	(964)
Proceeds from disposal of items of property, plant and equipment		**3,076**	1,546
Proceeds from disposal of available-for-sale investments		**3,764**	–
Net cash flows from/(used in) investing activities		**214**	(25,162)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(39,047)**	(42,741)
New bank loans		**688,971**	976,391
Repayment of bank loans		**(783,901)**	(1,030,960)
Dividends paid to non-controlling shareholders		**(600)**	–
Borrowings and repayments of loans to related parties		**(6,621)**	(310,380)
Borrowings and repayments of loans from related parties		**6,621**	310,380
Borrowings and repayments of loans to others		**–**	(1,500)
Borrowings and repayments of loans from others		**–**	1,500
Proceeds from issue of shares		**–**	141,702
Share issue expenses		**–**	(3,306)
Net cash flows (used in)/from financing activities		**(134,577)**	41,086
NET INCREASE IN CASH AND CASH EQUIVALENTS		**18,850**	16,211
Effect of foreign exchange rate changes		**(4)**	(416)
Cash and cash equivalents at beginning of year		**65,013**	49,218
CASH AND CASH EQUIVALENTS AT END OF YEAR		**83,859**	65,013
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**83,859**	65,013
Cash and cash equivalents as stated in the statement of financial position		**83,859**	65,013
Cash and cash equivalents as stated in the statement of cash flows		**83,859**	65,013

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

1. CORPORATE AND GROUP INFORMATION

The Company, formerly known as Qitang Commune Construction Agency, was established in the People's Republic of China (the "PRC") on 25 October 1965 as a collective economy agency (集體經濟社). In July 1996, the Company was converted into a company with limited liability. The Company became a joint stock company with limited liability on 29 December 2014 and changed its name to Jujiang Construction Group Co., Ltd. The registered office address of the Company is Gaoqiao Town, Jiaxing City, Zhejiang Province, the PRC. The Company's H shares were listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 January 2016 (the "Listing Date").

During the year ended 31 December 2017, the Group's principal activities were as follows:

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

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Zhejiang Jujiang Group Holdings Co., Ltd.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Note	Place and date of incorporation/ registration and business	Share capital	Percentage of equity attributable to the Company Direct	Principal activities
Zhejiang Jujiang Construction Surveying and Design Co., Ltd. (「浙江巨匠建築勘察設計有限公司」)	(a)	The PRC/Mainland China September 1985	RMB10,000,000	100%	Surveying, designing and engineering exploration
Tongxiang City Jujiang Lifting Equipment Installation Co., Ltd. (「桐鄉市巨匠起重設備安裝有限公司」)	(a)	The PRC/Mainland China May 2006	RMB1,600,000	100%	Installation, disassembly and rent of construction lifting equipment
Zhejiang Jujiang Municipal Landscaping Engineering Co., Ltd. (「浙江巨匠市政园林綠化工程有限公司」)	(a)	The PRC/Mainland China October 2007	RMB50,000,000	100%	Municipal public and sports facilities construction and landscaping
Zhejiang Kepuao Building Materials Trading Co., Ltd. (「浙江科普奧建材貿易有限公司」)	(a)	The PRC/Mainland China February 2013	RMB30,000,000	100%	Sales of building materials, machinery and metal materials
Tongxiang City Jujiang Curtain Wall Installation Engineering Co., Ltd. (「桐鄉市巨匠建築幕牆安裝工程有限公司」)	(a)	The PRC/Mainland China March 2009	RMB5,000,000	85%	Installation of architecture wall
Jiaxing Jujiang Defense Equipment Co., Ltd. (「嘉興巨匠防護設備有限公司」)	(a)	The PRC/Mainland China April 2013	RMB10,000,000	70%	Civil defense products manufacturing business

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

Note:

(a) Registered as limited liability companies under PRC law.

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

These revised standards do not have any significant impact on the Group.

Disclosure has been made in note 27 to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]

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

Further information about those IFRSs that are expected to be applicable to the Group is described below:

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSS *(Continued)*

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt IFRS 15 from 1 January 2018 and plans to adopt the modified retrospective approach. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15.

The Group does not expect that the adoption of IFRS 15 will have a significant impact on measuring and recognising construction contracting revenue since the five-step model of income recognition is similar to the current practice and consideration of revenue recognition.

IFRS 16, issued in January 2016, replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The expected impacts relate to the adoption of IFRS 16 is immaterial.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSS *(Continued)*

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

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets categorized as loans and receivables as they are all debt instruments held within a business model whose objective is to hold assets in order to collect contractual cash flows and with the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. An equity investment currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised. For the available-for-sale financial investment stated at cost less any impairment losses as of 31 December 2017, the Group does not expect any significant changes in the carrying amount as at 1 January 2018 even though the different measurement model will be introduced upon the initial adoption of the standard.

Financial liabilities are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group does not expect any significant changes in the provision for impairment upon the initial adoption of the standard.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables, other receivables. The Group does not expect any significant changes in the provision for impairment upon the initial adoption of the standard.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Business combinations and goodwill

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) *(Continued)*

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Categories	
Buildings	2.38% to 4.75%
Plant and machinery	4.75% to 11.88%
Office equipment and others	9.50% to 31.67%
Motor vehicles	9.50% to 32.33%

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

Intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

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

Subsequent measurement

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

Government grants

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

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

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

(d) rental income, on a time proportion basis over the lease terms;

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

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

Contracts for services

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

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3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contracts for services *(Continued)*

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

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Construction contracts

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

Revenue from fixed price construction contracts is recognised using the percentage of completion method. The stage of completion of a contract is established by reference to the construction works certified by construction surveyors.

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligation beyond the contributions made.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Apart from those described above, the Group does not have any other legal or constructive obligations over employee benefits.

Production safety expenses

Production safety expenses accrued based on the Production Safety Law of the People's Republic of China (中華人民共和國安全生產法) shall be provided in retained profits for the current period, and recorded as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Percentage of completion of construction and service works

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the construction works certified by construction surveyors. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

Estimation of total budgeted costs and cost to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contracts for services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contracts for service, management refers to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers deteriorates such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

5. OPERATING SEGMENT INFORMATION

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2016

	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	3,999,061	33,107	–	4,032,168
Intersegment sales	–	1,232	(1,232)	–
Total revenue	3,999,061	34,339	(1,232)	4,032,168
Segment results	127,315	(3,296)	–	124,019
Income tax expense	(32,596)	(1,189)	–	(33,785)
Profit for the year	94,719	(4,485)	–	90,234
Segment assets	4,559,333	108,838	(201,834)	4,466,337
Segment liabilities	3,500,377	66,489	(105,985)	3,460,881
Other segment information:				
Interest income	336	45	–	381
Finance costs	38,237	4,504	–	42,741
Depreciation	6,640	857	–	7,497
Amortisation	531	26	–	557
Impairment/(reversal of impairment of trade receivables, deposits and other receivables	2,236	(53)	–	2,183
Capital expenditure*	20,725	483	–	21,208

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents: (1) the values of services rendered; (2) an appropriate proportion of contract revenue from construction contracting; and (3) the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	2017 RMB'000	2016 RMB'000
Revenue		
Construction contracting	4,751,245	3,999,061
Others	51,774	33,107
	4,803,019	4,032,168
Other income and gains		
Interest income	432	381
Government grants	1,031	13,193
Dividend from available-for-sale investment	4,680	3,600
Gain on disposal of available-for-sale investment	164	–
Others	4,058	3,044
	10,365	20,218

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank loans and other borrowings wholly repayable within one year	39,047	41,876
Interest on discounted bills receivable	–	865
	39,047	42,741

8. PROFIT BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of construction contracting (including depreciation)		**4,489,851**	3,780,595
Cost of others		**36,476**	26,876
Total cost of sales		**4,526,327**	3,807,471
Depreciation of items of property, plant and equipment (note (a))	12	**8,585**	7,497
Amortisation of prepaid land lease payments	13	**291**	291
Amortisation of intangible assets	14	**435**	266
Total depreciation and amortisation		**9,311**	8,054
Impairment/(reversal of impairment) of trade receivables	19	**11,413**	(71)
(Reversal of impairment)/impairment of deposits and other receivables	20	**(4,089)**	2,254
Total impairment losses, net		**7,324**	2,183
Minimum lease payments under operating leases of land and buildings (note (b))		**796**	994
Auditors' remuneration		**2,830**	2,369
Employee benefit expenses (including directors' and supervisors' remuneration) (note (c)):		**38,855**	37,609
– Wages, salaries and allowances		**32,237**	28,942
– Social insurance		**5,442**	6,241
– Welfare and other expenses		**1,176**	2,426
Interest income		**(432)**	(381)
Gain on disposal of items of property, plant and equipment, net		**(2,998)**	(1,451)

8. PROFIT BEFORE TAX *(Continued)*

(a) Depreciation of approximately RMB4,315,000 and approximately RMB4,196,000 are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for years ended 31 December 2017 and 2016 respectively.

(b) Minimum lease payments of approximately RMB183,000 and approximately RMB543,000 are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for years ended 31 December 2017 and 2016 respectively.

(c) Employee benefit expenses of approximately RMB38,855,000 and approximately RMB37,609,000 are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2017 and 2016 respectively.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

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

	2017 **RMB'000**	2016 RMB'000
Fees	**–**	–
Others emoluments:		
– Salaries, allowances and benefits in kind	**1,803**	1,576
– Performance-related bonuses	**236**	382
– Pension schemes	**53**	24
	2,092	1,982

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' and supervisors' remuneration *(Continued)*

The names of the directors and supervisors and their remuneration for the reporting period are as follows:

Year ended 31 December 2017	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance–related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors					
Mr. Lv Yaoneng (呂耀能)	–	277	60	9	346
Mr. Zheng Gang (鄭剛)	–	249	60	7	316
Mr. Li Jinyan (李錦燕)	–	243	60	7	310
Mr. Lu Zhicheng (陸志城)	–	61	–	5	66
Mr. Lv Dazhong (呂達忠)	–	215	–	7	222
Mr. Shen Haiquan (沈海泉)	–	61	–	5	66
	–	1,106	180	40	1,326
Independent Non-executive Directors					
Mr. Wong Ka Wai (王加威)	–	101	–	–	101
Mr. Lin Tao (林濤)	–	81	–	–	81
Mr. Yu Jingxuan (余景選)	–	81	–	–	81
	–	263	–	–	263
Supervisors					
Mr. Zou Jingtao (鄒江滔)	–	181	6	6	193
Mr. Lv Xingliang (呂興良)	–	131	50	7	188
Mr. Chen Xiangjiang (陳祥江)	–	61	–	–	61
Mr. Zhu Jialian (朱家煉)	–	61	–	–	61
	–	434	56	13	503
	–	1,803	236	53	2,092

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' and supervisors' remuneration *(Continued)*

Year ended 31 December 2016	Fees	Salaries, allowances and benefits in kind	Performance–related bonuses	Pension schemes	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Lv Yaoneng (呂耀能)	–	286	60	5	351
Mr. Zheng Gang (鄭剛)	–	250	60	3	313
Mr. Li Jinyan (李錦燕)	–	239	60	3	302
Mr. Lu Zhicheng (陸志城)	–	61	185	2	248
Mr. Lv Dazhong (呂達忠)	–	118	–	3	121
Mr. Shen Haiquan (沈海泉)	–	61	5	2	68
	–	1,015	370	18	1,403
Independent Non-executive Directors					
Mr. Wong Ka Wai (王加威)	–	100	–	–	100
Mr. Lin Tao (林濤)	–	80	–	–	80
Mr. Yu Jingxuan (余景選)	–	7	–	–	7
	–	187	–	–	187
Supervisors					
Mr. Zou Jingtao (鄒江滔)	–	175	6	3	184
Mr. Lv Xingliang (呂興良)	–	134	6	3	143
Mr. Chen Xiangjiang (陳祥江)	–	60	–	–	60
Mr. Zhu Jialian (朱家煉)	–	5	–	–	5
	–	374	12	6	392
	–	1,576	382	24	1,982

Note:

* Mr. Xu Guoqiang resigned as an independent executive Director and Mr. Yu Jingxuan was appointed as an independent executive Director, effective from 24 November 2016. Mr. Shen Bingkun resigned as a supervisor and Mr. Lv Xingliang was appointed as a supervisor, effective from 20 August 2016. Mr. Lv Zili resigned as a supervisor, Mr. Zhu Jialian was appointed as a supervisor, effective from 24 November 2016.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the reporting period is as follows:

	2017	2016
Directors	3	3
Supervisors	–	–
Non-director and non-supervisor employees	2	2
	5	5

Details of the Directors' and supervisors' remuneration are set out above.

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	458	432
Performance-related bonuses	110	120
Pension schemes	13	7
	581	559

The number of non-director and non-supervisor, highest paid employees whose remuneration fell within the following bands is as follows:

	2017	2016
Nil to RMB1,000,000	2	2
RMB1,000,001 to RMB1,500,000	–	–
RMB1,500,001 to RMB2,000,000	–	–

During the reporting period, there were no arrangements under which a director or a supervisor waived or agreed to waive any emoluments. In addition, no emoluments were paid by the Group to the directors and supervisors and any of the five highest paid employees within the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current income tax – Mainland China		
Charge for the year	45,374	31,826
Over provision in prior years	(900)	–
Deferred income tax (note 16)	(1,222)	1,959
Tax charge for the year	43,252	33,785

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the years ended 31 December 2017 and 2016 is as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	168,455	124,019
Income tax charge at the statutory income tax rate	42,114	31,005
Income not subject to tax	(1,170)	–
Expenses not deductible for tax purposes	1,578	1,544
Adjustments in respect of current tax of prior year	(900)	–
Tax losses not recognised	1,630	1,236
Tax charge for the year at the effective rate	43,252	33,785

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year ended 31 December 2017.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

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

	2017 RMB'000	2016 RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	123,792	89,684

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

	2017	2016
	'000	'000
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**533,360**	528,988

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	**Plant and machinery RMB'000**	**Motor vehicles RMB'000**	**Office equipment and others RMB'000**	**Construction in progress RMB'000**	**Total RMB'000**
31 December 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	113,886	47,849	15,849	10,310	–	187,894
Accumulated depreciation	(15,607)	(15,144)	(14,043)	(7,764)	–	(52,558)
Net carrying amount	98,279	32,705	1,806	2,546	–	135,336
At 1 January 2017, net of accumulated depreciation	98,279	32,705	1,806	2,546	–	135,336
Additions	–	5,454	100	332	–	5,886
Disposals	(55)	–	(22)	(1)	–	(78)
Depreciation provided during the year	(2,699)	(4,580)	(660)	(646)	–	(8,585)
At 31 December 2017, net of accumulated depreciation	95,525	33,579	1,224	2,231	–	132,559
At 31 December 2017:						
Cost	113,734	53,303	15,402	10,611	–	193,050
Accumulated depreciation	(18,209)	(19,724)	(14,178)	(8,380)	–	(60,491)
Net carrying amount	95,525	33,579	1,224	2,231	–	132,559

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	113,061	29,214	16,898	10,016	–	169,189
Accumulated depreciation	(13,552)	(11,895)	(14,427)	(6,631)	–	(46,505)
Net carrying amount	99,509	17,319	2,471	3,385	–	122,684
At 1 January 2016, net of accumulated depreciation	99,509	17,319	2,471	3,385	–	122,684
Additions	–	18,635	402	294	913	20,244
Transfers	913	–	–	–	(913)	–
Disposals	(41)	–	(54)	–	–	(95)
Depreciation provided during the year	(2,102)	(3,249)	(1,013)	(1,133)	–	(7,497)
At 31 December 2016, net of accumulated depreciation	98,279	32,705	1,806	2,546	–	135,336
At 31 December 2016:						
Cost	113,886	47,849	15,849	10,310	–	187,894
Accumulated depreciation	(15,607)	(15,144)	(14,043)	(7,764)	–	(52,558)
Net carrying amount	98,279	32,705	1,806	2,546	–	135,336

Certain of the Group's buildings with net carrying amounts of approximately RMB95,518,000 and approximately RMB 98,215,000 as at 31 December 2017 and 2016, respectively, were pledged to secure general banking facilities granted to the Group (note 24).

13. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**9,579**	9,870
Amortisation for the year	**(291)**	(291)
Carrying amount at 31 December	**9,288**	9,579
Portion classified as current assets	**(291)**	(291)
Non-current portion	**8,997**	9,288

The leasehold land is situated in Mainland China and is held on a lease between 40 years and 50 years.

14. OTHER INTANGIBLE ASSETS

	2017 RMB'000	2016 RMB'000
At beginning of the year:		
Cost	**2,972**	2,061
Accumulated amortisation for the year	**(870)**	(626)
Net carrying amount	**2,102**	1,435
Cost at beginning of the year, net of accumulated amortisation	**2,102**	1,435
Additions	**740**	964
Disposed during the year	**–**	(31)
Accumulated amortisation for the year	**(435)**	(266)
At end of the year	**2,407**	2,102
At end of the year:		
Cost	**3,712**	2,972
Accumulated amortisation for the year	**(1,305)**	(870)
Net carrying amount	**2,407**	2,102

15. AVAILABLE-FOR-SALE INVESTMENT

	2017	2016
	RMB'000	RMB'000
Unlisted equity investment, at cost	**–**	3,600

The unlisted equity investment represents the investment in an entity established in the PRC. The investment is measured at cost less impairment at each reporting date because it does not have quoted market price in an active market and the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

16. DEFERRED TAX ASSETS

The movements in deferred tax assets during the reporting period are as follows:

	2017	2016
	RMB'000	RMB'000
Deferred tax assets:		
At beginning of the year	**15,891**	17,850
Deferred tax charged/(credited) to profit or loss during the year (note 10)	**1,222**	(1,959)
At end of the year	**17,113**	15,891

The deferred tax assets are attributed to the following items:

	2017	2016
	RMB'000	RMB'000
Deferred tax assets:		
Provision for impairment of trade receivables	**7,665**	4,811
Provision for impairment of other receivables	**7,338**	8,360
Accrued but not paid salaries, wages and benefits	**2,107**	2,247
Accrued but not paid provision and expenses	**–**	300
Amortisation difference of intangible assets between accounting and tax	**3**	3
Accumulated losses	**–**	170
	17,113	15,891

16. DEFERRED TAX ASSETS *(Continued)*

Deferred tax assets amounting to approximately RMB1,630,000 and approximately RMB1,236,000 were not recognised as at 31 December 2017 and 2016 respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

17. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**4,410**	2,810
Goods in process	**2,182**	27
Finished goods	**5,426**	4,757
Spare parts and consumables	**10**	18
	12,028	7,612

18. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2017 RMB'000	2016 RMB'000
Amount due from contract customers	**3,084,495**	2,998,346
Amount due to contract customers	**(132,125)**	(113,970)
	2,952,370	2,884,376

	2017 RMB'000	2016 RMB'000
Accumulated contract costs incurred plus recognised profits less recognised losses to date	**31,689,928**	27,429,443
Less: Accumulated progress billings received and receivable	**(28,737,558)**	(24,545,067)
	2,952,370	2,884,376

19. TRADE AND BILLS RECEIVABLES

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

	2017 RMB'000	2016 RMB'000
Trade receivables	**799,772**	662,703
Provision for impairment	**(30,658)**	(19,245)
Trade receivables, net	**769,114**	643,458
Bills receivable	**182,603**	30,549
	951,717	674,007
Portion classified as non-current assets[1]	**(25,173)**	(26,648)
Current portion	**926,544**	647,359

(1) The non-current portion of trade receivables mainly represents the amounts of retentions held by customers at the end of each reporting period, which will be paid at the end of the retention period.

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

	2017 RMB'000	2016 RMB'000
Retentions in trade receivables	**69,894**	28,293
Provision for impairment	**(146)**	(74)
Retentions in trade receivables, net	**69,748**	28,219
Portion classified as non-current assets	**(25,173)**	(26,648)
Current portion	**44,575**	1,571

19. TRADE AND BILLS RECEIVABLES *(Continued)*

An aging analysis of the Group's trade receivables, based on the billing date and net of provision for impairment of trade receivables, as at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	338,663	237,915
3 months to 6 months	63,112	28,571
6 months to 1 year	141,979	283,482
1 to 2 years	181,790	49,524
2 to 3 years	19,576	21,101
3 to 4 years	13,106	18,410
4 to 5 years	7,020	3,817
Over 5 years	3,868	638
	769,114	643,458

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

	2017 RMB'000	2016 RMB'000
At beginning of the year	19,245	19,316
Impairment losses recognised	11,413	830
Impairment losses reversed	–	(901)
At end of the year	30,658	19,245

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of approximately RMB10,598,000 and approximately RMB10,090,000 with aggregate carrying amounts before provision of approximately RMB10,598,000 and approximately RMB10,090,000 as at 31 December 2017 and 2016 respectively.

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

19. TRADE AND BILLS RECEIVABLES *(Continued)*

An aging analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	403,257	265,433
Past due within 1 year but not impaired	201,454	310,444
	604,711	575,877

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

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with carrying amounts of approximately RMB141,751,000 and approximately RMB27,852,000 as at 31 December 2017 and 2016 respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse were approximately RMB141,751,000 and approximately RMB27,852,000 as at 31 December 2017 and 2016 respectively.

Transferred financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of approximately RMB422,068,000 and approximately RMB121,066,000 as at 31 December 2017 and 2016, respectively. The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Deposits and other receivables	**218,793**	258,514
Provision for impairment of deposits and other receivables	**(29,350)**	(33,439)
	189,443	225,075
Prepayments	**288,540**	311,550
	477,983	536,625
Portion classified as non-current assets[1]	**(40,412)**	(47,707)
Current portion	**437,571**	488,918

(1) The non-current portion of deposits and other receivables mainly represents performance guarantee amounts held by customers at the end of the reporting period.

The movements in provision for impairment of deposits and other receivables are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of the year	**33,439**	31,185
Impairment losses recognised	**17,149**	3,317
Impairment losses reversed	**(21,238)**	(1,063)
At end of the year	**29,350**	33,439

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of approximately RMB22,155,000 and approximately RMB22,983,000 with aggregate carrying amounts before provision of approximately RMB22,155,000 and approximately RMB22,983,000 as at 31 December 2017 and 2016, respectively.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

An ageing analysis of the deposits and other receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	2017 **RMB'000**	2016 RMB'000
Neither past due nor impaired	**117,700**	185,530
Past due within 1 year but not impaired	**56,473**	39,098
	174,173	224,628

None of the balances except for the deposits and other receivables disclosed above is either past due or impaired, as they relate to balances for which there was no recent history of default.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 **RMB'000**	2016 RMB'000
Cash and bank balances	**83,859**	41,640
Time deposits	**18,752**	41,483
	102,611	83,123
Less: Pledged time deposits:		
Pledged bank balances for bank notes and letters of credit	**(18,752)**	(18,110)
Cash and cash equivalents	**83,859**	65,013

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

22. TRADE AND BILLS PAYABLES

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

	2017 RMB'000	2016 RMB'000
Within 6 months	1,272,495	267,491
6 months to 1 year	725,478	1,472,885
1 to 2 years	300,129	531,766
2 to 3 years	233,826	41,773
Over 3 years	54,098	16,608
	2,586,026	2,330,523

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

23. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Advances from customers	12,390	6,417
Accrued salaries, wages and benefits	8,428	9,289
Other taxes payable	184,539	160,563
Other payables	28,044	65,084
	233,401	241,353
Portion classified as non-current liabilities(1)	(827)	(24,804)
Current portion	232,574	216,549

The above amounts are unsecured, non-interest-bearing and have no fixed term of settlement.

(1) The non-current portion mainly represents the performance guaranteed amounts from subcontractors and suppliers of the Group at the end of the reporting period.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – mortgaged	4.35-7.22	2018	399,677	4.35-9.5	2017	507,607
Bank loans – guaranteed	4.79-20.4	2018	140,589	4.68-21.6	2017	136,884
Bank loans – other	7.18	2018	9,295	n/a	n/a	–
			549,561			644,491

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	549,561	644,491

Notes:

(a) Certain of the Group's buildings with net carrying amounts of approximately RMB95,518,000 and approximately RMB98,215,000 as at 31 December 2017 and 2016, respectively, were pledged to secure general banking facilities granted to the Group.

(b) As set out in note 31(b), as at 31 December 2017 and 2016, the Group's interest-bearing bank loans and other borrowings of approximately RMB511,516,000 and approximately RMB621,941,000, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group, free of charge.

25. SHARE CAPITAL

	2017 RMB'000	2016 RMB'000
Share capital	533,360	533,360

The movements in share capital are as follows:

	Share capital	
	2017 RMB'000	2016 RMB'000
At beginning of the year	533,360	400,000
Public offer of H shares	–	133,360
At end of the year	533,360	533,360

26. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the reporting period, the Group had the following major non-cash transactions:

	2017 RMB'000	2016 RMB'000
Depreciation of property, plant and equipment, amortisation of intangible assets and prepaid land lease payments	9,311	8,054
Impairment of receivables	7,324	2,183

(b) Changes in liabilities arising from financing activities

Bank and other loans

	RMB'000
At 1 January 2017	644,491
Cash Flows	(94,930)
At 31 December 2017	549,561

28. PLEDGE OF ASSETS

Details of the Group's bank loans which are mortgaged by the assets of the Group or guaranteed are included in note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

29. OPERATING LEASE ARRANGEMENTS

As lessee

At the end of the reporting period, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**1,064**	632
In the second to fifth years, inclusive	**740**	1,265
After five years	**–**	–
	1,804	1,897

30. COMMITMENTS

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

31. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the reporting period:

	2017 RMB'000	2016 RMB'000
Construction contracting services provided to:		
Fellow subsidiaries	111,523	104,138
Associate of fellow subsidiaries	5,715	206,881
Design, survey and consultancy services provided to:		
Fellow subsidiaries	66	68
Sales of goods:		
Fellow subsidiaries	10	–
Purchases of raw materials:		
A company of which the controlling shareholder of the Company is a director	503	6,367
Borrowings and repayments of loans provided to:		
Holding company	–	203,300
Fellow subsidiaries	6,621	98,080
Borrowings and repayments of loans received from:		
Holding company	–	203,300
Fellow subsidiaries	6,621	98,080

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

(b) Other transactions with related parties:

The Group's interest-bearing bank loans and other borrowings of RMB511,516,000 and RMB621,941,000 as at 31 December 2017 and 2016, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group, as set out in note 24(b).

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

31. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties:

	2017 RMB'000	2016 RMB'000
Accounts receivable:		
Fellow subsidiaries	46,671	44,325
Associate of fellow subsidiaries	–	20,861
Accounts payable:		
A company of which the controlling shareholder of the Company is a director	–	33,896
Other receivables:		
Fellow subsidiaries	352	473
Associate of fellow subsidiaries	–	25,020
Key management person of the holding company	950	950
Other payables:		
Fellow subsidiaries	50	–
Amounts due from contract customers:		
Fellow subsidiaries	68,765	63,041
Associate of fellow subsidiaries	51,535	151,299
Amounts due to contract customers:		
Fellow subsidiaries	63	11,115
Associate of fellow subsidiaries	–	5,691

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2017 RMB'000	2016 RMB'000
Financial assets		
Available-for-sale financial investment:		
Available-for-sale investment	–	3,600
Loans and receivables:		
Trade and bills receivables	951,717	674,007
Financial assets included in deposits and other receivables	189,443	225,075
Pledged deposits	18,752	18,110
Cash and bank balances	83,859	65,013
	1,243,771	985,805
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	2,586,026	2,330,523
Financial liabilities included in other payables, advances from customers and accruals	28,044	65,084
Interest-bearing bank and other borrowings	549,561	644,491
	3,163,631	3,040,098

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values as at the end of the reporting period, are as follows:

	Carrying amounts	
	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables, non-current portion	25,173	26,648
Financial assets included in deposits and other receivables, non-current portion	40,412	47,707
	65,585	74,355
Financial liabilities		
Financial liabilities at amortised cost:		
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	827	24,804
	827	24,804

	Fair value	
	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables, non-current portion	25,173	26,648
Financial assets included in deposits and other receivables, non-current portion	38,125	45,006
	63,298	71,654
Financial liabilities		
Financial liabilities at amortised cost:		
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	780	23,400
	780	23,400

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and bank balances, pledged deposits, the current portion of trade and bills receivables, trade payables, interest-bearing loans and other borrowings, the current portion of financial assets included in prepayments, deposits and other receivables and the current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for annual financial reporting.

The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of trade and bills receivables, the non-current portion of financial assets included in prepayments, deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and pledged deposits. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(continued)*

	Group Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
	RMB'000	RMB'000
2017		
The benchmark Deposit and Lending Rate of RMB	**100**	**(5,509)**
The benchmark Deposit and Lending Rate of RMB	**(100)**	**5,509**
2016		
The benchmark Deposit and Lending Rate of RMB	100	(6,548)
The benchmark Deposit and Lending Rate of RMB	(100)	6,548

Credit risk

The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and bank balances and pledged deposits are held in major financial institutions located in Mainland China, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 19 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2017			
	Within 1 year RMB'000	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade and bills payables	**2,586,026**	**–**	**–**	**2,586,026**
Financial liabilities included in other payables, advances from customers and accruals	**232,574**	**827**	**–**	**233,401**
Interest-bearing bank and other borrowings	**564,529**	**–**	**–**	**564,529**
Total	**3,383,129**	**827**	**–**	**3,383,956**

	2016			
	Within 1 year RMB'000	**1 to 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Trade and bills payables	2,330,523	–	–	2,330,523
Financial liabilities included in other payables, advances from customers and accruals	216,549	24,804	–	241,353
Interest-bearing bank and other borrowings	660,173	–	–	660,173
Total	3,207,245	24,804	–	3,232,049

Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell to reduce debts. No change was made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, less cash and bank balances and pledged deposits. Total equity includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statement of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of the reporting periods are as follows:

	2017 RMB'000	2016 RMB'000
Interest-bearing bank and other borrowings	549,561	644,491
Cash and bank balances (note 21)	(83,859)	(65,013)
Pledged deposits (note 21)	(18,752)	(18,110)
Net debt	446,950	561,368
Total equity	1,130,059	1,005,456
Gearing ratio	40%	56%

35. EVENT AFTER THE REPORTING PERIOD

On 20 March 2018, the resolution in relation to issuance of corporate bonds with an aggregate principal of not exceeding USD200 million ("Corporate Bonds") were considered and approved at the extraordinary general meeting ("EGM") of the Company. For details of term of the Corporate Bonds, please refer to the circular of the Company dated 2 February 2018. The relevant resolutions for the issuance of the Corporate Bonds shall be effective for 24 months from the date of approval at the EGM.

Save as disclosed above, there is no significant event of the Group occurred after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	125,746	128,929
Prepaid land lease payments	8,997	9,288
Intangible assets	2,226	1,992
Investments in subsidiaries	95,850	95,850
Available-for-sale investment	–	3,600
Deferred tax assets	15,444	14,896
Trade receivables	19,092	26,648
Prepayments, deposits and other receivables	35,742	38,447
Total non-current assets	303,097	319,650
CURRENT ASSETS		
Prepaid land lease payments	291	291
Trade and bills receivables	869,317	633,795
Prepayments, deposits and other receivables	420,595	425,296
Amounts due from contract customers	2,960,573	2,776,992
Pledged deposits	16,661	15,992
Cash and bank balances	25,606	32,697
Total current assets	4,293,043	3,885,063
CURRENT LIABILITIES		
Trade and bills payables	2,467,027	2,152,756
Other payables, advances from customers and accruals	264,874	252,163
Amounts due to contract customers	127,163	106,947
Interest-bearing bank and other borrowings	465,183	554,119
Tax payable	156,173	129,247
Total current liabilities	3,480,420	3,195,232
NET CURRENT ASSETS	812,623	689,831
TOTAL ASSETS LESS CURRENT LIABILITIES	1,115,720	1,009,481

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES		
Other payables and accruals	**595**	19,592
Total non-current liabilities	**595**	19,592
Net assets	**1,115,125**	989,889
EQUITY		
Share capital	**533,360**	533,360
Reserves	**581,765**	456,529
Total equity	**1,115,125**	989,889

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2016	180,587	17,437	–	156,929	354,953
Profit for the year	–	–	–	93,683	93,683
Total comprehensive income	–	–	–	93,683	93,683
Appropriation to statutory surplus reserve	–	9,369	–	(9,369)	–
Issue of shares	19,046	–	–	–	19,046
Share issue expenses	(11,153)	–	–	–	(11,153)
Transfer to special reserve	–	–	(83,659)	83,659	–
Utilisation of special reserve	–	–	83,659	(83,659)	–
As at 31 December 2016 and 1 January 2017	188,480	26,806	–	241,243	456,529
Profit for the year	–	–	–	125,236	125,236
Total comprehensive income	–	–	–	125,236	125,236
Appropriation to statutory surplus reserve	–	12,524	–	(12,524)	–
Transfer to special reserve	–	–	(102,398)	102,398	–
Utilisation of special reserve	–	–	102,398	(102,398)	–
As at 31 December 2017	188,480	39,330	–	353,956	581,765

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.