博大绿泽
BROAD GREENSTATE

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

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

ANNUAL REPORT 2018

博大精深

博採眾長
Eclectic

大有作為
Accomplishment

精益求精
Excelsior

深生不息
Continuous

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Corporate Information

Company Name

China Greenland Broad Greenstate Group Company Limited

Place of Listing of Shares

The Stock Exchange of Hong Kong Limited — main board

Stock Code

1253

Stock Name

GREENLAND BROAD

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Dai Guoqiang
Dr. Jin Hexian
Dr. Chan Wing Bun

Company Secretary

Ms. Sun Ah Tsang

Authorized Representatives

Ms. Zhu Wen
Ms. Sun Ah Tsang

Audit Committee

Dr. Chan Wing Bun *(Chairman)*
Mr. Dai Guoqiang
Dr. Jin Hexian

Remuneration Committee

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

Nomination Committee

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

Registered Office

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

Headquarters and Principal Place of Business in the PRC

Floor 8, Block D3, 5th Building
Hongqiao World Center, 1588 Lane
Zhuguang Road
Shanghai, PRC

Place of Business in Hong Kong

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

Auditor

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

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar

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

Principal Bank

Bank of Shanghai Changning Branch

Company Website

www.greenland-broadgreenstate.com.cn

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2018 RMB'000	2017 RMB'000	Change RMB'000	%
Revenue	**889,548**	1,336,327	(446,779)	(33.4)
Gross Profit	**222,870**	355,652	(132,782)	(37.3)
Profit before taxation	**64,385**	178,248	(113,863)	(63.9)
Net profit attributable to owners of the Parent	**59,243**	155,619	(96,376)	(61.9)

	31 December 2018 RMB'000	2017 RMB'000	Change RMB'000	%
Total assets	**3,395,328**	4,015,710	(620,382)	(15.4)
Total equity attribute to owners of the Parent	**844,948**	842,637	2,311	0.3

	For the year ended 31 December 2018	2017
Profitability ratio (%)		
Gross profit margin	**25.1**	26.6
Net profit margin	**6.7**	11.6
Return on assets	**1.7**	3.9
Return on equity	**7.0**	18.5

	31 December 2018	2017
Working Capital data		
Current ratio (time)	**1.1**	1.2
Gearing ratio (%)	**69.4**	74.1

Five-Year Financial Summary

	2018	2017	2016	2015	2014
Profitability data					
Revenue	**889,548**	1,336,327	724,805	622,693	530,109
Gross profit	**222,870**	355,652	271,090	228,232	189,932
Profit before taxation	**64,385**	178,248	205,322	200,735	148,259
Net profit attributable to owners of the Parent	**59,243**	155,619	151,707	150,506	109,342
Profitability ratios (%)					
Gross profit margin	**25.1**	26.6	37.4	36.7	35.8
Net profit margin	**6.7**	11.6	20.9	24.2	20.6
Assets and liabilities data (RMB'000)					
Non-current assets	**990,497**	899,091	546,330	363,868	34,542
Current assets	**2,404,831**	3,116,619	1,265,124	1,009,264	785,849
Current liabilities	**2,175,097**	2,677,191	1,153,292	812,303	376,247
Non-current liabilities	**333,065**	425,534	6,145	6,481	111,378
Total equity attributable to owners of the Parent	**844,948**	842,637	651,117	553,448	331,866
Working Capital data					
Current ratio (time)	**1.1**	1.2	1.1	1.2	2.1
Gearing ratio (%)	**69.4**	74.1	58.1	42.9	69.3

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Greenland Broad Greenstate Group Company Limited and its subsidiaries, I am pleased to present you with the audited consolidated annual results of the Group for the year ended 31 December 2018.

In recent years, Public-Private-Partnership ("**PPP**") has played an active role in stabilizing growth, advancing reform, and improving people's well-being. As of the end of 2018, the number of PPP projects in the PRC reached 12,553 with a total investment amount of RMB17.55 trillion. Municipal landscaping and property landscaping are the main traditional business of landscaping enterprises, and following the rapid development period brought by RMB4 trillion fiscal stimulus plan, the growth of municipal landscaping investment has gradually slowed down, with moderate growth rates of units digit in recent years. The current main development direction of landscaping industry, are expected to experience rapid growth with the support of the central government, ecological protection and environmental construction.

Since its foundation, the Group has been making continuous efforts in ecological conservation in the process of its landscaping projects with an aim to assume the leading position in the industry. Facing the economy downturn pressure and difficulties in financing, the Group adheres to the strategy of ecological construction as the core, while achieving synergistic development with other segments. During the year of 2018, under the guidance of the strategy of "ecological construction as the 'body', with environmental restoration and cultural tourism operations as the 'wings'", the Group put its main focus on the transformation of the ecological construction and the implementation of the major PPP projects which the Group had successfully tendered. The Group's customers mainly consist of local governments and the PPP project companies holding franchises granted by local governments. During the year, the Group consistently focused on its principal operations and promoted the steady implementation and operation of projects at hand and accelerated the monetization of its PPP projects. With the government's increasingly stringent requirements for projects in progress, the Group has been cautious in exploring new PPP projects, while preventing project risks on the basis of the projects in progress are in compliance with laws and regulations and the projects with better financing background. Besides, the Group maintained sufficient cash flow and ensured the sustainability of the projects explored by the Group, so as to promote the steady development of the Company's principal business.

As of 31 December 2018, the Group recorded a total revenue of approximately RMB889.55 million, representing a decrease of 33.4% as compared with the same period last year, and recorded a profit for the year of RMB42.09 million and net profit attributable to owners of the Parent of RMB59.24 million with a gross profit margin of 25.1% and a net profit margin of 6.7%. This was mainly due to the impact of followings: given the cautious development of the industry in general resulting from the downturn trend of macro-economy, the Company voluntarily slowdown the commencement of construction; and the construction progress with an aim to maintain a reasonable profit margin and a continuous and stable cash flow; and the one-off investment loss resulting from the sales of non-performing assets.

Market Review

In recent years, with the rapid expansion of the industry scale, it is a more apparent trend that only the most competent industry players can survive and the concentration in the industry will be gradually enhanced. Since 2018, the government has successively promulgated a series of regulations and policies governing PPP projects, which aimed to strengthen the standardization of management of PPP projects, continuously optimize the competitive environment of PPP projects market, as well as encourage the participation of private capital.

The PPP model has developed better since the Ministry of Finance issued the "Notice on Rectifying the Management of PPP Integrated Information Platform of the Government and Social Capital Cooperation (Cai Ban Jin [2017] No. 92)" (《關於規範府和社會資本合作(PPP)綜合信息平台項目庫管理的通知》(財辦金[2017]92號)) in November 2017, the "Notice on Further Rectifying the Management of PPP Demonstration Projects of the Government and Social Capital Cooperation (Cai Jin [2018] No. 54)" (《關於進一步加強政府和社會資本合作(PPP)示範項目規範管理的通知》(財金[2018]54號)) in April 2018 on the basis of Notice No. 92 to further strengthen management of project standardization, enhance information disclosure and build a sound and long-term effective management mechanism. At the executive meeting of China's State Council held in September 2018, it was proposed to further mobilize the enthusiasm of private investment and accelerate the elimination of unreasonable thresholds. In October 2018, the General Office of the State Council issued the "Guiding Opinions on Maintaining the Efforts to Shore Up Weak Links in Infrastructure (Guo Ban Fa [2018] No. 101)" (國辦發[2018]101號《關於保持基礎設施領域補短板力度的指導意見》), which encouraged local governments to attract social capital, especially private investment, to invest in major projects with weak links by adopting the PPP model in accordance with laws and regulations. In November 2018, the Ministry of Finance issued the Notice on Strengthening the Management of China's Government-enterprise Cooperative Investment Fund (Cai Jin Han [2018] No. 95) (《關於加強中國政企合作投資基金管理的通知》(財金函[2018]95號)), which proposed to actively explore the mode and path of cooperation with private capital and strengthen the support to the PPP projects in which private enterprises participate.

According to the PPP Center of the Ministry of Finance, as of December 2018, there were 8,654 projects included in the PPP Integrated Information Platform Project Database with an investment of RMB13.2 trillion, a total of 4,691 projects launched with an investment of RMB7.2 trillion and a total of 2,237 projects started with an investment of RMB3.2 trillion, and the top three industries in terms of net increase in project numbers were municipal projects, ecological construction and environmental protection projects and transportation projects.

Proactive promotion of projects

During the Reporting Period, the Group completed the construction of PPP project of Shenhou Theme Park and Xiaohe River Waterfront Landscape in Yuzhou, Henan Province, which won the Quality Construction Award of the Shanghai "Gardening Cup" (上海市「園林杯」優質工程獎). Meanwhile, the Group also promoted progress in landscape projects in other regions, including the PPP project of Taiyuan Botanical Garden* (太原植物園), the PPP project of Jue River Wetland Park in Changning New District, Xi'an and related construction* (西安常寧新區潏河濕地公園及相關工程建設), the PPP project of Quanzhou Haixi Botanic Garden* (泉州海西植物園), the PPP project of Zhaoqing High-Tech Zone Bureau General Hill Sports Park* (肇慶高新區將軍山體育公園), Public Welfare Construction Project of the Nanning Garden Expo and Scenery Area* (南寧園博園田園風光區(EPC)公益性建設項目), the PPP project for the construction of Qishan County Taiping Tower Square* (岐山縣太平塔廣場), the PPP project for the construction of road and ancillary facilities of Shanghe Economic Development Zone* (商河經濟開發區道路及配套設施工程) and the PPP project for the construction of Nanhu Ecological and Cultural Park in Gushi County, Henan Province* (河南省固始縣南湖生態文化園建設).

Maintain a favorable relationship of mutual trust among all parties in enhancing financing capacity

The Group's customers are mainly government departments and state-owned enterprises. Through good cooperation in the past and the operation of the current projects, the Group has established word of mouth and reputation among the local governments of various regions, which has laid a foundation for the financing of related PPP projects of the Group and enhanced the Group's financing capability. At the same time, through the planning of the seven major operating headquarters throughout China, the Group gives full play to their respective advantages in their respective regions, and actively explores opportunities for cooperation with the local government and the richer source of customers, in a bid to lay a good foundation for undertaking more projects in the future.

Adhere to research and development innovation

The Group has been committed to promote the launch of projects, while carried out development and research on patented technologies for respective projects, and made substantial progress in plant cultivation, soil improvement and water ecological treatment. Currently, the Group owns a number of patented technologies and patented products with independent intellectual properties and core technologies in ecological construction aspect, with strong competitive advantages in the industry. During the Reporting Period, several research and development projects were completed by the Group, including research on improvement of key technologies for salt control and salt elimination as well as construction implementation in saline area, research on improvement of key technologies in ecological restoration of constructed wetland water environment and ecological treatment of polluted water area, research on improvement of key technologies in construction and demonstration application of urban near-natural wetland aquatic plant communities, technology research on biological treatment of garden organic waste.

Prospect

The year of 2018 is a transitional year of PPP projects from large-scale development to high-quality development. The scale and development of PPP projects tend to develop in a more rational way during the Reporting Period. The government has also vigorously cracked down on all kinds of violations of discipline, therefore the quality of construction and operation of PPP projects has been further improved. On 26 December 2018, Wang Yi, the Director of the Finance Department of the Ministry of Finance, announced that the Ministry of Finance is committed to promote the introduction of PPP rules together with the Ministry of Justice. Moreover, PRC PPP projects commenced to integrate and cooperate with international PPP projects, for instance, the 4th China Public-Private-Partnership Financing Forum held a PPP project promotion meeting among Asian-Pacific countries for the first time, and various Asian countries provided details about their respective PPP patterns.

As of the end of 2018, according to PPP record of the Ministry of Finance, 12,553 PPP projects have been recorded, and the percentage of projects in operation was 55.7%, continued to record new high percentage with low removal. As the destocking of PPP projects is nearly close to an end, the non-compliant projects have been phased out or required to be rectified, and existing projects have met the basic requirements. The management considered, given that enterprises may have difficulty in the continuous operation of PPP projects, PPP is an innovative method to carry out infrastructure and public services. Along with the demand in the construction and operation of infrastructure and public services driven by the general trend of urbanization, it is no doubt that there will be a recovery on PPP.

On 4 January 2019, the easing of central bank policy gradually restored industry confidence, while the problem of financing difficulties has to be solved before the implementation of the launch of PPP project. Faced with the decline in the growth rate of the landscape industry compared with last year, the Group will continue to deepen its cultivation in many cities in China, strive to upgrade its project operation and management capability, and strive for developing a more comprehensive project solution capacity and industry competitiveness in the future. The Group will also follow the national policy, strengthen and improve its own industrial chain, strive to become an eco-environmental service provider that can provide integral solutions in the industry by 2020.

Mr. Wu Zhengping
Chairman and Chief Executive Officer

27 March 2019

Management Discussion and Analysis

Industry Review

Following the main idea of "speeding up reform of the system for developing an ecological civilization, and building a beautiful China" put forward at the 19th CPC National Congress, the expenditure structure of the central government is inclined to the key areas of green development, environmental protection and ecological restoration. Also, with the greening target under the 13th Five-Year Plan, thanks to the impact of new urbanization and green space index elevation, China will continue to achieve high growth of urban landscape greening industry in the next five to ten years. The State's urban planning policies and such standards as "garden city" and "eco-city" enable local governments to attach importance to ecological landscaping in urban construction. At the same time, the comfort of urban living environment and the requirement of upgrading the consumption level of real estate also stimulate the increasing rate of landscape greening. All these factors provide favorable conditions for the rapid development of landscape design and construction industry, and the ecological environment and green resources are being transformed into "green reserves" of economic development.

Since August this year, under the guidance of "six stabilities", the demand to stimulate infrastructure hedging against economic downturn has become increasingly stronger. PPP is considered to be an important grasp to further increase investment. The State Council executive meeting held in September 2018 also expressed the need to further mobilize the enthusiasm of private investment, speed up the removal of all kinds of unreasonable barriers, eliminate and reduce the additional conditions that hinder private investment in areas which require remedying weaknesses and other key areas. With the policy of increasing financial support and standardizing the promotion of PPP model, PPP will usher in new development opportunities with the gradual implementation of the policy in the future.

Business Review

The Group adopted the operation model of the whole industry chain, from research, planning to construction and operation, to provide integrated solutions regarding eco-construction to the governments and state-owned enterprises. The Group is a diversified industry chain investment platform under the eco-construction line of Greenland Holdings Group Corporation Limited ("**Greenland**"), a Fortune Global 500 companies. Since the establishment of the seven major operating headquarters, the Group has been operating in six sectors comprising project investment, design planning, project construction, business operation, seedling research and cultural tourism management across the PRC.

Being the major customers of the Group, local governments cooperated with the Group during the Reporting Period. On 13 February 2018, Broad Greenstate Ecological, an indirect wholly-owned subsidiary of the Group, and Yellow River Construction Engineering Group Co Ltd.* (黃河建工集團有限公司) successfully won a bid for a PPP project for the construction of Nanhu Ecological and Cultural Garden of Gushi County* (固始縣南湖生態文化園建設), and entered into a joint venture agreement with Gushi County Construction and Investment Company* (固始縣建設投資公司) on 23 July 2018 and established a joint venture company on 12 September 2018. With the participation in such PPP Projects as the core construction in landscape ecology of the Group, it is a significant attempt of the Group to develop landscaping projects in the public sector and allows the Group to consolidate its business in the public sector.

During the Reporting Period, the Company recorded total revenue of RMB889.55 million and net profit attributable to owners of the Parent of RMB59.24 million, representing a decrease of 33.4% and 61.9% respectively as compared with last year. Such decrease was mainly due to the impacts resulting from the weaken macro-economy and the increasingly prudent development approach taken by the industry, which made the Company voluntarily slow down the commencement of construction volume and construction progress while the scale of the Company's new projects is steadily rising, with an aim to secure that the Company is capable to resist risks and maintain a healthy and stable cash flow under such grave and complex macroeconomic conditions, which mainly resulted in the decrease of the results for the year.

Meanwhile, in order to maintain a reasonable profit margin and mitigate the internal operating risks of the Group, Hangzhou Beifeng Yuanlin Landscaping Design Company* (杭州北風園林景觀設計公司) ("**Hangzhou Beifeng**"), an indirect wholly-owned subsidiary of the Company, Shanghai Greenstate Business Management Company Limited* (上海綠澤商業管理有限公司), an indirect wholly-owned subsidiary of the Company, and Shanghai Nianpu Corporate Management Co., Ltd.* (上海念樸企業管理有限公司) ("**Shanghai Nianpu**"), as the transferee and an independent third party, entered into a share transfer agreement on October 2018, pursuant to which Hangzhou Beifeng disposed its 100% equity interest in Hangzhou Zhongling Gardenview Design Company Limited* (杭州中靈園林景觀設計有限責任公司) to Shanghai Nianpu for the consideration of RMB50,000,000, causing one-off investment loss, which is another major reason resulting in the decline in proportion of net profit attributable to owners of the parent for the year higher than that of total revenue. However, such disposal could generate immediate cash inflow, improve the financial situation, lower the asset-liability ratio and reduce the Group's operating risk.

Cooperative projects with Greenland

Greenland, a Fortune Global 500 companies holds 29.66% interest of the Group. Since Greenland has become the Group's important strategic shareholder in 2016, the Group has benefited from the good industrial synergies brought by its strong resources and comprehensive advantages. The highly close cooperative relationship with local governments and strong financial resources of Greenland will provide strong support for the Group to capture the market rapidly. Meanwhile, the development of municipal landscaping projects will also effectively enhance the potential value of the real estate development projects in the surrounding area, resulting in a sound mode of resource integration and good synergies for both parties.

Qualifications and Licenses

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

Cost Control

The Group has always adhered to a reasonable operation practice to execute meticulous cost control on projects mainly in three different aspects which include policy, system and manpower.

In respect of policy, the Group carried out comprehensive budget management covering budget, control, supervision, analysis and appraisal in order to increase the efficiency of funds application. As a traditional construction enterprise, the Company becomes more mature in relation to the control of construction cost and implements relevant management methods.

In respect of system, the Group independently invested in and developed a project information management system to conduct comprehensive supervision and control of projects at different stages comprising design in the early stage, procurement in the middle stage and construction in the final stage. In 2018, the system has been continuously optimized and upgraded in line with the needs of business, resulting a more transparent, refined and rationalized process of cost control.

As for manpower, the Group established a team of management personnel with rich experiences in procurement and engineering management to strengthen process management and cost supervision.

Quality Control

Quality safety is extremely essential for ecological construction enterprises and is also the foundation for the Group. The Company has also conducted quality control in three aspects, which include policy, system and manpower.

As for the policy and system, sound and comprehensive processes were established, coupled with optimized systems for quality control; as for manpower, well-experienced project managers were employed to control engineering quality on a comprehensive basis. In 2018, the Company adopted a standard quality control system upon the existing construction enterprises and newly acquired construction enterprises on the group level. As of the date of this annual report, the quality management system of the Company has been recognized by the certification of ISO9001, ISO14001 and OHSAS18001.

Research and Development

The Company has been constantly carrying out projects while conducting development and research in respect of a number of patented technologies, and successfully made substantial progress in plant cultivation, soil improvement and water ecological treatment. Currently, the Group owns a number of patented technologies and patented products with independent intellectual property rights. Meanwhile, holding of core technologies in the ecological construction by the Group presents a robust competitive advantage within the industry. For agricultural aspect, the Group developed effective enhancement measures for saline soil and technologies for soil improvement. As for environmental restoration, the core technologies held by the Group include the introduction of non-conventional plant species in botanical gardens, the planning and technology of constructing hydrological system in urban wetland parks and the restoration technology of original ecological shoreline of wetland parks.

Future Development

Since the beginning of 2018, though Chinese economy has faced increasing pressure from domestic and international markets, China's total gross domestic product (GDP) exceeded RMB90 trillion for the first time during the Reporting Period, representing an increase of 6.6% as compared with the previous year, having completed the official expected development target. Generally speaking, Chinese economy continued to perform within a reasonable range and achieved a stable performance while at the same time securing progress in 2018.

As for the development of PPP, "the China PPP Bluebook: China PPP Industry Development Report (2017–2018)" points out that the stable and sustainable development of the PPP model requires enterprises to dedicate to development on the basis of standardization, rationalization and legalization, and suggests to make improvement from four aspects: to improve PPP related laws and regulations, to promote PPP financing through different measures, to strengthen government supervision over PPP projects and to improve the risk prevention mechanism of PPP projects. In early 2019, the National Development and Reform Commission of the PRC and other nine departments jointly issued a notice on the Action Plan for Building a Market-oriented and Diversified Ecological Protection Compensation Mechanism, which proposed to preliminarily build a market-oriented and diversified ecological protection compensation mechanism by 2020. The central government of China supports a joint launch of regional green development fund by local governments and social capitals in ecological protection areas where conditions permit based on market-oriented principles, with a view to support the development of green industry projects which adopted the PPP model.

In September 2018, the "Opinions of the CPC Central Committee and the State Council on Improving and Promoting the Consumption System and Further Motivating the Consumption Potential of Residents" marked the beginning of a new round of policy waves that comprehensively encouraged the adoption of the PPP model to develop infrastructure and public service projects.

Looking forward to 2019, despite of the continuance of the pressure from domestic and international markets in new forms, the subsequent benefits brought by the supply-side reform and the various improvements in the economic structure will act as a buffer to help to maintain the double bottom line of "stable growth" and "preventing risks". By closely following the policy orientation, the Group is committed to making contribution to the vision of building a beautiful China and achieving technological and environmental protection. As for the core landscaping business, the Group will optimise the PPP model with the principle of "specializing in the core business of ecological construction, improving the businesses of environmental restoration and cultural tourism operation"; as for the environmental protection business, the Group has included such business in the strategic planning of the entire industrial chain development and strives to improve and refine this business. For the cultural and tourism operation, the Group has established Shanghai Greenstate Culture and Tourism Co., Ltd.* (上海綠澤文化旅遊有限公司), a specialised cultural tourism management company and will focus on the development of culture, tourism, entertainment, sports, modern agriculture, ecological agriculture and other diversified business.

In the future, with the principle of "specializing in the core business of ecological construction, improving the businesses of environmental restoration and cultural tourism operation", the Group will optimise the PPP model, strengthen its technological competitiveness and foster strengths and minimize weaknesses based on its actual situation and development trend, so as to provide customers with comprehensive "one-stop" ecological construction solutions that contribute to the ecological environment and green development.

Corporate Governance Report

Corporate Governance Practices

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

For the year ended 31 December 2018, the Company has adopted the principles and code provisions of the CG Code as set out in Appendix 14 of the Listing Rules (as in effect from time to time) as the basis of the Company's corporate governance practices. Throughout the Reporting Period, the Company has been in compliance with all the applicable code provisions of the CG Code with the exception of code provisions A.2.1 and A.7.1. Details of the deviations from the code provisions A.2.1 and A.7.1 are explained in the sections "Chairman and Chief Executive Officer" and "Board Meetings" respectively.

Model Code for Securities Transactions

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

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

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

Board of Directors

Composition

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

The composition of the Board is set out below:

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

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

Save for the fact that Mr. Wu Zhengping (the chairman of the Board, chief executive officer and executive Director) is the spouse of Ms. Xiao Li (an executive Director), there is no relationship (including financial, business, family or other material/relevant relationships) among the members of the Board.

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Directors and Senior Management" on pages 42 to 45 of this annual report.

Chairman and Chief Executive Officer

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

However, the Company does not have a separate chairman and chief executive officer and Mr. Wu Zhengping currently performs these two roles and accordingly, there is no written terms setting out the division of responsibilities between the chairman and chief executive. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will review the management structure regularly and consider separating the roles of the chairman and chief executive officer if and when appropriate.

Independent Non-executive Directors

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

Following the resignation of Mr. Zhang Qing as an independent non-executive Director, the chairman and member of the Audit Committee on 29 December 2017, the Company had two independent non-executive Directors and none of them had appropriate professional qualifications or accounting or related financial management expertise as stipulated in Rule 3.10 of the Listing Rules. Such deviations were rectified when Dr. Chan Wing Bun, who has appropriate professional qualification in accounting or related financial management expertise in accordance with Rule 3.10 of the Listing Rules, was appointed as an independent non-executive Director, chairman and member of the Audit Committee on 13 March 2018.

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

Non-executive Directors and Re-election of Directors

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

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

In accordance with the Articles of Association, Ms. Chen Min, Mr. Dai Guoqiang and Dr. Jin Hexian will retire and being eligible, have offered themselves to be re-elected and re-appointed at the forthcoming annual general meeting of the Company.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the Reporting Period, the Directors of the Company have studied the reading materials and attending training or seminar conducted by the qualified professionals/the Stock Exchange on relevant topics, such as the corporate governance and directors' attendance at meetings and dividend policy, weighted voting rights issuers' corporate governance requirements. In addition, the Company has provided legal and regulatory update to the directors as part of the continuous professional development for the directors' reference and studying.

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

Board Committees

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

Audit Committee

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

As mentioned in the section of "Independent Non-executive Directors", following the resignation of Mr. Zhang Qing on 29 December 2017, the Audit Committee had two members and none of them had professional qualifications or accounting or related financial management expertise. Subsequent to the appointment of Mr. Dr. Chan Wing Bun as an independent non-executive Director, chairman and member of the Audit Committee on 13 March 2018, the Audit Committee currently comprises three members, namely Dr. Chan Wing Bun, Mr. Dai Guoqiang and Dr. Jin Hexian, being all the independent non-executive directors, which has complied with the aforesaid listing rule. The Audit Committee is currently chaired by Dr. Chan Wing Bun who has appropriate professional qualifications in accounting or related financial management expertise.

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

During the Reporting Period, the Audit Committee reviewed the annual results and annual report for the year ended 31 December 2017, interim financial results and interim report for the six months ended 30 June 2018, significant issues on the financial reporting procedures and arrangements for employees to raise concerns about possible improprieties and the effectiveness of the risk management and internal control systems. The Audit Committee also reviewed the internal audit function and the audit progress/plan in relation to the 2018 annual results submitted by the external auditors. The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

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

Remuneration Committee

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

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

During the Reporting Period, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, remuneration packages of the executive Directors and senior management and the evaluation system for the performance of executive Directors. In addition, the Remuneration Committee also reviewed the remuneration package offered to Dr. Chan Wing Bun, an independent non-executive Director, when he was appointed during the year.

The Remuneration Committee met once during the Reporting Period.

Nomination Committee

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

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

In assessing the Board composition and identifying and selecting suitable candidates for directorships, the Nomination Committee would take into account various aspects and criteria set out in the board diversity policy (the "Board Diversity Policy") and the directors' nomination policy (the "Directors' Nomination Policy") adopted by the Board on 28 August 2014 and 13 November 2018 respectively, summaries of which are detailed in the sections of "Board Diversity Policy" and "Director Nomination Policy". The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the Reporting Period, the Nomination Committee reviewed the Board Diversity Policy, structure, size and composition of the Board, the independence of the independent non-executive Directors. In addition, the Nomination Committee also reviewed the qualification of Dr. Chan Wing Bun and recommended the Board for the appointment of Dr. Chan.

The Nomination Committee met once during the Reporting Period.

Board Diversity Policy

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

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

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

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

Directors' Nomination Policy

The Directors' Nomination Policy sets out the criteria and process in the nomination and appointment of directors of the Company. The Directors' Nomination Policy applied to ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company as well as Board continuity and appropriate leadership at Board level.

A summary of the Directors' Nomination Policy is set out below:

Criteria adopted for selection and recommendation for directorship

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination process

(a) *Appointment of New Director*

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

As delegated by the Board, the Nomination Committee will, in addition to conducting regular review on the structure, size and composition of the Board, also conduct regular review on the Directors' Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

Corporate Governance Functions

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

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

Board Meetings

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

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

Pursuant to code provision A.7.1 of the CG Code, agenda and full Board papers should be sent to all Directors at least three days (or other agreed period) before a regular Board or Board committee meeting. The meeting papers for the first quarterly Board meeting of the Company and meetings of the audit, remuneration and nomination committees held on 28 March 2018 approving final results were, however, sent to the Directors less than three days before the aforementioned meetings pending the confirmation of some relevant information. Going forward, the Company would arrange to collect the relevant information earlier and ensure that meeting papers could be dispatched to the Directors in a timely manner.

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

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

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

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held for the year ended 31 December 2018 is set out in the table below:

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

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

Risk Management and Internal Controls

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

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

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

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

Principles of Risk Management

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

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

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

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

Features and Processes of Risk Management and Internal Control:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors' Responsibility in Respect of the Financial Statements

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 64 to 69.

Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Ernst & Young, in respect of audit services and non-audit services for the Reporting Period is disclosed on Note 6 of the "Notes to Financial Statements" on page 119 of this annual report.

Company Secretary

During the Reporting Period, Ms. Ho Siu Pik of Tricor Services Limited, external service provider, has resigned as the company secretary of the Company with effect from 1 July 2018. Subsequent to Ms. Ho's resignation, Ms. Sun Ah Tsang of Tricor Services Limited, external service provider, has been appointed as the company secretary of the Company with effect from 1 July 2018. The primary contact of both Ms. Ho and Ms. Sun at the Company is Mr. Jing Changzhong, chief financial officer. In accordance with Rule 3.29 of the Listing Rules, each of Ms. Ho Siu Pik and Ms. Sun Ah Tsang has taken no less than 15 hours of relevant professional training during the Reporting Year.

Shareholders' Rights

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

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

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

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

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

Procedures for Shareholders to Put Forward Proposals at General Meeting

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

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

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

Procedures for Shareholders to Put Forward Enquiries to the Board

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

Contact Details

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

Address:	Floor 8, Block D3, 5th Building Hongqiao World Center 1588 Lane, Zhuguang Road Shanghai, the PRC For the attention of Mr. Jing Changzhong, chief financial officer
Email:	ir@broad-greenstate.cn

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

Communication with Shareholders and Investors

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

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

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

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

Other than maintaining an effective communication with the Shareholders, the Company also protects the Shareholders' interest through the development of a sustainable dividend policy. The board adopted a dividend policy on 13 November 2018 which sets out the principle and guidelines of the Company regarding the declaration of its net profits as dividends to the Shareholders of the Company.

Constitutional Documents

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

Environmental, Social and Governance Report

I. Our commitment and approach to the environment, society and governance

China Greenland Broad Greenstate Group Company Limited (hereinafter referred to as "the Company") and its subsidiaries (collectively referred to as "Broad Greenstate" or "we") understand that effective environmental, social and governance ("ESG") measures are important for operations. The direction of the ESG work of Broad Greenstate is governed by the board of directors of the Company (the "Board") to ensure that the ESG strategies reflect the core values of the Company. Therefore, the Board and the management work together to improve the value and performance of the Company, as well as to identify and assess the risks associated with the ESG matters of Broad Greenstate, to ensure that the relevant risk management and internal control systems are properly and effectively operated.

In order to improve the efficiency and quality of project performance and effectively control risks, the Company has established a "Three-into-One" management system. At the same time, the Company, using information technology, has established a leading project information management system in the industry. Through the establishment and application of the system, the project management is institutionalized, scientific and standardized to ensure the rapid and steady development of the Group's operation and management.

The core values of Broad Greenstate are talent, integrity and quality. Talent is the root of Broad Greenstate's presence, and integrity is the source of Broad Greenstate's development, and quality is the basic goal that Broad Greenstate pursues. We are a company with high-level integrated operational capacity in investment and financing, planning and design, project construction and commercial operation. Under the guidance of and seizing the substantial opportunity in national ecological construction and cultural tourism development, Broad Greenstate builds a group of academician workstations and establishes long-term relationships with Tongji University and other state-level research institutes. With rich technical reserves in various professional fields such as construction of various theme parks, scenic spots upgrading, repair and protection of ancient towns, characteristic towns and beautiful rural construction, sponge cities, environmental protection and ecological restoration, we have formed a mature development model of "capital + technology + whole industry chain".

As a major player of ecological civilization and beautiful China construction, Broad Greenstate sets its business mission as "a leader in ecological and humanity homeland construction, a pioneer of development of sustainable environment". It adheres to the enterprise spirit of "kindness, fortitude, cooperation and dedication", and fulfills its social responsibility of "beautiful China nourishes our future generations". Broad Greenstate strives to achieve its strategic vision of "enhance the regional core values with first-class ecological environment and to promote the harmonious upgrading of our homelands with deep humanities construction". Broad Greenstate endeavors to become an advocate and practitioner of the ecological and humanistic environment construction.

II. The reporting criteria, period and scope

This ESG report ("This Report") is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules. The purpose of this report is to help parties involved in our business and stakeholders understand the ESG policies, measures and performance of the Company beyond financial performance and business operation.

This Report covers relevant information of the Company in relation to management approaches and strategies on ESG from 1 January 2018 to 31 December 2018 (the "Reporting Period"), which is detailed in the relevant sections (Environment, Employment, Services and Community Investment) of this Report. The data disclosed herein contains only relevant information about management offices of the Company's headquarters and major operating headquarters, since data could not be reasonably included in this report for project units developed and subcontracted by subsidiaries.

III. Stakeholders and Materiality Assessment

Broad Greenstate strives to adopt the opinions of stakeholders (including shareholders, customers, employees, suppliers, regulators and the public) and safeguard their rights and interests through constructive communication in order to determine the long-term development direction of the Company and maintain close relationships. We have arranged the management and staff of all departments of the Company to review the operation of the Company, identify relevant ESG matters based on their functions, and assess the importance/relevance of related matters to our business.

Stakeholder groups, their expectations and typical communication channels with the Company are as follows:

Stakeholders	Expectations	Communication Channels
Government and regulator	• Legal operation • Compliance with laws and regulations • Internal examination • Occupational health and safety in the workplace	• Financial report/announcement/notice • Direct communication via e-mail and telephone
Customers	• Product and service quality • Product safety and liability • Technological development • Market trends • Suitable suppliers	• Customer visit • Satisfaction survey • Meetings and communications
Suppliers	• Regulation compliance • Environmental standards and requirements • Respectful and fair procurement	• Evaluation and investigation • Site visits • Supplier review
Employees	• Training and career development possibility • Wage and welfare • Working environment • Health and safety • Career development and opportunities	• Staff activities • Employee bulletin board • Regular memorandum of employees • Direct communication to collect employee opinions • Staff training, seminars and briefings • Cultural activities such as team building

Stakeholders	Expectations	Communication Channels
Shareholders and investors	• Return on investment • Information disclosure and transparency • Protection of shareholders' rights and interests • Timely and accurate disclosure of relevant information • Improving corporate governance • Acting in accordance with laws and regulations • Fighting against corruption and promoting integrity	• Financial report, announcement, notice and other public information • Inquiry about our Company via e-mail and telephone • Information disclosure of listed companies • Roadshow/conference call/meeting with investors/shareholders • Telephone/e-mail inquiries • Investor on-site visits • Information disclosure on the websites of the Stock Exchange and the Company
Local communities, NGOs, potential customers and the public	• Job opportunities • Eco-environment • Community development • Social communities • Enthusiasm for public welfare • Charitable donation • Reduction of pollutant emissions • Waste reduction	• Charitable activities • Community investment and services • Stakeholder participation • Environmental protection activities
Media	• Information transparency • Good media relations	• Information disclosure on the websites of the Stock Exchange and the Company • Financial report, announcement, notice and other public information

In order for us to report on the most important issues, through communication with key stakeholders, the Company have identified these issues as "environmental protection", "employment system", and "development and training". Based on these results, the Company will continue to improve its ESG performance to meet stakeholder expectations. Details of our ESG work during the Reporting Period will be presented in the next section.

IV. Our Environment

Aspect A1: Emissions and Wastes

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

Air emissions

During the Reporting Period, emissions produced by the Company mainly involved a certain amount of nitrogen oxides, sulfur oxides and particulate matter emissions generated from gasoline consumption by self-owned vehicles. The emission data for this year is unaccountable since data for the distance travelled and gasoline consumed was not collected by the Company for the year. Nevertheless, the quantity of our emissions is at a low level since there are few administrative vehicles at headquarters of our Company.

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

Greenhouse gas emissions

The CO_2 equivalents ("CO_2e")[1] for different types of greenhouse gas emissions during the Reporting Period are as follows:

		2018		2017	
Scopes of greenhouse gas emission	**Sources**	**Emissions (tonnes)**	**Density of emission (tonnes/ person)**	Emissions (tonnes)	Density of emission (tonnes/ person)
Scope 1 Direct emission	Self-owned vehicles[2]	**N/A**	**N/A**	N/A	N/A
Scope 2 Indirect emission	Electricity consumption	**103**	**0.27**	129	0.21
Scope 3 Indirect emission on other aspects	• Business air travel • Sewage treatment by government	**392**	**1.03**	132	0.21
Total		**495**	**1.30**	261	0.42

The greenhouse gas emissions totaled 495 tonnes in this year, mainly generated from electricity consumption and official flights taken by our employees. In order to reduce air and greenhouse gas emissions, we have taken some environmental protection measures, which were implemented regularly in our business process and are described in the section entitled "Environmental Protection Measures" below.

1 *An index based on the greenhouse effect caused by carbon dioxide so as to make comparison with the greenhouse effect caused by other greenhouse gases.*

2 *Direct carbon emission of Broad Greenstate mainly comes from lead-free gasoline and diesel consumed when driving our self-owned vehicles. At the table above, data of greenhouse gas emission is temporarily vacant since there are only a few vehicles in Broad Greenstate and Broad Greenstate did not count the distance travelled and fuel oil consumed in the normal course of business this year.*

Non-hazardous waste

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

In addition, certain amount of construction waste is produced from construction site of landscaping projects which are non-hazardous. Site construction of Broad Greenstate is subcontracted to professional construction companies, which are responsible for the disposal of construction waste produced during construction. Broad Greenstate designates on-site administrative staff to take charge of the management and oversight of the actions of construction companies, and requires it to conduct classification and management on solid waste produced on site, in a bid to recycle the waste to the largest extent and reduce secondary pollution, and preserve environmental hygiene of construction area and office area.

During the Reporting Period, the Company did not receive any complaints from individuals or relevant departments, nor did it pay or bear any penalties for violations of relevant environmental regulations. During the Reporting Period, the Company did not have any material non-compliance with environmental laws and regulations.

In order to reduce waste, we have taken some environmental protection measures, which are implemented regularly in our business process and are described in the section entitled "Environmental Protection Measures" below.

Aspect A2: Use of Resources

Broad Greenstate insists on attaching equal importance to energy saving and improving resource utilization, and encourages reutilization and recycling of resources in the course of business operation, to protect environment and improve operational efficiency. Total consumption and density of resources are as follows:

		2018		2017	
Resource	**Unit**	**Consumption**	**Per capita density**	Consumption	Per capita density
Electricity	Kilowatt-hour (kWh)	**127,516**	**334.7**	159,487	258.0
Water	tonne(s)	**89**	**0.2**	1,027	1.7

In 2018, electricity consumed by headquarter and subordinate project management office under Broad Greenstate amounted to approximately 127,516 kWh, with per capita electricity consumption of approximately 335 kWh for the year. The Company values energy saving. Therefore, the Company has, in day-to-day management, required its staff member to make reasonable use of resources such as coal gas and gasoline, as well as encouraging its staff member to take green travels, so as to save energy and resources. The details on energy efficiency plan of Broad Greenstate are set out in the subsequent section entitled "Environmental Protection Measures".

Water charges arising from offices of Broad Greenstate's some major operating headquarters are included in property management fee or are waived. In 2018, office water consumption measurable (i.e. the separately charged portion) totaled approximately 89 tonnes, with per capita consumption being approximately 0.2 tonnes for the year. Our employees are advocated to save water and reduce unnecessary wastage.

Additionally, a lot of water will be utilized in the process of project construction. Water, source from underground and rivers, is mainly used in the outsourcing construction on project site and maintenance of green plants. During the process of construction, Broad Greenstate advocates reutilization of domestic water and construction water on construction site. The details on resource saving measures of Broad Greenstate are set out in the subsequent section entitled "Environmental Protection Measures".

As an integrated landscape architecture construction and design service provider, we always focus on municipal and urban landscape projects. There is no consumption of packaging materials during the process of production and operation.

Aspect A3: Environment and Natural Resources

Save for the use of resources as mentioned in the previous section, Broad Greenstate neither consumes resources from the environment nor causes any significant impact on the environment. Therefore, Broad Greenstate has limited direct impacts on the natural environment. Broad Greenstate is committed to environmental protection and has adopted the following series of measures and technologies on environmental protection to reduce the negative impact on the environment and resources:

Environmental Protection Measures

I. Reminder slogans are posted on the Company's bulletin board and public areas, such as setting paper-saving slogans in washroom to raise the environmental awareness of staff and visitors;

II. Placing recycling bins in the offices to remind staff to strictly separate recyclable and non-recyclable wastes;

III. Regularly updating the policies and procedures of the Company and incorporating rules and standards of environmental protection into daily work processes; through implementing such policies and procedures, we encourage our staff to save energy and resources and reduce greenhouse gas emission by taking the following actions:

   1. turning off electronic equipment when not in use or out of office to save energy;

   2. promoting green travel and choosing carpooling on business trips whenever possible to reduce carbon emission;

   3. regularly examining our electrical equipment to ensure safety and operational efficiency.

IV. Every project of Broad Greenstate has a designated person responsible for the prevention and control of fugitive dust, noise and water pollution. Broad Greenstate has taken appropriate measures to reduce the impact of emissions, including making reasonable arrangement to clean vehicles and spray water on site, covering bulk materials in fine particle when loading and unloading to prevent strewing along the road and ensure that no silt is carried out from construction site by transportation vehicles, separating construction areas from non-construction areas via fence to prevent environmental impact on non-construction areas and discharging site sewage only after treatment, etc. Also, reutilization is required for construction water to the greatest extent.

V. Broad Greenstate has adopted electronic office system to reduce unnecessary business trips to the greatest extent.

VI. Broad Greenstate has checked the measures on the prevention and control of fugitive dust, noise and water pollution on construction site, to make sure that everyone takes its responsibility and to ensure effective operation of the whole process.

VII. Broad Greenstate has, in the course of day-to-day management, required its procurement department to prioritize efficient energy-saving products, such as energy-saving motors, energy-saving lamps, energy-saving air conditioner, etc. when purchasing electronical appliance. Moreover, the electronical appliance, including computers, printers and electric water heaters, shall be completely turned off when they are not in use for the purpose of energy saving and emission reduction.

In addition, Broad Greenstate is committed to introducing new technology in order to achieve environmental protection with examples as follows:

Introduction by Science and Technology

In support of the "Spring and Autumn Scenery (春景秋色)" Landscape Demonstration Project in Shanghai, Broad Greenstate undertook a major project of the Shanghai Municipal Construction Committee regarding the introduction of color-leaf arbors and shrubs from abroad, and introduced over 10,000 plants of large-sized color-leaf arbors and shrubs in more than 40 varieties from the United States and Canada, among which, a number of varieties such as "sunset red", "October red", "autumn fire" and "hybrid Acer Truncatum" which could turn red steadily in Shanghai had been selected, solving the problem of scarce fine color-leaf plant varieties in Shanghai. By using seed-breeding technique, more than 100,000 plants of fine color-leaf arbors and shrubs had been propagated and planted in the important parks and green areas including Shanghai Yanzhong Greenland (上海延中綠地), Shanghai Concert Hall, Shanghai Sculpture Park, Zhaojiabang Road and Haining Road for the demonstration and promotion purposes, presenting a magnificent landscape of "red leaves" among the greening areas of Shanghai for the first time and winning acclaim from the community.

Soil Remediation

Based on the differences in soil structure and natural environment between various regions, we have developed a number of soil remediation technologies catering to different conditions. Taking the research on key greening technologies for the inland saline-alkali land as an example, we compare and identify the cultivation medium suitable for saline-alkali land by adding organic fertilizer, gypsum, peat and other materials, and develop the remediation technologies for inland saline-alkali greening soil, completely solving the soil problem faced when constructing wetland parks. By a combination of physical improvement methods with chemical improvement methods, we improve the soil structure and increase organic matter with a view to eliminating salt and alkali hazards.

Water Ecological Treatment

For the water ecological treatment, we should fundamentally follow the ecological concept and the law of nature. From the perspective of large spatial scale such as city, region and basin, the urban water ecological treatment design based on large basins, the water resource management design using rainwater as resource and the ecological system restoration design with economy as the main spindle reflect the ecological wisdom concerning water resources, water safety and water ecological system, and their blend with urbanology, hydrology, landscape, ecology, arts and other subjects in a scientific manner is an innovative derivative of contemporary scientific wisdom.

Mine Ecological Restoration

The impact of mine development on the ecological environment cannot be underestimated. Its impact on land resources, water resources and the atmosphere is so enormous that the resulting loss of biodiversity has become a global conundrum. In respect of mine restoration, we should make scientific and reasonable judgment and conduct an in-depth research on slope treatment for mountains suffering man-made damages, tailings treatment, soil improvement, vegetation restoration, water resources restoration and biodiversity re-cultivation based on the topography, climatic characteristics, hydrological conditions, soil physical and chemical bio-characteristics, topsoil conditions, potential pollution and other factors so as to select the best restoration technique and implementation plan. In this way, we will be able to realize the restoration of pollution in mining wasteland, restore the mine ecological environment to the good state and achieve the goal of recycling land resources, ultimately creating a new value of harmonious integration and sustainable development between human beings and nature and embarking on a scientific and environmentally-friendly path of comprehensive restoration plus comprehensive development of mines.

V. Our Staff

Adhering to its core value of "taking talents as root of presence", Broad Greenstate considers employees as one of our most important assets. As such, it is the priority for the Company to provide a fair, harmonious, comfortable and safe workplace for the staff.

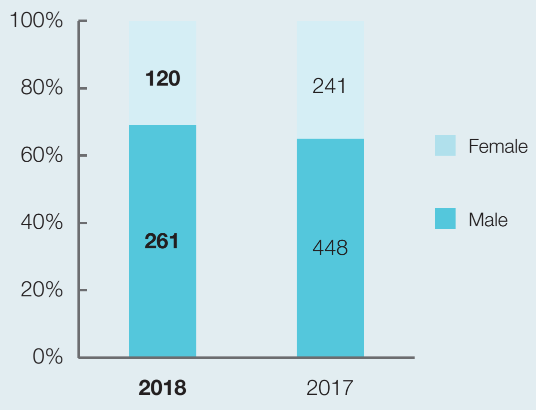
Aspect B1: Employment

Broad Greenstate is in strict compliance with requirements set out in relevant laws and regulations, including the Labour Law and the Labour Contract Law, to earnestly protect the employees' legitimate rights and interests. Moreover, employees of different nationalities, races, genders and age are treated on an equal basis. Further, a set of management systems and measures have been in place to strictly prohibit employment discrimination, child labour and force labour.

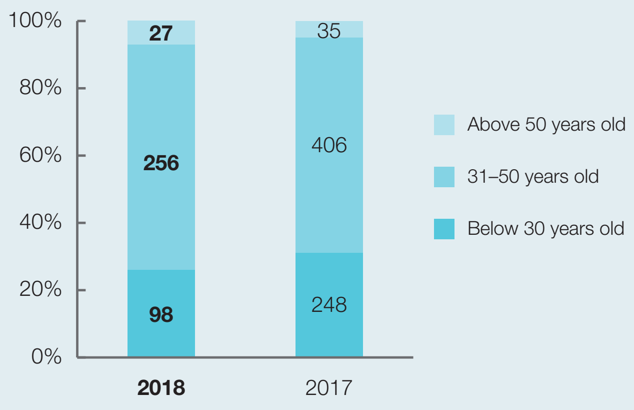
Our Workforce

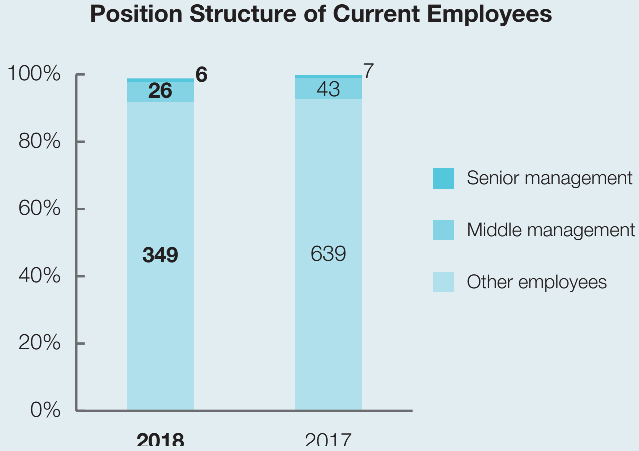
As of 31 December 2018, Broad Greenstate has a total number of 381 employees. The structures of employees of the Company are shown below:

Gender Structure of Current Employees



Age Structure of Current Employees



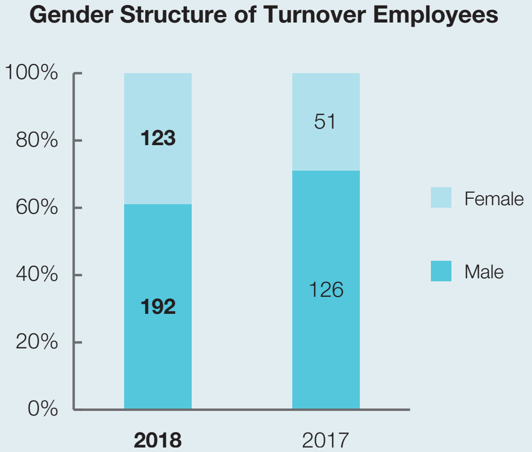


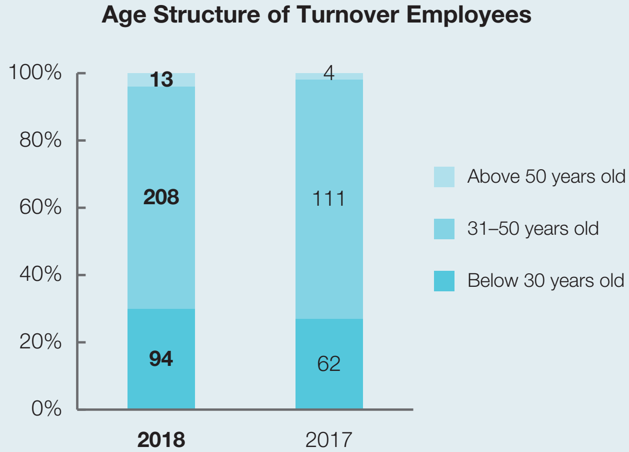
Recruitment and Promotion of Talents

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

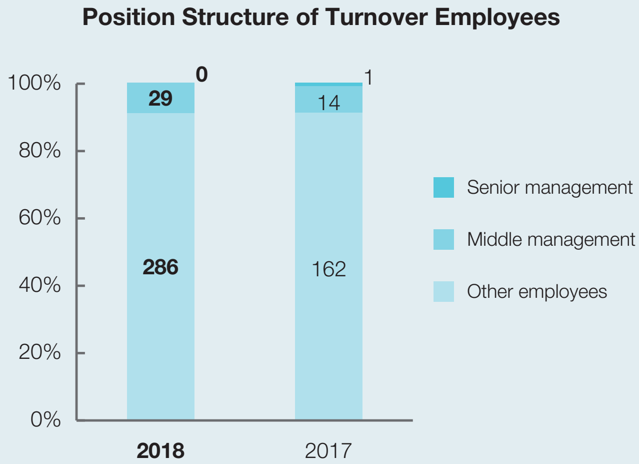
Employee Turnover

The turnover rate of our employees is high since Broad Greenstate is going through fast development and adjustment in terms of its business.





Position Structure (Resigned Employees)



During the Reporting Period, the Company did not have any material non-compliance with labour practices.

Aspect B2: Health and Safety

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

According to the requirements of national laws, Broad Greenstate makes contribution to social securities (including medical insurance) for all our staffs, and purchases business accident insurance for rehired personnel and trainees who are unable to make contribution to social insurances, in order to make sure that our staffs can obtain corresponding safeguard in case of accident. Meanwhile, the Company organizes annual body check for all our employees, enabling them to know their health status in a timely manner.

Workplace Safety

The Trial Measures for Standardized Construction Site (《標化工地試行辦法》) issued by Broad Greenstate standardize and unify various signs on construction site, normalize the layout of safety equipment and safe passage and clarify what signs are necessary including safe production post and civilized construction post, for the purpose of reminding on-site workers of safety.

For the sake of the health of our office workers, the Company specially organized Chinese medical consultations free of charge to relief their shoulder and neck indisposition caused by long-term desk work, sedentariness and lack of exercise through methods such as massage, cupping therapy, warming moxibustion, etc. In addition, smoking is strictly prohibited in all places of the headquarters of the Company and penalty standards of violation has been developed, and we toured the offices from time to time for protecting the workplace safety and employees' health.

During the Reporting Period, the Company didi not have any work-related injury or death, nor had any material non-compliance with health and safety laws and regulations.

Aspect B3: Development and Training

In order to improve the professional knowledge and skills required for employees in their individual functions, enhance the work quality and boost work efficiency, Broad Greenstate has offered staff in different functions, of which the training content is designed and organized based on corporate regulations and systems, staff duties, and operating skill required. The training programs of Broad Greenstate covered many aspects, including safe and civilized construction, construction technique, project management, operation management and corporate culture.

An overview of the training of Broad Greenstate is shown below:

	2018	2017
Total training hours (hour)	**3,901**	7,139
Average training hours for each employee (hour/person)	**10**	13
Average training hours completed for each employee by gender (hour/person)		
Male	**11**	15
Female	**10**	10
Average training hours completed for each employee by employee category (hour/person)		
Senior management	**57**	15
Middle management	**35**	24
Other employees	**8**	12

Aspect B4: Labour Standards

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

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

Broad Greenstate arranges the employees' working hours based on the statutory working hour standards, implements an 8-hour working schedule and annual holiday schedule and allows them to entitle paid leaves and sick leaves and other leave benefits in accordance with the Labour Law.

During the Reporting Period, there was no material non-compliance with the labour requirements set out in relevant laws and regulations by the Company.

VI. Our Services

Adhering to its principle of service, i.e. "combining project planning, urban infrastructure construction and improvement of environment and culture with finance to provide professional technology and management services and to become a new driver for regional sustainable development", the Company completed the integration of its teams of professionals on a rational basis and established cooperation with various professional institutions to identify the gap between the current projects and the expected status of ecological harmony by strictly following the law of nature, especially the ecological rules, in order to establish and develop our environmental restoration and reservation based on a coordinated development model of "water, earth, air and living beings" and to bring comprehensive innovation to and provide guidance on the establishment of an ecologically friendly and healthy development model. Our teams of professionals are responsible for developing different models for integration and would conduct further detailed analysis with reference to the actual circumstances to complete the planning work for packaging, brand management, sale and marketing and build a standardised management system meeting the characteristics of particular projects, for the purpose of achieving high efficiency and sustainable development in relation to project development, marketing planning, service and delicacy maintenance and management.

On the basis of paying great attention to safe operation, the Group strives to comprehensively improve the overall efficiency of the project operation and planning and optimize the overall goals and efficiency of the whole process, achieving the effective action plan and standardized and reasonable management process under the guidance of clear objectives.

Aspect B5: Supply Chain Management

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

A list of qualified suppliers has been prepared based on long-term evaluation, site inspection and review of qualification documents. Before construction of a specific project, each of the project departments, based on the principle of "competing openly and cooperating honestly at reasonably low price", selects subcontractors among the list of qualified suppliers to bid for the project, through which process suitable subcontractor(s) will be determined under the supervision of the engineering department.

In light of the specificity of the major engineering materials in landscaping project such as nursery stock of green plants and subcontracting labour, Broad Greenstate generally selects qualified suppliers on the principle of proximity, which also achieves the effect of energy saving and emission reduction.

Furthermore, Broad Greenstate adopts a zero tolerance policy on corruption, according to which, all suppliers are required to submit a declaration or certification of no commercial bribery before we enter into contract with them.

Aspect B6: Product Responsibility

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

Broad Greenstate is of the opinion that, technology innovation can not only promote corporate development but also serve as a guarantee of enhanced project quality. Targeting to be an internationally advanced and domestically leading player in the industry, Broad Greenstate, persistently oriented by the application and design of efficient, energy-saving, clean and green technology, continuously invests substantial capital in setting up our technology center based on currently available technology accumulation, project experience and product advantages. Moreover, Broad Greenstate has established a number of academician workstations and has long-term cooperation with state-level academy of sciences such as Tongji University. At present, Broad Greenstate has obtained over 40 patented technologies and construction methods in the field of ecological rehabilitation and construction, which provides strong technical support for the launch of the research projects of multiple cooperators.

During the Reporting Period, the Company didn’t have any proceedings or complaints caused by the quality of products and service.

Complaints Handling

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

Qualifications

Since March 2016 and throughout the Reporting Period, Broad Greenstate held the Environmental Management System Certification granted by the Shanghai Audit Centre of Quality System, which recognized that our established and implemented environmental management system were in compliance with national and international standards(GB/T 24001-2016/ISO 14001:2015).

In addition, other qualifications of Broad Greenstate are as follows:

Research institutions

- Academician Workstation of the Chinese Academy of Engineering in Environmental Engineering
- Joint establishment of China Greenland Broad Greenstate - Tongji University Technology and Innovation Center with Tongji University
- Joint establishment of Pollution Restoration and Testing Center with State Key Laboratory of Pollution Control and Reclamation of Tongji University

Design

- Grade A for scenery landscape engineering design
- Grade A for design qualification for construction engineering in the construction industry
- Grade B for urban and rural planning qualification

Construction

- Special Grade for main contracting of construction
- Grade one for general contracting of municipal public works construction
- Grade one for professional contracting of steel structure projects
- Grade one for professional contracting of foundation projects
- Grade one for professional contracting of mechanical and electrical equipment installation projects
- Grade one for professional contracting of construction decoration projects
- Grade three for the general contracting of water resource and hydropower projects
- Grade three for professional contracting of environmental protection projects

Intellectual Property Protection

Broad Greenstate respects and protects intellectual property rights, and the trademarks are its important intangible assets. The Company has signed the Trade Secret Protection Agreement with relevant employees to ensure that the Company's trade secrets are kept confidential during and after their employment.

In September 2017, a multi-stage high-efficiency sewage treatment device independently researched and developed by Broad Greenstate was approved and a certificate of utility model patent was issued by the National Intellectual Property Administration. Such device can use stepped filters to efficiently treat the sewage and monitor the water quality through a water quality testing device. Compared with the existing conventional sewage treatment devices, it features strong decontamination and pollution-control abilities, high safety and mobility. This patent enables the Group to protect and exert its own advantage in the independent intellectual property rights, set up a sustainable innovation mechanism and enhance its core competitiveness.

In addition, Broad Greenstate has a total of six invention patents, 20 provincial and ministerial construction methods, 35 utility model patents, three software copyrights, nine patents and two new plant varieties are in the process of intellectual property rights applications, which involve sewage treatment, saline-alkali land restoration, ecological restoration, garden plants, construction and other fields.

Aspect B7: Anti-corruption

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

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

During the Reporting Period, Broad Greenstate had no cases of non-compliance with laws and regulations related to bribery, extortion, fraud and money-laundering and no concluded legal case regarding corrupt practices brought against the Company or its employees.

VII. Our Community

Aspect B8: Community Investment

Broad Greenstate is committed to being a socially responsible company and always actively participate in public welfare undertakings. In addition, we encourage our staff to do the same with us. The details of the community investment strategies are as follows:

I. Build the consciousness of community - The relationship between the Company and the community may affect the development of the Company, thus it is crucial for the Company to build its image within the community. The Company's public relationship with the community shall be incorporated into the daily work of the public relations system of the Company, with an aim to assume social responsibility and shape our good social image.

II. Enhance communication with community public - Broad Greenstate proactively communicates with the community. On one hand, we inform the community about all aspects of the Company to express our willingness to contribute to community development and seek support from the community; on the other hand, we often invite the community public to participate in our activities, consult about their opinions and recommendations, understand their needs, so as to lay a solid foundation for the benign interaction between our Company and the community and provide an effective channel for sustained communication.

III. Proactively participate in community development and take the initiative to support community public welfare undertakings.

As a company with a high degree of social responsibility, Broad Greenstate actively participates in various social welfare activities. Broad Greenstate supported the 2nd Shanghai Citizen Greening Festival, the special fund of China Greening Foundation "Green Shanghai" , and was awarded the certificate as an excellent public welfare partner. In addition, Broad Greenstate also actively carries out in-depth cooperation with universities and scientific research institutions. Broad Greenstate Ecological Construction Group Co., Ltd., an indirect wholly-owned subsidiary of the Company, has established the "Broad Greenstate — Tongji Joint Technology Innovation Center" jointly with Tongji University. This move is geared to the country's major strategic needs, giving full play to the resource advantages of both parties and boosting the expansion and development of the main business of Broad Greenstate.

Directors and Senior Management

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

Executive Directors

Mr. Wu Zhengping (吳正平) ("Mr. Wu"), aged 55, is the chairman of the Board and an executive Director since 3 January 2014. Mr. Wu is also the chief executive officer and the director of Broad Greenstate Ecological, Greenstate Business, Greenstate Gardening and Greenstate International. Mr. Wu is also the director of Broad Landscape International since 8 October 2013. Mr. Wu founded the Group with Ms. Xiao Li ("Ms. Xiao") in 2004. He is responsible for the overall strategy, business and investment planning of the Group. Mr. Wu has extensive experience in the landscape architecture service industry, and has been engaged in such business for over ten years.

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

Ms. Xiao Li (肖莉) ("Ms. Xiao"), aged 47, is an executive Director since 3 January 2014 and a member of nomination committee since 25 June 2014. Ms. Xiao is also the deputy chief executive officer of the Company. Ms. Xiao founded the Group with Mr. Wu in 2004. She is also a director of Broad Greenstate Ecological, Greenstate Business and Broad Landscape International since 13 September 2016 and Greenstate International since 9 March 2017. She is responsible for overseeing the financial matters and daily operations of the Group.

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

Ms. Zhu Wen (朱雯) ("Ms. Zhu"), aged 35, is an executive Director since 3 January 2014 and a member of remuneration committee since 25 June 2014. She joined the Group for almost fifteen years since 15 June 2004. She is currently the manager of the administrative department in Greenstate Business. She is also the director of Broad Greenstate Ecological and the deputy general manager of the Company since August 2011. She was appointed as the director of Eastern Greenstate International on 9 October 2013. Ms. Zhu is responsible for overseeing the administration matters of the Group.

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

Ms. Chen Min (陳敏) ("Ms. Chen"), aged 44, is an executive Director since 13 April 2017. She has served as the deputy financial controller of the Company since November 2016, responsible for the supervision of major financial matters of the Company, formulation of internal control procedures relating to financial and accounting matters, management and supervision of financial matters and other work relating to accounting management. Ms. Chen graduated from Central South University (中南大學) in December 2003, majoring in business administration. Ms. Chen obtained the qualification of senior accountant in April 2008 and became a non-practicing member of the Chinese Institute of Certified Public Accountants in December 2009. Ms. Chen has over 20 years of experience in financial management. Ms. Chen has previously served as a deputy chief accountant of Shanghai San Sheng Hong Ye Investment (Group) Company Limited* (上海三盛宏業投資(集團)有限責任公司) and the financial controller of a project company of Shanghai Vanke Corporation Limited* (上海萬科股份有限公司). Ms. Chen joined Greenland Business (Group) Company Limited* (上海綠地商業(集團)有限公司) as a finance manager in October 2006 and served as the financial controller of the Changsha real estate business group of Greenland (a substantial shareholder of the Company) from October 2010 to November 2016. In November 2016, Ms. Chen joined the Company as the deputy financial controller of the Company.

Independent Non-Executive Directors

Mr. Dai Guoqiang (戴國強) ("Mr. Dai"), aged 66, is an independent non-executive Director since 25 June 2014 and is the chairman of nomination committee, a member of both audit and remuneration committees since 25 June 2014. Subsequently, Mr. Dai was appointed as the chairman of audit committee for the period from 29 December 2017 to 13 March 2018. Mr. Dai has nearly thirteen years of experience in Finance and Economics. Mr. Dai graduated with a bachelor and a master degree in Economics from Shanghai School of Finance and Economics* (上海財經學院), currently known as Shanghai University of Finance and Economics (上海財經大學), in January 1983 and July 1987, respectively. Following which Mr. Dai obtained a PH.D. in Economics from Fudan University (復旦大學) in Shanghai, China in July 1994.

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

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

Dr. Jin Hexian (金荷仙) ("Dr. Jin"), aged 54, has been an independent non-executive Director, the chairman of the remuneration committee and a member of both audit and nomination committees of the Company since 29 August 2014. She obtained a bachelor's degree in landscape architecture from Nanjing Forestry University (南京林業大學), and a master's degree and doctor's degree in landscape architecture from Beijing Forestry University (北京林業大學). Dr. Jin was a lecturer in Zhejiang Agricultural and Forestry College (浙江農林學院) and as a post-doctoral researcher at the Chinese Academy of Forestry (中國林業科學研究院). Dr. Jin is currently an instructor to the students of the doctoral program of Zhejiang Agricultural and Forestry University (浙江農林大學), a guest professor of Beijing Forestry University (北京林業大學) and Wuhan University (武漢大學). Dr. Jin is also an independent director of Huilv Landscape Construction Co., Ltd. (匯綠園林建設股份有限公司), a company incorporated in the PRC and mainly engaging in landscape construction business. She is an independent director of Zhejiang Humanities Landscape Corporation Limited (浙江人文園林股份有限公司) since 26 June 2017.

Dr. Jin held various positions including deputy secretary-general of Chinese Society of Landscape Architecture (中國風景園林學會), president and deputy editor of the Journal of Chinese Landscape Architecture (《中國園林》雜誌社), member of the Guidance Group of Landscape Architecture in Teaching Steering Committee of Higher Education Institutions under the Ministry of Education, PRC (教育部高等學校教學指導委員會風景園林專業教學指導分委員會), deputy secretary-general of Flower Culture Committee of China Flower Society (中國花卉協會花文化專業委員會). Dr. Jin has published over 100 articles, edited multiple professional books about landscape architecture and chaired and given speeches at various domestic and international academic conferences including the International Federation of Landscape Architects (IFLA), World Horticultural Conference and Global Botanic Gardens Congress.

Dr. Chan Wing Bun (陳榮斌) ("Dr. Chan"), aged 54, is an independent non-executive Director and the chairman of the audit committee of the Company since 13 March 2018. Dr. Chan has been appointed as Managing Director of Greenland (Asia) Securities Limited* (綠地(亞洲)證券有限公司), a wholly-owned subsidiary of Greenland Financial Holdings Company Limited, a substantial shareholder of the Company with effect from 1 July 2018. He obtained honors diploma in accounting from the Hong Kong Baptist College (now Hong Kong Baptist University) in 1988, a bachelor's degree in business administration from the Hong Kong Baptist University in 1992, a master's degree in international master of business administration from the University of South Australia in 1995, a master's degree in law from the Renmin University of China* (中國人民大學) in 2009, and a doctoral degree in business administration from the University of Newcastle in 2015. He has been a Chartered Certified Accountant since 1992, a fellow member of the Association of Chartered Certified Accountants since 1998, a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants since 2000, a chartered accountant and associate member of The Institute of Chartered Accountants in England and Wales since 2007, a fellow member of The Hong Kong Institute of Directors since 2012, an ordinary member of the Hong Kong Securities and Investment Institute since 2014 and a fellow member of the Institute of Chartered Accountants in England and Wales since 2017. Dr. Chan is a licensed person to carry out regulated activities of Types 4 and 9 under the Securities and Futures Commission in Hong Kong since May 2018, while the license to carry out regulated activities of Type 1 under the Securities and Futures Commission is revoked. He is a registered insurance agent under the Hong Kong Federation of Insurers since October 2017. In addition, Dr. Chan became a member of the Advisory Committee of China Overseas Security Research Institute* (中國海外安全研究所) in May 2018.

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

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

Senior Management

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

Mr. Jing Changzhong (經長忠) ("Mr. Jing"), aged 50, has over 15 years of experience in financial and asset management. From September 2002 to June 2004, Mr. Jing served in Shanghai Hui Yin Group Ltd.* (上海匯銀(集團)有限公司) as the manager of research department and was appointed as deputy general manager of corporate enterprise department from June 2004 to April 2007. He was the project manager in the stock investment department of Ai Jian Securities Limited Liability Company* (愛建證券有限責任公司) from May 2007 to November 2007 and was appointed as the deputy general manager of research & development department, the general manager of fixed income department and an assistant president from November 2007 to August 2009. From September 2009 to September 2012, he was an assistant president of Shanghai Hui Yin Group Ltd.* (上海匯銀(集團)有限公司). Prior to joining the Company, Mr. Jing served in Shanghai Pudong Development Group Finance Co. Ltd.* (上海浦東發展集團財務有限責任公司) as deputy general manager from November 2013 and was responsible for investment banking projects and information technology management. Mr. Jing graduated from Tokai University in Japan with a Bachelor of Finance Management and a Master of Finance Management in 2000 and 2002, respectively.

Company Secretary

Ms. Sun Ah Tsang (孫亞錚) ("Ms. Sun"), is the company secretary of the Company. Ms. Sun is a manager of Corporate Services Division of Tricor Services Limited, a global professional service provider specializing in integrated business, corporate and investor services. Ms. Sun has over 10 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring to dissolution of companies. Ms. Sun is also the company secretary of Natural Beauty Bio-Technology Limited (stock code: 157). Ms. Sun is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Report of the Directors

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

Corporate Information and Global Offering

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

Principal Activities

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

Results and Final Dividends

The consolidated results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 70 of this annual report. The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: HK$0.014 per ordinary share).

Financial Summary

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

Business Review

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis section from pages 10 to 13 of this annual report. Description of the principal risks and uncertainties facing the company can be found throughout this annual report, particularly in the Market Risks section from pages 170 to 173. Particulars of important events affecting the Company that have occurred since the end of the financial year 2018, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 6 to 9 of this annual report. An account of the Company's relationships with its key stakeholders is included in the Relationship with Employees, Suppliers and Customers section on page 61 of this annual report. Details of the Company's environmental policies and performance can be found in the Environmental, Social and Governance Report from pages 27 to 41 of this annual report.

Share Capital

Details of movements in the share capital of the Company during the Reporting Period are set out in note 31 to the financial statements on page 151 of this annual report.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Pre-Emptive Rights

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements on page 126 of this annual report.

Pledge of Shares by Controlling Shareholder

The 2016 Facility with Bank of Shanghai (Hong Kong) Limited (the "RMB Lender") has been renewed, pursuant to which the maturity date of the facility of up to RMB75,300,000 shall have a maturity date of 17 May 2019 (the "RMB Facility"), such facility had been entered into between the Company and the RMB Lender for the purpose of financing existing and potential projects, paying final dividend and general working capital of the Company. The RMB Facility will continue to be secured by the Share Charge and the Account Charge.

As disclosed in the announcement of the Company dated 11 September 2018, Broad Landscape International, the controlling shareholder of the Company, entered into a deed of charge over account with BOSC International Company Limited ("BOSCI") on 11 September 2018 (the "2018 Account Charge") to secure a loan facility of RMB22,000,000 (the "2018 Facility") obtained by Broad Greenstate Ecological from the Bank of Shanghai Co., Ltd. Changning Branch (the "2018 Lender") on 28 August 2018 for the purpose of daily operation of the Company. Pursuant to the 2018 Account Charge, Broad Landscape International agreed to charge by way of first charge a bank account of Broad Landscape International (the "2018 Account"), all of its rights, titles and interests in or to the Account and deposited its 90,850,000 Shares (representing approximately 2.71% of the total issued share capital of the Company as at the date of the 2018 Facility) into the 2018 Account.

The total number of Shares charged by Broad Landscape International in favour of the RMB Lender and the 2018 Lender to secure the RMB Facility and 2018 Facility amounts to 441,011,440 Shares, representing approximately 13.19% of the total issued share capital of the Company as at 31 December 2018. As at the date of this annual report, the Share Charge, the Account Charge and the 2018 Account Charge have not been released.

Material Acquisitions, Disposals and Significant Investments

On 12 October 2018 (after trading hours), Hangzhou Beifeng, an indirect wholly-owned subsidiary of the Company, Greenstate Business, an indirect wholly-owned subsidiary of the Company, and the Transferee, Shanghai Nianpu, an Independent Third Party, entered into the Share Transfer Agreement, pursuant to which Hangzhou Beifeng disposed its 100% equity interest in Hangzhou Zhongling Gardenview Design Company Limited (杭州中靈園林景觀設計有限責任公司), a direct wholly-owned subsidiary of Hangzhou Beifeng and thus an indirect wholly-owned subsidiary of the Company prior to the Completion (including the 60% equity interest in Hangzhou Xiaoshan Jiangnan Garden Construction Company Limited* (杭州蕭山江南園林工程有限公司) ("**Jiangnan Garden**") indirectly held by Hangzhou Beifeng through Hangzhou Zhongling Gardenview Design Company Limited and the Consideration Adjustment or Amount of Profit Compensation which the Company may be entitled to receive pursuant to the Offshore Share Purchase Agreement and the Onshore Share Purchase Agreement), to Shanghai Nianpu.

Save as disclosed above, during the Reporting Period, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 31 December 2018, the Group did not hold any significant investments.

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 74 of this annual report.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2018 are set out in the note 29 to the financial statements on page 147 of this annual report.

Major Customers and Suppliers

During the Reporting Period, the percentage of turnover attributable to the Group's five largest customers from the sales of projects was approximately 65.22%, and the percentage of turnover attributable to its largest customer from the sales of projects was approximately 37.30%.

Purchases from the Group's five largest suppliers accounted for 41.13% of the total purchase for the Reporting Period and purchase from the Group's largest supplier included therein amounted to 18.88% of the total purchases for the year.

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

Directors

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

Executive Directors

Mr. Wu Zhengping (吳正平)
Ms. Xiao Li (肖莉)
Ms. Zhu Wen (朱雯)
Ms. Chen Min (陳敏)

Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強)
Dr. Jin Hexian (金荷仙)
Dr. Chan Wing Bun (陳榮斌)

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

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

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

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

Confirmation of Independence from Independent Non-Executive Directors

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

Directors' Interests in Contracts

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

Permitted Indemnity

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

Management Contracts

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

Non-Competition Undertakings

Each of the Controlling Shareholders (Broad Landscape International, Eastern Greenstate International, Mr. Wu and Ms. Xiao) has confirmed to the Company that he/she/it has complied with the non-competition undertakings that he/she/it provided to the Company on 25 June 2014 pursuant to the Non-competition Deed. Details of the Non-competition Deed are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

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

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and the five highest paid individuals for the Reporting Period are set out in note 9 to the financial statements on page 123 of this annual report.

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

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

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

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

	Nature and Number of Shares/underlying Shares held[1]				Approximate Percentage of Issued Share Capital
Name of Director/Chief Executive	Personal interest	Corporate interest	Spouse interest	Total interest	
Mr. Wu Zhengping[2][3][4]	18,000,000	991,321,041	13,500,000	1,022,821,041	30.6%
Ms. Xiao Li[2][3][4]	13,500,000	—	1,009,321,041	1,022,821,041	30.6%
Ms. Zhu Wen[4]	3,000,000	—	—	3,000,000	0.08%

Notes:

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

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

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

(4) *The number of underlying Shares in which the Directors hold under the Share Option Scheme are detailed in "Share Option Scheme" section of this annual report.*

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

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

As at 31 December 2018, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register required referred to therein, were as follows:

Name of Shareholder	Nature of Interest	Number of Shares/ underlying Shares held[1]	Approximate Percentage of Issued Capital
Broad Landscape International[2]	Beneficial owner	991,321,041	29.66%
Eastern Greenstate International[2]	Beneficial owner	306,313,662	9.16%
Greenland[3]	Interest in a controlled corporation	991,321,041	29.66%
Greenland Financial Holdings Company Limited (綠地金融投資控股集團有限公司)[3]	Interest in a controlled corporation	991,321,041	29.66%
Greenland Financial[3]	Beneficial owner	991,321,041	29.66%
Cithara Global Multi-Strategy SPC-Series 6 SP	Beneficial owner	235,365,000	7.04%
Cithara Investment International Limited	Investment Manager	236,073,000	7.06%

Notes:

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

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

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

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

Share Option Scheme

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

Purpose

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

Participants of the Share Option Scheme

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

Maximum number of Shares

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

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

As at the date of this annual report, a total of 147,217,856 share options, representing 4.40% of the issued share capital of the Company, is available for issue under the Share Option Scheme.

Maximum entitlement of each participant

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

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

Offer period

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

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

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

Amount payable for options

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

Basis of determining the exercise price

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

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

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

(iii) the nominal value of the Shares.

Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten (10) years commencing from 25 June 2014. Unless otherwise terminated earlier by the Company by resolution in general meeting or the Board, as at 31 December 2018, the Share Option Scheme has a remaining life of approximately five (5) years.

Since the effective date of the Share Option Scheme and up to the end of the Reporting Period, the Company has granted a total of 223,017,856 share options to eligible grantees, including the Company's directors and other employees of the Group, on 1 September 2015 and 12 June 2018, while a total of 75,800,000 shares were lapsed and no share option had been exercised under the Share Option Scheme. Details of the movement in the share options under the Share Option Scheme during the Reporting Period and outstanding as at 31 December 2018 were as follows:

			Number of Options							
Grantees	Date of grant	Options granted	Held at 1 January 2018	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Forfeited[1] during the Reporting Period	Lapsed[2] during the Reporting Period	Held at 31 December 2018	Exercise price per Share (HK$)	Vesting and Exercise period
Wu Zhengping	1 Sept 2015	30,000,000	–	–	–	–	–	–	1.24	1 Sept 2017–31 Aug 2018
			6,000,000	–	–	–	6,000,000	–		1 Sept 2018–31 Aug 2019
			9,000,000	–	–	–	–	9,000,000		1 Sept 2019–31 Aug 2020
			9,000,000	–	–	–	–	9,000,000		1 Sept 2020–31 Aug 2021
Xiao Li	1 Sept 2015	22,500,000	–	–	–	–	–	–	1.24	1 Sept 2017–31 Aug 2018
			4,500,000	–	–	–	4,500,000	–		1 Sept 2018–31 Aug 2019
			6,750,000	–	–	–	–	6,750,000		1 Sept 2019–31 Aug 2020
			6,750,000	–	–	–	–	6,750,000		1 Sept 2020–31 Aug 2021
Zhu Wen	1 Sept 2015	5,000,000	–	–	–	–	–	–	1.24	1 Sept 2017–31 Aug 2018
			1,000,000	–	–	–	1,000,000	–		1 Sept 2018–31 Aug 2019
			1,500,000	–	–	–	–	1,500,000		1 Sept 2019–31 Aug 2020
			1,500,000	–	–	–	–	1,500,000		1 Sept 2020–31 Aug 2021
Zhu Shunshou	12 Jun 2018	6,250,000	–	1,250,000	–	–	1,250,000	–	1.04	12 Jun 2020–11 Jun 2021
			–	1,250,000	–	–	1,250,000	–		12 Jun 2021–11 Jun 2022
			–	1,875,000	–	–	1,875,000	–		12 Jun 2022–11 Jun 2023
			–	1,875,000	–	–	1,875,000	–		12 Jun 2023–11 Jun 2024
Other employees (in aggregate)	1 Sept 2015	55,250,000	–	–	–	–	–	–	1.24	1 Sept 2017–31 Aug 2018
			4,400,000	–	–	–	4,400,000	–		1 Sept 2018–31 Aug 2019
			6,600,000	–	–	2,250,000	–	4,350,000		1 Sept 2019–31 Aug 2020
			6,600,000	–	–	2,250,000	–	4,350,000		1 Sept 2020–31 Aug 2021
	12 Jun 2018	104,017,856	–	20,803,571	–	–	–	20,803,571	1.04	12 Jun 2020–11 Jun 2021
			–	20,803,571	–	–	–	20,803,571		12 Jun 2021–11 Jun 2022
			–	31,205,357	–	–	–	31,205,357		12 Jun 2022–11 Jun 2023
			–	31,205,357	–	–	–	31,205,357		12 Jun 2023–11 Jun 2024

Note:

(1) 4,500,000 share options were forfeited during the Reporting Period.

(2) 22,150,000 share options were lapsed during the Reporting Period and 21,600,000 share options were lapsed after the Reporting Period on 27 March 2019.

(3) The closing price of the shares of the Company immediately before the date of grant of options on 12 June 2018 (i.e. 11 June 2018) was HK$1.01.

Directors' Rights to Acquire Shares or Debentures

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

Directors' Interests in Competing Business

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

Directors' and Controlling Shareholders' Interests in Contracts of Significance

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

Connected Transactions

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

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

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

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

Pursuant to the terms and conditions of the Notes, Greenland Financial has served an extension notice and the Company has acknowledged and agreed to such extension notice, whereby the maturity date of the notes shall be extended by one calendar year from 15 January 2019 to 15 January 2020.

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

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

For further details, please refer to the announcements of the Company dated 20 August 2015, 11 September 2015, 19 October 2015, 11 October 2016, 15 November 2017 and 15 January 2019, and the circulars of the Company dated 21 September 2015 and 28 December 2017.

(ii) On 6 September 2018, a subsidiary of the Company, Broad Greenstate Ecological, entered into a property sale agreement ("Property Sale Agreement") with Shanghai Kaitai Real Estate Development Co., Ltd. ("**Shanghai Kaitai**"), pursuant to which Shanghai Kaitai agreed to sell and Broad Greenstate Ecological agreed to acquire the property which located at the 8th floor at No. 608, 5th Building, 1588 Lane, Zhuguang Road, Shanghai, the PRC with a total gross floor area of approximately 2,731.86 square meters at a consideration of RMB124,966,696.00. On 6 September 2018, Broad Greenstate Ecological and Shanghai Kaitai entered into a property lease agreement (the "Property Lease Agreement"), pursuant to which Shanghai Kaitai agreed to lease the properties located at the 7th and 8th floors at No. 608, 5th Building, 1588 Lane, Zhuguang Road, Shanghai, the PRC to Broad Greenstate Ecological at a rental of RMB793,428.79 per month. On 6 September 2018, Broad Greenstate Ecological entered into a supplemental agreement (the "Supplemental Agreement") to the Property Sale Agreement with Shanghai Kaitai (the Property Sale Agreement and the Supplemental Agreement collectively, the "Property Acquisition Agreements") to further amend the Property Sale Agreement.

Greenland indirectly holds approximately 29.66% equity interest in the Company through Greenland Financial Holdings Company Limited* (綠地金融投資控股集團有限公司) and Greenland Financial. Thus, Greenland is a connected person of the Company as defined under the Listing Rules. Greenland indirectly holds 50% equity interest in Shanghai Kaitai through Greenland Estate Group Co., Ltd.* (綠地地產集團有限公司). Therefore, Shanghai Kaitai is an associate of Greenland and thus a connected person of the Company. As such, the transactions contemplated under the Property Lease Agreement and the transactions contemplated under the Property Acquisition Agreements constitute connected transactions of the Company.

For further details, please refer to the announcements of the Company dated 6 September 2018, 28 September 2018, 23 October 2018, 13 November 2018, 15 November 2018 and 5 December 2018 and the circular of the Company dated 20 November 2018.

Exempt Continuing Connected Transactions

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

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

(ii) On 1 January 2017, Mr. Wu, Ms. Xiao and Broad Greenstate Ecological entered into a tenancy agreement, pursuant to which Mr. Wu and Ms. Xiao, as the landlords, agreed to lease an office premises of a gross floor area of 791 sq.m. located at Rooms 801–808, No. 1357 Mei Chuan Road, Putuo District, Shanghai, the PRC to Broad Greenstate Ecological, as the tenant, for use as the Group's office. The term of the tenancy agreement is for a period of three years commencing from 1 January 2017 and ending on 31 December 2019. The rental for the tenancy agreement shall be RMB800,000 for the financial years ending 31 December 2019, which was determined based on arm's length negotiations between the Group and Mr. Wu and Ms. Xiao. The tenancy agreement was terminated on 31 March 2018.

As each of the applicable percentage ratios (other than the profit ratio) under Rule Chapter 14A of the Listing Rules for the transaction contemplated under the tenancy agreement, on an annual basis, is less than 5% and the annual consideration is less than HK$3,000,000, such continuing connected transaction is a de minimis transaction which is exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(iii) On 1 April 2018, Mr. Wu, Ms. Xiao and Zhongbo Construction Engineering Group Co., Ltd. ("Zhongbo Construction")(an indirect non-wholly-owned subsidiary of the Company, which is owned as to 85% by the Group and 15% by independent third parties) entered into a tenancy agreement, pursuant to which Mr. Wu and Ms. Xiao, as the landlords, agreed to lease an office premises of a gross floor area of 791 sq.m. located at Rooms 801–808, No. 1357 Mei Chuan Road, Putuo District, Shanghai, the PRC to Zhongbo Construction, as the tenant, for use as Zhongbo Construction's office. The term of the tenancy agreement is for a period commencing from 1 April 2018 and ending on 31 December 2020. The rental for the tenancy agreement shall be RMB860,000 for the financial years ending 31 December 2020, which was determined based on arm's length negotiations between Zhongbo Construction and Mr. Wu and Ms. Xiao. The tenancy agreement was terminated on 31 July 2018.

As each of the applicable percentage ratios (other than the profit ratio) under Rule Chapter 14A of the Listing Rules for the transaction contemplated under the tenancy agreement, on an annual basis, is less than 5% and the annual consideration is less than HK$3,000,000, such continuing connected transaction is a de minimis transaction which is exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Related Party Transactions

During the year ended 31 December 2018, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into related party transactions with the Group which are disclosed in note 38 to the financial statements on page 161 of this annual report. These transactions were not regarded as connected transactions or were exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Company accordingly complied with the requirements in Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transaction as set out in the Annual Report.

Corporate Governance

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

Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 14 to 26 of this annual report.

Model Code for Securities Transactions

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

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

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

Major Risk and Uncertainties

Business impacted by the political and economic situation in the PRC

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

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

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

We are subject to the risks associated with the tendering process

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

We do not have long-term commitments with our customers

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

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

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

Environmental policy and performance

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

Relationship with Employees, Suppliers and Customers

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

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

Compliance with Laws and Regulations

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

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

Employee and Remuneration Policy

As at 31 December 2018, the Group had 328 full time employees in the PRC. During the Reporting Period, the staff cost of the Group was approximately RMB21.5 million.

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

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

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

The remuneration of Directors and Chief executives has been disclosed in note 8 to the financial statements on page 120 in this annual report.

Sufficiency of Public Float

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

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

Post Balance Sheet Events

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

Record Date

For the purpose of determining the Shareholders' eligibility to attend and vote at the 2019 annual general meeting, the record date will be on Friday, 17 May 2019. In order to be eligible to attend and vote at the meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 17 May 2019.

Audit Committee

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

Auditors

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

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

Shanghai, the PRC
27 March 2019

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

Opinion

We have audited the consolidated financial statements of China Greenland Broad Greenstate Group Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 70 to 175, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

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

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts with customers	
During the year ended 31 December 2018, revenue arising from construction-type contracts in landscape projects, which represented 98.4% of the Group's total revenue, was recognised in the construction period by reference to the progress towards completion of contract activities at the end of the reporting period, provided that the inputs of the contracts can be measured reliably according to the application of HKFRS 15. The input method involves the use of significant management judgements and estimates including estimates of the progress towards completion, variable contract revenue and contract risks. In addition, revenue, cost and gross profit realised on such contracts may vary significantly from the Company's original estimates due to changes in conditions. Disclosures about revenue from construction contracts with customers are included in notes 3 and 5 to the financial statements.	To address this key audit matter, we performed the following procedures: — Reassessing the impact of adoption of HKFRS 15 on contracts signed in the previous periods and not yet completed as at 1 January 2018; — Conducting walkthroughs and tests of controls identified; — Examining the construction contracts signed in current year and reviewing the project target and key clauses; — Reviewing the forecasted total budget cost for each project taking into account the accuracy of previous forecasts and comparing ongoing actual costs with the forecasted costs; — Assessing management's determination of constraint over variable contract revenue; — Discussing the status of projects under construction with management, financial officers, and technical staff of the Group; — Checking, on a sample basis, to suppliers' invoices to assess the completion status of each project and interviewing key customers; and — Inspecting significant projects which were under construction on the construction sites.

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables, contract assets and other receivables	
At 31 December 2018, the Group had gross trade receivables, contract assets and other receivables of RMB1,182 million, RMB1,114 million and RMB114 million respectively, after netting off the impairment provision of RMB35.6 million, RMB6.9 million and RMB21.4 million, representing 69% of the total assets of the Group. Significant judgement and estimation by management are involved in the assessment of impairment, based on the expected credit loss to be incurred, by taking into account the ageing of trade receivable balances and contract asset balances, the credit quality and credit loss history of debtors, and different features of specific customers. Both current and future general economic conditions are also taken into consideration by management in the estimation. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade receivables and contract assets and the loss allowance for trade receivables and contract assets in the year in which such estimate has been changed. Other receivables mainly represent deposits with suppliers and receivables resulted from disposal of a subsidiary (note 35). Expected credit loss is estimated by considering the credit risk stage, the payment term arrangement and the collateral provided. The accounting judgements and estimates and disclosures for the recognition of impairment for trade receivables, contract assets and other receivables are included in notes 3, 22, 23 and 24 to the financial statements.	Our procedures included, among others: — Testing of controls over the Group's assessment of the provision performed at each period end; — Reviewing of the ageing analysis which we tested on a sample basis; — Examining the information used by management to estimate the loss allowance for trade receivables, including testing of the historical default data, evaluating adjustment made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors, and examining the actual credit losses recorded during the current financial year; — Testing, on a sample basis, the collection of receivables after the year end from the customers and reviewing any correspondence with customers on expected settlement dates; — Obtaining other corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available; — Understanding the nature of other receivables; — Checking the payment term arrangement of other receivables; — Reviewing the credit risk stage assessment made by management; — Assessing the fair value of collateral provided to other receivables.

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

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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.

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**889,548**	1,336,327
Cost of sales		**(666,678)**	(980,675)
Gross profit		**222,870**	355,652
Other income and gains	5	**51,069**	1,934
Administrative expenses		**(93,947)**	(95,151)
Impairment losses on financial and contract assets		**(60,983)**	(38,090)
Finance costs	7	**(67,757)**	(44,537)
Share of profits and losses of joint ventures		**13,133**	(1,560)
PROFIT BEFORE TAX	6	**64,385**	178,248
Income tax expense	10	**(22,295)**	(34,004)
PROFIT FOR THE YEAR		**42,090**	144,244
Attributable to:			
Owners of the parent		**59,243**	155,619
Non-controlling interests		**(17,153)**	(11,375)
		42,090	144,244
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,629)**	25,938
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(2,629)**	25,938
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(2,629)**	25,938
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**39,461**	170,182

	Note	2018 RMB'000	2017 RMB'000
Total comprehensive income			
Attributable to:			
Owners of the parent		**56,614**	181,557
Non-controlling interests		**(17,153)**	(11,375)
		39,461	170,182

	Note	2018 RMB	2017 RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic			
— For profit for the year	12	**0.02**	0.05
Diluted			
— For profit for the year	12	**0.02**	0.05

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**144,791**	31,934
Investment properties	14	**—**	19,079
Prepaid land lease payments	15	**—**	594
Goodwill	16	**3,060**	8,378
Other intangible assets	17	**61,091**	64,544
Investments in joint ventures	18	**248,415**	108,397
Financial assets at fair value through profit or loss	19	**12,410**	—
Available-for-sale investments	19	**—**	7,296
Construction contracts	21	**—**	537,618
Contract assets	22	**513,571**	—
Prepayments, other receivables and other assets	24	**—**	47,616
Deferred tax assets	30	**6,709**	20,117
Pledged deposits	25	**450**	53,518
Total non-current assets		**990,497**	899,091
CURRENT ASSETS			
Biological assets	20	**31,017**	40,413
Trade receivables	23	**1,146,346**	1,640,557
Construction contracts	21	**—**	667,134
Contract assets	22	**593,131**	—
Prepayments, other receivables and other assets	24	**189,744**	220,720
Pledged deposits	25	**13,500**	25,500
Cash and bank balances	25	**431,093**	522,295
Total current assets		**2,404,831**	3,116,619
CURRENT LIABILITIES			
Corporate bonds	26	**289,752**	261,609
Trade and bills payables	27	**1,003,068**	1,736,386
Other payables and accruals	28	**340,056**	269,887
Interest-bearing bank and other borrowings	29	**385,550**	253,069
Tax payable		**156,671**	156,240
Total current liabilities		**2,175,097**	2,677,191
NET CURRENT ASSETS		**229,734**	439,428
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,220,231**	1,338,519

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*29*	**327,600**	415,200
Deferred tax liabilities	*30*	**5,465**	10,334
Total non-current liabilities		**333,065**	425,534
NET ASSETS		**887,166**	912,985
EQUITY			
Equity attributable to owners of the parent			
Share capital	*31*	**66,396**	66,396
Other reserves	*32*	**778,552**	776,241
		844,948	842,637
Non-controlling interests		**42,218**	70,348
Total equity		**887,166**	912,985

Wu Zhengping
Director

Xiao Li
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Notes	Share capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Statutory and other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent								
At 31 December 2017		66,396	190,109	9,124	3,471	(1,303)	574,840	842,637	70,348	912,985
Effect of adoption of HKFRS 9	2.2	–	–	–	–	–	(9,246)	(9,246)	–	(9,246)
At 1 January 2018		66,396	190,109	9,124	3,471	(1,303)	565,594	833,391	70,348	903,739
Profit for the year		–	–	–	–	–	59,243	59,243	(17,153)	42,090
Other comprehensive loss for the year:										
Exchange differences related to foreign operations		–	–	–	–	(2,629)	–	(2,629)	–	(2,629)
Total comprehensive income for the year		–	–	–	–	(2,629)	59,243	56,614	(17,153)	39,461
Acquisition of a subsidiary	34	–	–	–	–	–	–	–	8,017	8,017
Acquisition of non-controlling interest		–	–	–	(3,123)	–	–	(3,123)	(13,373)	(16,496)
Disposal of subsidiaries	35	–	–	–	–	–	–	–	(11,146)	(11,146)
Equity-settled share option arrangements	33	–	–	(3,434)	–	–	–	(3,434)	–	(3,434)
Final 2017 dividend declared		–	(38,500)	–	–	–	–	(38,500)	–	(38,500)
Transfer from retained profits		–	–	–	6,392	–	(6,392)	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	5,525	5,525
At 31 December 2018		66,396	151,609*	5,690*	6,740*	(3,932)*	618,445*	844,948	42,218	887,166

These reserve accounts comprise the consolidated other reserves of RMB778,552,000 (2017: RMB776,241,000) in the consolidated statement of financial position.

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

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**64,385**	178,248
Adjustments for:			
Finance costs	*7*	**67,757**	44,537
Share of profits and losses of joint ventures		**(13,133)**	1,560
Gains on acquisition of subsidiaries		**—**	(36)
Gains on disposal of subsidiaries	*35*	**(6,829)**	—
Loss/(gain) on disposal of items of property, plant and equipment	*6*	**3**	(59)
Loss on disposal of an investment property	*6*	**4,822**	—
Fair value (gains)/losses on biological assets	*5*	**(676)**	1,584
Fair value losses on non-equity Investments at fair value through profit or loss	*5*	**4**	—
Depreciation	*6,13,14*	**6,229**	4,252
Amortisation of other intangible assets	*6,17*	**3,663**	2,657
Amortisation of prepaid land lease payments	*15*	**12**	12
Impairment of financial and contract assets	*6,22*	**60,983**	33,315
Forfeiture of equity-settled share option arrangements	*6*	**(3,434)**	(404)
		183,786	265,666
Increase in trade receivables		**(116,791)**	(421,440)
(Increase)/decrease in prepayments and other receivables		**(62,694)**	52,730
Increase in contract assets		**(147,567)**	(192,688)
Decrease/(increase) in biological assets		**2,093**	(344)
Increase in trade and bills payables		**81,651**	463,637
Increase in other payables and accruals		**66,471**	112,002
Decrease/(increase) in pledged deposits for contract assets		**65,068**	(79,018)
Cash generated from operations		**72,017**	200,545
PRC tax paid		**(11,741)**	(16,505)
Net cash flows from operating activities		**60,276**	184,040
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(105,768)**	(38,338)
Proceeds from disposal of an investment property		**10,988**	—
Proceeds from disposal of property, plant and equipment		**4,512**	3,352
Purchase of intangible assets	*17*	**(210)**	(42,555)
Purchase of financial assets at fair value through other comprehensive income/available-for-sale investments	*19*	**(5,118)**	(7,296)
Purchase of shareholdings in joint ventures		**(131,785)**	(104,501)
Acquisition of a subsidiary	*34*	**3,447**	6,017
Disposal of subsidiaries	*35*	**(12,933)**	—
Decrease in time deposits with original maturity of more than three months		**11,003**	—
Net cash flows used in investing activities		**(225,864)**	(183,321)

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**449,350**	752,797
Repayment of bank loans		**(347,069)**	(328,044)
Increase in amounts due to related parties	*28*	**66,157**	—
Contribution from non-controlling shareholders		**5,525**	21,567
Sales of a subsidiary's shares to non-controlling shareholders		**—**	18,480
Dividends paid		**(38,500)**	(35,031)
Acquisition of non-controlling interests		**(7,922)**	—
Interest paid		**(42,141)**	(36,206)
Net cash flows from financing activities		**85,400**	393,563
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		**(80,188)**	394,282
Cash and bank balances at beginning of year		**511,292**	116,857
Effect of foreign exchange rate changes, net		**(11)**	153
CASH AND BANK BALANCES AT END OF YEAR	*25*	**431,093**	511,292

1. Corporate and Group Information

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

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			direct	indirect	
Greenstate Times International Company Limited ("Greenstate Times")	British Virgin Islands	USD50,000	100%	—	Investment holding
Greenstate International Company Limited ("Greenstate International")	Hong Kong	HKD10,000	—	100%	Investment holding
Shanghai Qianyi Landscape Engineering Company Limited#	People's Republic of China (The "PRC")/ Mainland China	USD37,000,000	—	100%	Investment holding
Shanghai Qianyi Investing Company Limited#	PRC/Mainland China	RMB2,000,000	—	100%	Investment holding
Shanghai Greenstate Business Management Company Limited ("Greenstate Business")#	PRC/Mainland China	RMB32,000,000	—	100%	Landscaping
Broad Greenstate Ecological Construction Group Company Limited ("Broad Greenstate Ecological")#	PRC/Mainland China	RMB1,050,000,000	—	100%	Landscaping
Shanghai Jiazhuan Industrial Co., Ltd.#	PRC/Mainland China	RMB48,500,000	—	100%	Investment holding
Shanghai Greenstate Gardening Company Limited ("Greenstate Gardening")#	PRC/Mainland China	RMB5,000,000	—	100%	Landscaping

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			direct	indirect	
Zhejiang Greenstate Ecological Gardening Company Limited#	PRC/Mainland China	RMB30,000,000	—	100%	Landscaping
Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. ("Shanghai Dongjiang")#	PRC/Mainland China	RMB13,000,000	—	100%	Design
Shanghai Dongjiang Building Landscape Engineering Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	100%	Landscaping
Shanghai Bifu Investment Center LLP	PRC/Mainland China	RMB190,000,000	—	100%	Investment holding
Yuzhou Shenhou Old Town Protection Construction Co., Ltd.#	PRC/Mainland China	RMB50,000,000	—	90%	Project management
Zhongbo Construction Engineering Group Co., Ltd. ("Zhongbo Construction")#	PRC/Mainland China	RMB321,000,000	—	85%	Landscaping
Shanghai Zhubai Enterprise Management Co., Ltd#	PRC/Mainland China	RMB1,000,000	—	100%	Investment holding
Shanghai Chengtou Virescence Technology Development Co.,Ltd ("Shanghai Chengtou")#	PRC/Mainland China	RMB36,000,000	—	75%	Landscaping
Shanghai Luyou Investment Center	PRC/Mainland China	RMB20,000,000	—	80%	Investment holding
Shanghai Qingfu Business Management Consulting Center LLP ("Shanghai Qingfu")	PRC/Mainland China	RMB20,000,000	—	96%	Investment holding
Shanghai Zhaofu Business Management Consulting Center LLP	PRC/Mainland China	RMB20,000,000	—	100%	Investment holding
Shanghe Greenland Broad Green Spring Construction Company Limited#	PRC/Mainland China	RMB100,452,400	—	88%	Landscaping

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

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

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendment to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4, Amendments to HKFRS 2 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification, the amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

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

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

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

2.2 Changes in Accounting Policies and Disclosures (Continued)

(b) (Continued)

Classification and measurement (Continued)

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

		HKAS 39 measurement					HKFRS 9 measurement	
	Note	Category	Amount	Re-classification	ECL	Other	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets								
Financial assets at fair value through profit or loss		N/A	—	7,296	—	—	7,296	FVPL (mandatory)[1]
From: Available-for-sale investments	(i)	AFS[2]	7,296	(7,296)	—	—	—	N/A
Trade receivables	(ii)	L&R[3]	1,676,461	—	(46,196)	—	1,630,265	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R[3]	220,720	—	—	—	220,720	AC[4]
Pledged deposits		L&R[3]	79,018	—	—	—	79,018	AC[4]
Cash and bank balances		L&R[3]	522,295	—	—	—	522,295	AC[4]
Other assets								
Contract assets	(ii)		1,215,044	—	—	—	1,215,044	
Deferred tax assets			20,117	—	1,656	—	21,773	
Total assets			3,740,951	—	(44,540)	—	3,696,411	

1 FVPL: Financial assets at fair value through profit or loss

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(c) to the financial statements.

2.2 Changes in Accounting Policies and Disclosures (Continued)

(b) (Continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 22 and 23 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	ECL allowance under HKFRS 9 at 1 January 2018 RMB'000
Trade receivables	46,196	4,560	50,756
Contract asset	—	6,342	6,342
	46,196	10,902	57,098

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits RMB'000
Retained profits	
Balance as at 31 December 2017 under HKAS 39	574,840
Recognition of expected credit losses for contract assets under HKFRS 9	(6,342)
Recognition of expected credit losses for trade receivables under HKFRS 9	(4,560)
Deferred tax in relation to the above	1,656
Balance as at 1 January 2018 under HKFRS 9	565,594

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 Changes in Accounting Policies and Disclosures (Continued)

(c) (Continued)

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

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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

	Notes	**Increase/ (decrease)** RMB'000
Assets		
Construction contracts	*(i)*	(1,204,752)
Trade receivables	*(ii)*	(10,292)
Contract assets	*(i)*	1,215,044
Total assets		—

Consolidated statement of financial position as at 31 December 2018:

		Amount prepared under		
	Notes	**HKFRS 15** RMB'000	**Previous HKFRS** RMB'000	**Increase/ (decrease)** RMB'000
Construction contracts		—	1,096,410	(1,096,410)
Trade receivables	*(i)*	1,146,346	1,156,638	(10,292)
Contract assets	*(i)*	1,106,702	—	1,106,702
Total assets		2,253,048	2,253,048	—

2.2 Changes in Accounting Policies and Disclosures (Continued)

(c) (Continued)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Construction services

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as construction contracts in the statement of financial position before the construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB1,204,752,000 from construction contracts to contract assets as at 1 January 2018.

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB10,292,000 from trade receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in trade receivables of RMB10,292,000, a decrease in construction contracts of RMB1,096,410,000 and an increase in contract assets of RMB1,106,702,000.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group did not reclassify advances received from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance since there's no advance from customer as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB37,010,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the provision of construction and design and maintenance services.

(d) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
Amendments to HKFRS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendments, Curtailment and Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] *Effective for annual periods beginning on or after 1 January 2019*
[2] *Effective for annual periods beginning on or after 1 January 2020*
[3] *Effective for annual periods beginning on or after 1 January 2021*
[4] *No mandatory effective date yet determined but available for adoption*

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

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

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB8,606,000 and lease liabilities of RMB8,679,000 will be recognised at 1 January 2019.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

2.4 Summary of Significant Accounting Policies

Investments in joint ventures

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

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Investments in joint ventures (Continued)

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

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

Business combinations and goodwill

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

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

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

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.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

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

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

Fair value measurement

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

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

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.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets

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

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

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

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;

2.4 Summary of Significant Accounting Policies (Continued)

Related parties (Continued)

(b) (Continued)

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

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

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

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

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

Property, plant and equipment and depreciation

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

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

Investment properties

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

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

Intangible assets (other than goodwill)

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

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

Licences and software

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

2.4 Summary of Significant Accounting Policies (Continued)

Leases

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

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

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investment designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (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 administrative expenses for receivables.

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" 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 the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than two months past due.

The Group considers financial assets in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-months ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of 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 the statement of 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.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (Continued)

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 amortization) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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

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

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 the statement of 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 the statement of 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 the statement of profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)

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

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (Continued)

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 the statement of 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 the statement of profit or loss.

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

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 contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

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.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 Summary of Significant Accounting Policies (Continued)

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

Biological assets

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

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and bank balances 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 bank balances 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.

2.4 Summary of Significant Accounting Policies (Continued)

Provisions (Continued)

The Group provides for warranties in relation to the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group on certain products are recognised based on sales volume and past experience of level of repairs and returns, discounted to their present values as appropriate.

Income tax

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

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.

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.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (applicable from 1 January 2018) (Continued)

Construction, design and maintenance services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

Revenue from other sources

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income

Interest income is recognised 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.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

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

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" below;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services (applicable before 1 January 2018)" below;

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

(d) 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

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

2.4 Summary of Significant Accounting Policies (Continued)

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Construction contracts (applicable before 1 January 2018)

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

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

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

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.

2.4 Summary of Significant Accounting Policies (Continued)

Contracts for services (applicable before 1 January 2018)

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Share-based payments (Continued)

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

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

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

Other employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

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

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Determining the method to estimate variable consideration and assessing the constraint for construction services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

Operating lease commitments — Group as lessor

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

3. Significant Accounting Judgements and Estimates (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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.

Variable considerations for claims to customers

The Group developed a statistical model for estimating expected successful claims. The model used the historical claims data including the historical experiences with the similar customer, profitability of the head contracts of the customers and economic conditions to estimate expected successful claims percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical successful claims pattern will impact the expected successful claims percentages estimated by the Group.

The Group updates its assessment of expected successful claims annually. Estimates of expected successful claims are sensitive to changes in circumstances and the Group's past experience regarding negotiation of claims may not be representative of the actual outcome in the future.

Percentage of completion of construction contract works

The Group recognises revenue according to the percentage of completion of individual contracts of construction work, which requires estimation to be made by management. The percentage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, which are prepared based on past experience, complexity of the project and the current quotation or market price of materials or services obtained. Due to the nature of the activities undertaken for the construction contracts, the date at which the contract is entered into and the date at which the contract is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract costs are more than expected, the gross profit of the relevant project will be fluctuated and an expected loss may arise. Further details are given in notes 5 and 22 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB3,060,000 (2017: RMB8,378,000). Further details are given in note 16.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 23 and note 22 to the financial statements, respectively.

Provision for expected credit losses on other receivables

The Group calculate ECLs for other receivables by considering payment term arrangement, the credit risk stage and the collateral provided. The assessment of the credit risk stage and ECLs is a significant estimate. The estimated ECLs for other receivables may not be representative of debtors' actual default in the future. The information about the ECLs on the Group's other receivables is disclosed in note 24 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB6,709,000 as at 31 December 2018 (2017: RMB20,117,000) (note 30).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 15, 16 and 17 to the financial statements.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Application of purchase price allocation

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

(a) discounted cash flow projection based on reliable estimates of future cash flows from the sale of biological assets, considering external evidence such as the current market price of similar biological assets, and using discount rates that reflect current market assessments of uncertainty in the amount and timing of the cash flows; and

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

Further details of the business combinations are given in note 34 to the financial statements.

4. Operating Segment Information

The Group's principal business is providing landscape design and gardening and related services. Except for the corporate bond disclosed in Note 26, 100% of the Group's revenue and operating profit were generated from providing the service of landscaping. No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since 100% of the Group's revenue and operating profit were generated from Mainland China and 100% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

4. Operating Segment Information (Continued)

Information about major customers

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

	2018 RMB'000	2017 RMB'000
Customer A	**331,758**	382,401
Customer B	**88,780**	—
Customer C	*	226,917
Customer D	*	134,718
Customer E	*	134,568

* *Less than 10% of the total revenue*

5. Revenue, Other Income and Gains

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	**889,548**	—
Construction	**—**	1,334,200
Rendering of design services	**—**	2,127
	889,548	1,336,327

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Type of goods or services sold	
Construction services	875,562
Design and maintenance services	13,986
Total	889,548
Timing of revenue recognition	
Services transferred overtime	889,548

5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligation

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

Construction services

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

Design and maintenance services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Design and maintenance service contracts are for periods of one year or less, or are billed based on the time incurred.

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

	RMB'000
Within one year	433,374
More than one year	891,318
	1,324,692

The remaining performance obligations expected to be recognised in more than one year related to construction services that are to be satisfied within 3 years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. Revenue, Other Income and Gains (Continued)

	2018 RMB'000	2017 RMB'000
Other income		
Bank interest income	**1,536**	836
Other interest income arising from revenue contracts*	**44,958**	3,401
Rental income	**627**	95
Others	**(990)**	36
	46,131	4,368
Gains		
Gains on disposal of subsidiaries	**6,829**	—
Government grants**	**2,712**	2,846
Fair value gains/(losses), net		
Unlisted non-equity investments at fair value through profit or loss	**(4)**	—
Biological assets	**676**	(1,584)
Loss on disposal of investment property	**(4,822)**	—
Foreign exchange loss, net	**(453)**	(3,696)
	4,938	(2,434)
	51,069	1,934

* *Other interest income arises from contracts with customers which provide the customers with a significant benefit of financing the transfer of construction services to the customers. The promised amounts of consideration for construction services are adjusted using the discount rates that reflect the credit characteristics of the customers.*

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

6. Profit Before Tax

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of construction contracts		**658,340**	979,189
Cost of services provided		**8,338**	1,486
Employee benefit expenses (including directors' and chief executive's remuneration as set out in note 8)			
Wages and salaries		**15,212**	20,511
Pension scheme contributions		**9,720**	9,514
Less: Forfeiture of equity-settled share option arrangements		**(3,434)**	(404)
		21,498	29,621
Depreciation	*13,14*	**6,229**	4,252
Amortisation of other intangible assets*	*17*	**3,663**	2,657
Amortisation of prepaid land lease payments	*15*	**12**	12
Bank interest income	*5*	**(1,536)**	(836)
Interest income from revenue contracts	*5*	**(44,958)**	(3,401)
Gain on disposal of subsidiaries	*5,35*	**(6,829)**	—
Loss on disposal of investment property		**4,822**	—
Impairment of financial and contract assets:			
Impairment of trade receivables	*23*	**44,635**	33,315
Impairment of contract assets	*22*	**526**	—
Impairment of financial assets included in prepayments, other receivables and other assets	*24*	**15,822**	3,400
Consulting fees		**8,770**	7,970
Auditor's remuneration		**2,200**	2,400
Loss/(gain) on disposal of items of property, plant and equipment		**3**	(59)
Minimum lease payments under operating leases		**6,782**	5,574

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

7. Finance Costs

	2018 RMB'000	2017 RMB'000
Interest on bank loans, overdrafts and other borrowings	**41,181**	19,855
Interest on corporate bonds	**26,576**	24,682
Total interest expense on financial liabilities not at fair value through profit or loss	**67,757**	44,537

8. Directors' and Chief Executive's 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:

	Group	
	2018 RMB'000	2017 RMB'000
Fees	**224**	240
Other emoluments:		
Salaries, allowances and benefits in kind	**3,479**	3,697
Equity-settled share option expense	**–**	1,337
Pension scheme contributions	**450**	540
	4,153	5,814

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

The remuneration of each executive director and non-executive director is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2018				
Executive directors				
Mr. Wu Zhengping (a)	–	960	90	1,050
Ms. Xiao Li (a)	–	960	90	1,050
Ms. Chen Min (b)	–	359	90	449
Ms. Zhu Wen (a)	–	600	90	690
Non-executive directors				
Mr. Dai Guoqiang (c)	80	–	–	80
Dr. Chan Wing Bun (d)	64	–	–	64
Dr. Jin Hexian (e)	80	–	–	80
Total	224	2,879	360	3,463

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

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

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

The remuneration of each executive director and non-executive director is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2017					
Executive directors					
Mr. Wu Zhengping (a)	—	960	90	642	1,692
Ms. Xiao Li (a)	—	960	90	481	1,531
Mr. Wang Lei (g)	—	200	90	107	397
Ms. Chen Min (b)	—	359	90	—	449
Ms. Zhu Wen (a)	—	600	90	107	797
Non-executive directors					
Mr. Dai Guoqiang (c)	80	—	—	—	80
Mr. Zhang Qing (h)	80	—	—	—	80
Dr. Jin Hexian (e)	80	—	—	—	80
Total	240	3,079	450	1,337	5,106

Notes:

(a) *Appointed on 3 January 2014*

(b) *Appointed on 13 April 2017*

(c) *Appointed on 25 June 2014*

(d) *Appointed on 13 March 2018*

(e) *Appointed on 29 August 2014*

(f) *Employed on 1 September 2017*

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

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

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

9. Five Highest Paid Employees

The five highest paid employees during the year included four executive directors (2017: four executive directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2017: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	600	816
Pension scheme contributions	90	90
	690	906

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

	Number of employees	
	2018	2017
Nil to HK$1,000,000	1	1

10. Income Tax

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

	2018 RMB'000	2017 RMB'000
Current — PRC		
Charge for the year	22,733	40,120
Deferred *(note 30)*	(438)	(6,116)
Total tax charge for the year	22,295	34,004

10. Income Tax (Continued)

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

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

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law") by order No. 63 of the President of the PRC which became effective from 1 January 2008. On 6 December 2007, the State Council issued the Implementation Regulation of the New EIT Law. Pursuant to the New EIT Law and Implementation Regulation, a uniform income tax rate of 25% was imposed on both domestic and foreign-invested enterprises from 1 January 2008. On 22 April 2009, the State Administration of Taxation issued State Tax Letter No. 203 about preferential income tax rate on new hi-technology enterprises. This letter states that an income tax rate of 15% is imposed on new hi-technology enterprises. Broad Greenstate Ecological applied for the recognition of new hi-technology enterprise, which was approved on 23 November 2017 and was effective for three years from 2017 to 2019 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2017 to 2019 for Broad Greenstate Ecological.

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

	2018 **RMB'000**	2017 RMB'000
Profit before tax	**64,385**	178,248
Tax at the statutory tax rate (25%)	**16,096**	44,562
Lower tax rate(s) for specific provinces or enacted by local authority	**(9,054)**	(23,731)
Effect on opening deferred tax of decrease in rates	**—**	1,069
Adjustments in respect of current tax of previous periods	**(347)**	(66)
Profits and losses attributable to joint ventures	**(3,283)**	390
Income not subject to income tax	**(1,707)**	—
Expenses not deductible for tax	**12,838**	1,178
Tax losses utilised from previous periods	**(1,120)**	—
Tax losses not recognised	**8,872**	10,602
Tax charge at the Group's effective rate	**22,295**	34,004

11. Dividends

	2018 RMB'000	2017 RMB'000
No final dividend for the year ended 31 December 2018 was recommended (2017: HK1.4 cents) per ordinary share	–	38,500

The Board does not recommend any payment of dividend for the year ended 31 December 2018 (2017: HKD0.014 per share).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,342,536,957 (2017: 3,338,009,932) in issue during the year.

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

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

	2018 RMB'000	2017 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**59,243**	155,619

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,342,536,957**	3,338,009,932
Effect of dilution — weighted average number of ordinary shares:		
Share options	–	13,349,402
	3,342,536,957	3,351,359,334
Basic earnings per share (RMB)	**0.02**	0.05
Diluted earnings per share (RMB)	**0.02**	0.05

13. Property, Plant and Equipment

31 December 2018

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2017 and at 1 January 2018:							
Cost	15,845	6,035	14,835	630	4,073	990	42,408
Accumulated depreciation and impairment	(1,989)	(3,627)	(3,557)	(205)	(1,096)	–	(10,474)
Net carrying amount	13,856	2,408	11,278	425	2,977	990	31,934
At 1 January 2018, net of accumulated depreciation and impairment	13,856	2,408	11,278	425	2,977	990	31,934
Additions	122,586	608	1,486	–	5,267	–	129,947
Acquisition of a subsidiary *(note 34)*	30	25	63	–	–	–	118
Disposal	–	(258)	(2,038)	–	(2,219)	–	(4,515)
Disposal of subsidiaries *(note 35)*	(6,292)	(207)	(453)	(25)	–	–	(6,977)
Depreciation provided for the year *(note 6)*	(1,493)	(1,049)	(528)	(4)	(2,642)	–	(5,716)
Transfer	–	–	–	–	990	(990)	–
At 31 December 2018, net of accumulated depreciation and impairment	128,687	1,527	9,808	396	4,373	–	144,791
At 31 December 2018:							
Cost	131,851	6,179	13,849	597	8,111	–	160,587
Accumulated depreciation and impairment	(3,164)	(4,652)	(4,041)	(201)	(3,738)	–	(15,796)
Net carrying amount	128,687	1,527	9,808	396	4,373	–	144,791

At 31 December 2018, certain of the Group's buildings with a net carrying amount of approximately RMB128,657,000 (2017: RMB7,480,000) were pledged to secure bank loans granted to the Group.

13. Property, Plant and Equipment (Continued)

31 December 2017

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

14. Investment Properties

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**19,079**	—
Additions from acquisition	**—**	19,739
Disposal	**(18,566)**	—
Depreciation provided for the year *(note 6)*	**(513)**	(660)
Carrying amount at 31 December	**—**	19,079

At 31 December 2018, the Group had no investment properties (2017: RMB19,079,000).

15. Prepaid Land Lease Payments

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**594**	—
Acquisition of a subsidiary	**—**	606
Disposal of subsidiaries *(note 35)*	**(582)**	—
Amortisation provided during the year *(note 6)*	**(12)**	(12)
Carrying amount at 31 December	**—**	594

At 31 December 2018, due to the disposal of subsidiaries, the Group had no prepaid land lease payments (2017: RMB594,000).

16. Goodwill

	RMB'000
At 1 January 2017	
Cost	1,916
Accumulated impairment	—
Net carrying amount	1,916
Cost at 1 January 2017, net of accumulated impairment	1,916
Acquisition of a subsidiary	6,462
Impairment during the year	—
At 31 December 2017	8,378
At 31 December 2017	
Cost	8,378
Accumulated impairment	—
Net carrying amount	8,378
Cost at 1 January 2018, net of accumulated impairment	8,378
Acquisition of a subsidiary *(note 34)*	1,144
Disposal of subsidiaries *(note 35)*	(6,462)
Cost and net carrying amount at 31 December 2018	3,060
At 31 December 2018	
Cost	3,060
Accumulated impairment	—
Net carrying amount	3,060

Impairment testing of goodwill

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

The recoverable amount of the Unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projection was 16% (2017:16%) and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2017: 5%) which was the same as the long-term average growth rate of the industry.

16. Goodwill (Continued)

Assumptions were used in the value in use calculation of the Unit for 31 December 2018 and 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

17. Other Intangible Assets

	Licences and software RMB'000
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	64,544
Additions	210
Amortisation provided during the year *(note 6)*	(3,663)
At 31 December 2018	61,091
At 31 December 2018:	
Cost	70,302
Accumulated amortisation	(9,211)
Net carrying amount	61,091
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	24,646
Additions	42,555
Amortisation provided during the year	(2,657)
At 31 December 2017	64,544
At 31 December 2017:	
Cost	70,092
Accumulated amortisation	(5,548)
Net carrying amount	64,544

17. Other Intangible Assets (Continued)

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

18. Investment in Joint Ventures

	2018 RMB'000	2017 RMB'000
Share of net assets	248,415	108,397

The Group's trade receivable balances and contract assets due from the joint ventures are disclosed in note 22 and note 23 to the financial statements.

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

			Percentage of			
Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities
Quanzhou Haixi Botanic Garden Development Company Limited ("Quanzhou Haixi")	RMB105,000,000	PRC/ Mainland China	79.50%	40.00%	79.50%	Project management
Qishan Taiping Pagoda Cultural Tourism Development Company Limited ("Qishan Taiping")	RMB87,900,000	PRC/ Mainland China	80.00%	57.14%	80.00%	Project management
Zhaoqing High-Tech Zone Bureau General Hill Sports Park Investment Development Company Limited ("Zhaoqing Park")	RMB10,000,000	PRC/ Mainland China	78.32%	40.00%	78.32%	Project management
Gushi Greenland Broad Greenstate Nanhu Cultural Company Limited ("Gushi Nanhu")	RMB320,000,000	PRC/ Mainland China	63.75%	40.00%	63.75%	Project management

18. Investment in Joint Ventures (Continued)

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

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

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

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**109,358**	17,964
Other current assets	**57,138**	3,143
Current assets	**166,496**	21,107
Non-current assets	**286,534**	227,420
Current liabilities	**(204,813)**	(149,936)
Non-current liabilities	**(140,000)**	—
Net assets	**108,217**	98,591
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**79.5%**	79.5%
Group's share of net assets of the joint venture, excluding goodwill	**86,033**	78,380
Carrying amount of the investment	**86,033**	78,380
Depreciation and amortisation	**(97)**	(28)
Interest income	**7,163**	—
Tax	**(1,542)**	—
Profit/(loss) and total comprehensive income for the year	**4,627**	(1,409)

18. Investment in Joint Ventures (Continued)

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

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

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

	2018 RMB'000	2017 RMB'000
Cash and bank balances	5	5,002
Current assets	5	5,002
Non-current assets	286,597	162,166
Current liabilities	(142,786)	(135,918)
Net assets	143,816	31,250
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	80%	80%
Group's share of net assets of the joint venture, excluding goodwill	115,053	25,000
Carrying amount of the investment	115,053	25,000
Interest income	15,954	—
Income tax	(3,988)	—
Profit and total comprehensive income for the year	11,966	—

18. Investment in Joint Ventures (Continued)

(c) The investment in Zhaoqing Park is directly held by Zhongbo Construction Engineering Group Co., Ltd, which is a partly-owned subsidiary of the Company.

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

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

	2018 RMB'000
Cash and bank balances	6,190
Other current assets	16
Current assets	6,206
Non-current assets	53,956
Current liabilities	(12,498)
Net assets	47,664
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	78.32%
Group's share of net assets of the joint venture, excluding goodwill	37,330
Carrying amount of the investment	37,330
Profit and total comprehensive income for the year	–

18. Investment in Joint Ventures (Continued)

(d) The investment in Gushi Nanhu is directly held by Broad Greenstate Ecological, which is a wholly-owned subsidiary of the Company.

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

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

	2018 RMB'000
Cash and bank balances	294
Other current assets	51
Current assets	345
Non-current assets	9,861
Current liabilities	(206)
Net assets	10,000
Reconciliation to the Group's interest in the joint venture:	
Current proportion of the Group's ownership	100%
Group's share of net assets of the joint venture, excluding goodwill	10,000
Carrying amount of the investment	10,000
Profit and total comprehensive income for the year	–

(e) Shanghai Chengtou is engaged in landscape gardening, which is considered one of the material joint ventures of the Group in Mainland China and has been accounted for using the equity method since 10 March 1994 when the Group invested in 15% of share capital of Shanghai Chengtou amounting to RMB5,400,000. On 4 April 2018, the Group acquired another 60% of share capital of Shanghai Chengtou with RMB20,386,000 and Shanghai Chengtou became a subsidiary of the Group. Details are set out in note 34.

19. Financial Assets at Fair Value Through Profit or Loss/Available-For-Sale Investments

	2018 RMB'000	2017 RMB'000
Unlisted non-equity investments at fair value through profit or loss		
Unlisted non-equity investments, at fair value		
Xi'an Greenland Jue River Wetland Park Development Company Limited ("Xi'an Greenland")	**7,614**	—
Taiyuan Longcheng Greenland Botanical Garden Company Limited ("Taiyuan Longcheng")	**4,796**	—
	12,410	—
Available-for-sale investments		
Unlisted non-equity investments, at cost	**—**	7,296

The above unlisted non-equity investments at 31 December 2018 were classified as financial assets at fair value through profit or loss.

20. Biological Assets

A. Nature of activities

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

B. Value of plants and saplings

The value of plants and saplings at 31 December 2018 was:

	2018 RMB'000	2017 RMB'000
Plants and saplings	**31,017**	40,413

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

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

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

20. Biological Assets (Continued)

C. Fair value hierarchy

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

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

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

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

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Biological assets	**31,017**	**—**	**—**	**31,017**
	31,017	**—**	**—**	**31,017**

As at 31 December 2017

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

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

21. Construction Contracts

	2018 RMB'000	2017 RMB'000
Gross amount due from contract customers		
Current	–	667,134
Non-current	–	537,618
	–	1,204,752
Contract costs incurred plus recognised profits less recognised losses to date	–	2,322,353
Less: Progress billings	–	(1,117,601)
	–	1,204,752

22. Contract Assets

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract assets arising from:			
Construction services	1,113,570	1,215,044	–
Impairment	(6,868)	(6,342)	–
	1,106,702	1,208,702	–

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. For retention money receivables in respect of construction works carried out by the Group, the respective due dates usually range from one to three years after the completion of the relevant construction work. At 31 December 2018, retention money held by customers included in contract assets amounted to approximately RMB10,292,000 (2017: RMB10,292,000), of which RMB10,292,000 (2017: RMB10,292,000) is expected to be recovered after more than twelve months.

Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The ending balance of contract assets as at the end of 2018 was stable compared to that as at the end of 2017.

During the year ended 31 December 2018, RMB526,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 23 to the financial statements.

22. Contract Assets (Continued)

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

	RMB'000
Within one year	593,131
More than one year	513,571
Total contract assets	1,106,702

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

	2018 RMB'000
At beginning of year	**–**
Effect of adoption of HKFRS 9	**6,342**
At beginning of year (restated)	**6,342**
Impairment losses	**526**
At end of year	**6,868**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the estimated loss rate of trade receivables that are not past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. Contract Assets (Continued)

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

As at 31 December 2018

Expected credit loss rate	0.62%
	RMB'000
Gross carrying amount	1,113,570
Expected credit losses	6,868

Included in the Group's contract assets are amounts due from the Group's joint ventures of RMB122,380,000, which are repayable on credit terms similar to those offered to the major customers of the Group.

The Group has pledged contract assets of approximately RMB441,372,000 to secure a bank loan.

23. Trade Receivables

	2018 RMB'000	2017 RMB'000
Trade receivables	**1,181,949**	1,686,753
Impairment	**(35,603)**	(46,196)
	1,146,346	1,640,557

The Group's trading terms with its customers are mainly on credit. The credit period is usually two 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's trade receivables are mainly due from government authorities, and the rest are due from real estate companies. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Included in the Group's trade receivables are amounts due from the Group's joint ventures of RMB120,767,000 (2017: RMB233,918,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

The Group has pledged trade receivables of approximately RMB58,229,000 (2017: Nil) to secure a bank loan granted.

23. Trade Receivables (Continued)

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

	2018 RMB'000	2017 RMB'000
Within one year	**1,012,579**	1,194,100
Over one year but within two years	**108,733**	393,926
Over two years	**25,034**	52,531
	1,146,346	1,640,557

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

	2018 RMB'000	2017 RMB'000
At 1 January	**46,196**	12,881
Effective of adoption of HKFRS 9	**4,560**	—
At beginning of year (restated)	**50,756**	12,881
Impairment losses recognised *(note 6)*	**44,635**	37,771
Impairment losses reversed *(note 6)*	**—**	(4,456)
Disposal of subsidiaries	**(59,788)**	—
At end of year	**35,603**	46,196

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

23. Trade Receivables (Continued)

Impairment under HKFRS 9 for the year ended 31 December 2018 (Continued)

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

As at 31 December 2018 (RMB'000):

	Current	Past due: Less than 1 year	Past due: 1 to 2 years	Past due: Over 2 years	Total
Expected credit loss rate	0.62%	4.79%	7.04%	32.15%	3.01%
Gross carrying amount	808,580	219,507	116,966	36,896	1,181,949
Expected credit losses	(4,993)	(10,515)	(8,233)	(11,862)	(35,603)

Impairment under HKAS 39 for the year ended 31 December 2017

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

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

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

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

24. Prepayments, Other Receivables and Other Assets

	2018 RMB'000	2017 RMB'000
Current		
Prepayments	**57,632**	8,899
Deposits and other receivables	**133,551**	211,821
Impairment	**(1,439)**	—
	189,744	220,720
Non-current		
Other receivables	**20,000**	—
Prepayments	**—**	51,052
Impairment	**(20,000)**	(3,436)
	—	47,616
	189,744	268,336

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

	2018 RMB'000	2017 RMB'000
At 1 January	**3,436**	36
Impairment losses recognised	**37,822**	3,400
Impairment losses reversed	**(2,000)**	—
Impairment losses written off	**(13,200)**	—
Disposal of subsidiaries	**(4,619)**	—
	21,439	3,436

Included in the provision for impairment of prepayments, other receivables and other assets is a provision for individually impaired receivables of RMB21,439,000 (2017: RMB3,436,000) with a carrying amount before provision of RMB43,439,000 (2017: RMB3,436,000). The individually impaired receivables relate to a portion of receivables that were not expected to be recovered.

Deposits and other receivables mainly represent deposits with suppliers and receivables resulted from disposal of a subsidiary (note 35). Expected credit losses are estimated by considering the credit risk stage, the payment term arrangement and the collateral provided.

Receivables resulted from disposal of a subsidiary was RMB40,000,000 at cost. RMB20,000,000 was secured by 35,920,957 shares of the Company which were held by the debtors, and the other RMB20,000,000 was initially impaired.

25. Cash and Bank Balances and Pledged Deposits

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**431,093**	511,292
Time deposits	**13,950**	90,021
	445,043	601,313
Less: Pledged time deposits		
Pledged for construction contracts	**13,950**	79,018
Cash and bank balances	**431,093**	522,295

At the end of the reporting period, the cash and bank balances of the Group denominated in US dollars ("USD") amounted to RMB1,723,000 (2017: RMB2,186,000) and denominated in Hong Kong dollars ("HKD") amounted to RMB798,000 (2017: RMB244,000).

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

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

26. Corporate Bonds

	2018 RMB'000	2017 RMB'000
Current corporate bonds	**289,752**	261,609

On 15 October 2015, the Company issued corporate bonds to Greenland Financial Overseas Investment Group Co., Ltd. ("Greenland Financial") (a related party of a non-controlling shareholder) with a face value of USD40,000,000. The bonds are guaranteed by 100,000 shares of Greenstate Times International Company Limited held by the Company directly and indirectly. On 11 October 2016, the Company extended the term of the bonds, where the maturity date of the bonds fell one calendar year after 15 October 2016 on 15 October 2017. On 10 November 2017, the Company signed an agreement with Greenland Financial to agree that the condition to the bond would be amended and restated as set out in a new instrument to be entered into in 2018. In addition, between the period from 15 October 2017 to the date on which the new instrument is issued, the Company shall not bear any interest. On 15 January 2018, the Company announced that it decided to propose the issuance of a redeemable fixed coupon promissory note with a principal amount of USD40,000,000 at the rate of 9.00% per annum to Greenland Financial from 15 November 2017, guaranteed by 50,000 ordinary shares of Greenstate Times International Company Limited and 5,000 ordinary shares of Greenstate International Company Limited. On 15 January 2019, the Company extended the term of the bonds to 15 January 2020. The other terms and conditions remain unchanged.

27. Trade and Bills Payables

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

	2018 RMB'000	2017 RMB'000
Within one year	**421,755**	1,589,999
Over one year but within two years	**549,296**	92,162
Over two years	**32,017**	54,225
	1,003,068	1,736,386

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

28. Other Payables and Accruals

	Notes	2018 RMB'000	2017 RMB'000
Other payables	*(a)*	**104,864**	121,732
Other tax payable		**98,387**	104,657
Amounts due to related parties		**66,157**	—
Contract liabilities	*(b)*	**37,010**	—
Deposits from sub-contractors		**19,679**	37,938
Payables to acquisitions of shareholdings in subsidiaries		**8,573**	—
Staff payroll and welfare payables		**1,788**	1,856
Interest payable		**3,598**	3,704
		340,056	269,887

(a) Other payables are non-interest-bearing and are normally settled on demand.

(b) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers		
Construction services	**37,010**	—
Total contract liabilities	**37,010**	—

Contract liabilities include short-term advances received to deliver biological products and render construction services. The increase in contract liabilities in 2018 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.

29. Interest-Bearing Bank and Other Borrowings

	Notes	2018 Effective interest rate (%)	2018 Maturity	2018 RMB'000	2017 Effective interest rate (%)	2017 Maturity	2017 RMB'000
Current							
Bank loans — secured and guaranteed	*(a)*	**5.8**	**2019**	**127,300**	3.24-7.2	2018	210,069
Bank loans — secured	*(b)i*	**5.0**	**2019**	**20,000**	3.24-7.2	2018	15,000
Bank loans of long-term current portion — secured	*(b)ii*	**6.1**	**on demand**	**62,480**	—	—	—
Other loans — secured	*(b)iii*	**7.2**	**2019**	**57,600**	—	—	—
Other loans — unsecured	*(c)*	**5.2**	**on demand**	**118,170**	8.5	2018	28,000
				385,550			253,069
Non-current							
Bank loans — secured and guaranteed	*(a)*	**5.4**	**2028**	**270,000**	5.74	2028	300,000
Other loans — secured	*(b)iii*	**6.8**	**2020**	**57,600**	6.8	2020	115,200
				327,600			415,200
				713,150			668,269

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**209,780**	225,069
In the second year	**20,000**	—
In the third to fifth years, inclusive	**85,000**	—
Beyond five years	**165,000**	300,000
	479,780	525,069
Other borrowings repayable:		
Within one year or on demand	**175,770**	28,000
In the second year	**57,600**	57,600
In the third to fifth years, inclusive	**—**	57,600
	233,370	143,200
	713,150	668,269

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

Notes:

(a) *Certain of the Group's bank borrowings were secured and guaranteed by:*

i. *Bank of Shanghai (Hong Kong) provided a letter of credit with a guaranteed amount of RMB220,000,000 to secure certain bank borrowings of the Group amounting to RMB75,300,000. The Company's shares of 350,161,440 held by Broad Landscape International are secured to the letter of credit. At 31 December 2018, the Group had an unutilised guaranteed amount of RMB144,700,000.*

ii. *Certain bank borrowings of the Group amounting to RMB22,000,000 were secured by the Company's shares of 90,850,000 held by Broad Landscape International and were guaranteed by Mr. Wu Zhengping and Ms. Xiao Li as well.*

iii. *Bank borrowing of the Group amounting to RMB10,000,000 was secured by the mortgage of a building amounting to RMB6,832,000 of the Group, and was guaranteed by Greenstate Business, Mr. Wu Zhengping and Ms. Xiao Li as well.*

iv. *Bank borrowing of the Group amounting to RMB290,000,000 were secured by trade receivables (note 23) and contract assets (note 22) and the rights to payment from a customer, and also were guaranteed by a non-controlling shareholder of a subsidiary. An amount of RMB20,000,000 of the borrowings would be due within one year.*

(b) *Certain of the Group's bank borrowings and other borrowings were secured by:*

i. *Bank borrowing of the Group amounting to RMB20,000,000 was secured by the mortgaged apartment of Mr. Wu Zhengping.*

ii. *Bank borrowing of the Group amounting to RMB62,480,000 was secured by mortgaged building of the Group with a carrying amount of RMB121,825,000 as at 31 December 2018.*

iii. *Other borrowing amounting to RMB115,200,000 was secured by mortgage over the Groups' shareholding of one of the Group's subsidiary, Shanghai Bifu Investment Center. An amount of RMB57,600,000 of the borrowings would be due within one year.*

(c) *The other borrowings are unsecured, bearing a weighted average interest rate of 5.21% and will be repaid in one year or on demand.*

30. Deferred Tax

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

Deferred tax assets:

	Impairment of financial and contract assets RMB'000	Changes in the fair value of biological assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Other temporary differences RMB'000	Total RMB'000
2018					
At 1 January 2018	16,937	396	1,526	1,258	20,117
Effect of adoption of HKFRS 9	1,656	–	–	–	1,656
At 1 January 2018	18,593	396	1,526	1,258	21,773
Disposal of subsidiaries *(note 35)*	(14,266)	(396)	–	(874)	(15,536)
Acquisition of a subsidiary *(note 34)*	–	384	–	–	384
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	1,849	(169)	(1,526)	(66)	88
At 31 December 2018	6,176	215	–	318	6,709
2017					
At 1 January 2017	2,672	–	4,211	65	6,948
Deferred tax arising from acquisition	7,553	–	–	–	7,553
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	6,712	396	(2,685)	1,193	5,616
At 31 December 2017	16,937	396	1,526	1,258	20,117

30. Deferred Tax (Continued)

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

Deferred tax liabilities:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Other temporary differences RMB'000	Total RMB'000
2018			
At 1 January 2018	**9,615**	**719**	**10,334**
Disposal of subsidiaries *(note 35)*	**(1,044)**	**(719)**	**(1,763)**
Disposal of investment property	**(2,756)**	**—**	**(2,756)**
Deferred tax credited to profit or loss during the year *(note 10)*	**(350)**	**—**	**(350)**
At 31 December 2018	**5,465**	**—**	**5,465**
2017			
At 1 January 2017	6,145	—	6,145
Deferred tax arising from acquisition	3,970	719	4,689
Deferred tax credited to profit or loss during the year *(note 10)*	(500)	—	(500)
At 31 December 2017	9,615	719	10,334

Deferred tax assets have not been recognised in respect of tax losses of RMB79,343,000 as at 31 December 2018 (2017: RMB43,855,000), as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB854,244,000 (2017: RMB764,002,000).

31. Share Capital

Shares

	2018 RMB'000	2017 RMB'000
Issued and fully paid:		
3,342,536,957 (2017: 3,342,536,957)		
ordinary shares of HKD0.025 each	**66,396**	66,396

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

	Number of shares in issue	**Share capital** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
At 31 December 2016 and 1 January 2017	3,306,616,000	65,602	180,536	246,138
Issue of shares (a)	35,920,957	794	44,604	45,398
Dividend declared	—	—	(35,031)	(35,031)
At 31 December 2017 and 1 January 2018	3,342,536,957	66,396	190,109	256,505
Dividend declared	—	—	(38,500)	(38,500)
At 31 December 2018	3,342,536,957	66,396	151,609	218,005

Note:

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

32. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 74 of the financial statements.

33. Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

For the first series of the share option scheme (the "Series I"), eligible participants of the Series I include the Company's directors and other employees of the Group. The Series I became effective on 1 September 2015 and, unless otherwise cancelled or amended, will remain in force for 6 years from that date. For the second series of the share option scheme (the "Series II"), eligible participants of the Series II include a connected person and other employees of the Group. The Series II became effective on 12 June 2018 and, unless otherwise cancelled or amended, will remain in force for 6 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Series I and Series II is an amount equivalent, upon their exercise, to 3.41% and 3.30% respectively of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the two series within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within one month from the date of offer, upon payment of a nominal consideration of HKD1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one year and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the two series, if earlier.

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

33. Share Option Scheme (Continued)

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

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

	2018 Weighted average exercise price HKD	2018 Number of options '000	2017 Weighted average exercise price HKD	2017 Number of options '000
At 1 January	**1.24**	**63,600**	1.24	103,750
Granted during the year	**1.04**	**110,268**	—	—
Forfeited during the year	**1.19**	**(26,650)**	1.24	(40,150)
At 31 December	**1.07**	**147,218**	1.24	63,600

No share options were exercised during the year.

33. Share Option Scheme (Continued)

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

2018

Number of options '000	Exercise price* HKD per share	Exercised period
21,600	1.24	1-9-2019 to 31-8-2020
21,600	1.24	1-9-2020 to 31-8-2021
20,804	1.04	12-6-2020 to 11-6-2021
20,804	1.04	12-6-2021 to 11-6-2022
31,205	1.04	12-6-2022 to 11-6-2023
31,205	1.04	12-6-2023 to 11-6-2024
147,218		

2017

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

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

The fair value of the share options granted during the year was HKD54,676,000 (HK$0.50 each), of which the Group recognised a share option expense of HKD Nil during the year ended 31 December 2018. Management assessed that the performance condition had not been reached historically and could not be reached in the future as well.

33. Share Option Scheme (Continued)

The fair value of equity-settled share options granted during the year, except for the excess number of 6,250,000 share options granted to Mr. Zhu Shunshou, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Management	Other employees
Dividend yield (%)	1.35	1.35
Expected volatility (%)	58.70	58.70
Risk-free interest rate (%)	2.30	2.30
Expected life of options (year)	6.00	6.00
Weighted average share price (HKD per share)	1.04	1.04
Rate of resignation (%)	4.00	21.30

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 147,217,856 share options outstanding under the Series I and Series II. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 147,217,856 additional ordinary shares of the Company and additional share capital of HKD3,680,000 (2017: HKD1,590,000) (before issue expenses).

Subsequent to the end of the reporting period, on 27 March 2019, a total of 21,600,000 share options lapsed.

At the date of approval of these financial statements, the Company had 125,617,856 share options outstanding under the Series I and Series II, which represented approximately 3.76% of the Company's shares in issue as at that date.

34. Business Combination

Shanghai Chengtou was one of the joint ventures of the Group in Mainland China and was accounted for using the equity method before 2018 since the Group acquired 15% of equity interests of Shanghai Chengtou. Shanghai Chengtou is engaged in landscape gardening. On 4 April 2018, the Group acquired another 60% of equity interests of Shanghai Chengtou.

The fair values of the identifiable assets and liabilities of Shanghai Chengtou as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment *(note 13)*	118
Deferred tax assets *(note 30)*	384
Biological assets	28,233
Trade receivables	530
Prepayments, other receivables and other assets	14
Other current assets	2
Cash and bank balances	3,447
Other payables and accruals	(659)
Total identifiable net assets at fair value	32,069
Non-controlling interest	(8,017)
Goodwill on acquisition *(note 16)*	1,144
Fair value of purchase consideration of 75% of share capital	25,196
Satisfied by	
— Fair value of 15% of share capital	4,810
— Prepayment	20,386

34. Business Combination (Continued)

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

	RMB'000
Net inflow of cash and bank balances included in cash flows from investing activities	3,447

Since the acquisition, Shanghai Chengtou contributed RMB1,551,000 to the Group's revenue and caused a loss of RMB2,101,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB1,738,000 and RMB2,735,000, respectively.

35. Disposal of Subsidiaries

During the year ended 31 December 2018, the Group disposed of Hangzhou Zhongling Gardenview Design Company Limited, Hangzhou Xiaoshan Jiangnan Garden Construction Co., Ltd. and Tonglan Environment Protection Technology Co., Ltd. to independent third parties for a total consideration of RMB50,010,000.

	2018 RMB'000
Net assets disposed of:	
Property, plant and equipment *(Note 13)*	6,977
Prepaid land lease payments *(Note 15)*	582
Deferred tax assets *(Note 30)*	15,536
Goodwill *(Note 16)*	6,462
Cash and bank balances	22,943
Trade receivables	562,337
Prepayment and other receivables	94,959
Contract assets	238,751
Biological assets	36,212
Interest-bearing bank and other borrowings	(57,400)
Trade payables	(814,969)
Other payables and accruals	(65,739)
Tax payables	(10,561)
Deferred tax liabilities	(1,763)
	34,327
Attributable to:	
Owners of the parent	23,181
Non-controlling interests	11,146
Gain on disposal of subsidiaries	6,829
Fair value of consideration of disposal of subsidiaries	30,010
Satisfied by	
Cash	10,010
Other receivable, net	20,000
At cost	40,000
Impairment	(20,000)

35. Disposal of Subsidiaries (Continued)

An analysis of the net inflow of cash and bank balances in respect of subsidiaries is as follows:

	2018 RMB'000
Cash consideration	10,010
Cash and bank balances disposed of	(22,943)
Net outflow of cash and bank balances in respect of the disposal of subsidiaries	(12,933)

36. Notes to the Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Amounts due to related parties RMB'000
At 1 January 2018	668,269	261,609	—
Changes from financing cash flows	102,281	—	66,157
Foreign exchange movement	—	1,567	—
Interest expense	—	26,576	—
Decrease arising from disposal of subsidiaries	(57,400)	—	—
At 31 December 2018	713,150	289,752	66,157

	Bank and other loans RMB'000	Corporate bonds RMB'000
At 1 January 2017	127,758	277,422
Changes from financing cash flows	424,753	(23,944)
Foreign exchange movement	(1,642)	(16,551)
Interest expense	—	24,682
Increase arising from acquisition of subsidiaries	117,400	—
At 31 December 2017	668,269	261,609

37. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of five years during 2017.

	2018 RMB'000	2017 RMB'000
Within one year	–	88
In the second to fifth years, inclusive	–	299
	–	387

At 31 December 2018, there was no existing operating lease agreement of the Group as a lessor.

(b) As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to fourteen years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**2,999**	5,752
In the second to fifth years, inclusive	**5,585**	6,765
After five years	**2,573**	5,119
	11,157	17,636

38. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2018 RMB'000	2017 RMB'000
Provision of construction services to the related parties*	**482,382**	852,307
Purchase of a building from Shanghai Kaitai Real Estate Development Co., Ltd	**122,586**	—
Lease of office from Greenland Hefei Zifeng Real Estate Co., Ltd	**239**	—
Leases of office from Mr. Wu Zhengping and Ms. Xiao Li	**487**	800

* *The above construction services consist of services provided for:*

	2018 RMB'000	*2017 RMB'000*
Xi'an Greenland (i)	***331,758***	*382,401*
Quanzhou Haixi (ii)	***64,378***	*226,917*
Qishan Taiping (iii)	***51,034***	*134,718*
Zhaoqing Park (iv)	***34,307***	*—*
Taiyuan Longcheng (v)	***—***	*108,271*

(i) Xi'an Greenland is a joint venture of Greenland Group and the Company is an associate of Greenland Group.

(ii) Quanzhou Haixi is a joint venture of the Group.

(iii) Qishan Taiping is a joint venture of the Group.

(iv) Zhaoqing Park is a joint venture of the Group.

(v) Taiyuan Longcheng is a joint venture of Greenland Group and the Company is an associate of Greenland Group.

(vi) 50% of the shares of Shanghai Kaitai Real Estate Development Co., Ltd is indirectly held by the Greenland Group, of which the Company is an associate.

38. Related Party Transactions (Continued)

(b) Other transactions with related parties:

(i) During the year, Greenstate Gardening used office premises free of charge with a gross floor area of 100 square metres. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, the PRC, which were owned by Mr. Wu Jie, a close family member of Mr. Wu Zhengping.

(ii) On 15 January 2018, the Company extended the term of the corporate bonds issued to Greenland Financial. (Further details of which are given in note 26 to the financial statements). The interest on corporate bonds to Greenland Financial for the year ended 31 December 2018 was RMB26,576,000 (2017: RMB24,682,000).

(iii) Certain bank loans were secured by the Company's shares held by the Company's holding company and guaranteed by Mr. Wu Zhengping and Ms. Xiao Li. Further details are given in note 29 to the financial statements.

(c) Compensation of key management personnel of the Group

	2018 RMB'000	2017 RMB'000
Fees	224	240
Salaries	3,479	3,697
Pension scheme contributions	450	540
Equity-settled share option expense	—	1,337
	4,153	5,814

38. Related Party Transactions (Continued)

(d) Outstanding balances with related parties

		2018 RMB'000	2017 RMB'000
(i)	Due from related parties		
	Trade receivables		
	Xi'an Greenland	**204,054**	263,175
	Quanzhou Haixi	**99,824**	99,335
	Taiyuan Longcheng	**62,252**	101,162
	Zhaoqing Park	**19,006**	—
	Qishan Taiping	**1,937**	134,583
	Contract assets		
	Xi'an Greenland	**106,355**	—
	Quanzhou Haixi	**86,647**	—
	Qishan Taiping	**18,549**	—
	Zhaoqing Park	**17,184**	
	Taiyuan Longcheng	**10,755**	—
	Prepayments, deposits and other receivables		
	Gushi Nanhu*	**187**	—
	Qishan Taiping	**11**	—
(ii)	Due to related parties		
	Other payables		
	Shanghai Qianlu Investment and Management Company Limited	**29,927**	—
	Shanghai Zhubo Enterprise Management Consulting Center	**18,550**	—
	Shandong Greenland Spring Biological Industrial Company Limited	**17,680**	—
	Contract liabilities		
	Zhaoqing Park	**35,540**	—

* *Gushi Nanhu is a joint venture of the Group.*

39. Financial Instruments by Category

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

31 December 2018

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Financial assets at fair value through profit and loss	—	12,410	12,410
Trade receivables	1,146,346	—	1,146,346
Financial assets included in prepayments, deposits and other receivables	133,551	—	133,551
Cash and bank balances	431,093	—	431,093
Pledged deposits	13,950	—	13,950
	1,724,940	12,410	1,737,350

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Corporate bonds	289,752
Trade and bills payables	1,003,068
Financial liabilities included in other payables and accruals	239,611
Interest-bearing bank and other borrowings	713,150
	2,245,581

39. Financial Instruments by Category (Continued)

31 December 2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	1,640,557	—	1,640,557
Financial assets included in prepayments, other receivables and other assets	211,821	—	211,821
Cash and bank balances	522,295	—	522,295
Pledged deposits	79,018	—	79,018
Available-for-sale investments	—	7,296	7,296
	2,453,691	7,296	2,460,987

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Corporate bonds	261,609
Trade and bills payables	1,736,386
Financial liabilities included in other payables and accruals	163,374
Interest-bearing bank and other borrowings	668,269
	2,829,638

40. Fair Value and Fair Value Hierarchy of Financial Instruments

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

	Carrying amounts		Fair values	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Financial assets				
Pledged deposits, non-current portion	**450**	53,518	**450**	53,518
Financial assets at fair value through profit and loss	**12,410**	7,296	**12,410**	7,296
	12,860	60,814	**12,860**	60,814
Financial liabilities				
Interest-bearing bank borrowings	**479,780**	525,069	**486,748**	525,069
Other borrowings	**233,370**	143,200	**235,259**	143,200
Corporate bonds	**289,752**	261,609	**310,795**	274,229
	1,002,902	929,878	**1,032,802**	942,498

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates.

The fair values of the non-current portion of pledged deposits, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant. The fair value of the liability portion of the corporate bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate of a similar corporate bond with consideration of the Group's own non-performance risk.

As at 31 December 2018, the Group had financial assets at fair value through profit or loss with a carrying amount of approximately of RMB12,410,000 (2017: no financial assets or liabilities measured at fair value).

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

40. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy:

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value or for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Pledged deposits, non-current portion	—	450	—	450
Financial assets at fair value through profit and loss	—	12,410	—	12,410
	—	12,860	—	12,860

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Pledged deposits, non-current portion	—	53,518	—	53,518
Available-for-sale investments	—	7,296	—	7,296
	—	60,814	—	60,814

40. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	486,748	—	486,748
Other borrowings	—	235,259	—	235,259
Corporate bonds	—	310,795	—	310,795
	—	1,032,802	—	1,032,802

As at 31 December 2017

	Fair value measurement using Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	525,069	—	525,069
Other borrowings	—	143,200	—	143,200
Corporate bonds	—	274,229	—	274,229
	—	942,498	—	942,498

41. Commitments

In addition to the operating lease commitments detailed in note 37 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Land and buildings	–	235,061
Acquisition of a subsidiary	–	72,000
Capital injection of joint ventures (i)	194,000	–
	194,000	307,061

(i) In 2018, the Group committed to invest in Gushi Nanhu, a material joint venture, amounting to RMB194,000,000 in the next several years.

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

		2018 RMB'000	2017 RMB'000
Guarantees given to banks in connection with facilities granted to third parties	*(i)*	34,300	86,193
Guarantees given to a bank in connection with facility granted to a joint venture	*(ii)*	140,000	–
		174,300	86,193

(i) The Group's guarantees given to banks in connection with RMB34,300,000 facilities granted to a third party, Hangzhou Xiaoshan Jiangnan Garden Construction Co., Ltd., which is a disposed subsidiary of the Group mentioned in note 35. Due to the existence of a counter guarantee agreement between the Group and the third party, at 31 December 2018, the expected credit loss of it was Nil.

(ii) The financial guarantee contracts represent guarantees given to a bank in connection with facility granted to a joint venture, Quanzhou Haixi. The joint venture's banking facility granted by the bank was RMB420,000,000 (2017: Nil), of which RMB140,000,000 (2017: Nil) was utilised by the joint venture. Due to the bank borrowing of the joint venture was secured by its contract assets and the rights to payment from its customer, the expected credit loss of it was Nil at 31 December 2018.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the Executive Directors.

The credit exposure of the financial guarantee contracts is classified as stage 1. During the year, there were no transfers between stages.

43. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has cash and bank balances, interest-bearing bank and other borrowings and corporate bonds to raise fund for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. As nearly all of the Group's assets and liabilities were denominated in RMB, the Group was not subject to significant foreign currency risk as at 31 December 2018. As at 31 December 2018, the Group's assets and liabilities denominated in USD and HKD were mainly held by the Company and a subsidiary incorporated outside Mainland China which had HKD as their functional currencies. The Company and the subsidiary incorporated outside Mainland China also held corporate bonds denominated in USD and other payables denominated in RMB, from which foreign currency exposure arises.

43. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2018			
If HKD weakens against USD	1	(2,759)	–
If HKD strengthens against USD	(1)	2,759	–
If RMB weakens against HKD	1	(8)	(1,392)
If RMB strengthens against HKD	(1)	8	1,392

* *Excluding retained profits*

Credit risk

The Group's trade receivables and contract assets are mainly from government authorities. The carrying amounts of cash and bank balances, trade and other receivables and contract assets included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition, otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at the end of the reporting period, all cash and bank balances were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

43. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

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

31 December 2018

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Corporate bonds	—	—	289,752	—	—	289,752
Interest-bearing bank and other borrowings	186,100	59,368	169,727	223,041	179,388	817,624
Trade and bills payables	1,003,068	—	—	—	—	1,003,068
Other payables	239,611	—	—	—	—	239,611
	1,428,779	59,368	459,479	223,041	179,388	2,350,055

31 December 2017

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Corporate bonds	—	—	279,010	—	—	279,010
Interest-bearing bank and other borrowings	1,533	71,968	192,893	364,724	92,811	723,929
Trade and bills payables	1,736,386	—	—	—	—	1,736,386
Other payables	163,374	—	—	—	—	163,374
	1,901,293	71,968	471,903	364,724	92,811	2,902,699

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

43. Financial Risk Management Objectives and Policies (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, corporate bonds, trade and bills payables, other payables and accruals, less cash and bank balances. Capital includes total equity. The gearing ratios as at the end of the reporting period were as follows:

	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other borrowings	713,150	668,269
Corporate bonds	289,752	261,609
Trade and bills payables	1,003,068	1,736,386
Other payables and accruals	340,056	269,887
Less: Cash and bank balances	(431,093)	(522,295)
Net debt	1,914,933	2,413,856
Equity attributable to owners of the parent	844,948	842,637
Capital and net debt	2,759,881	3,256,493
Gearing ratio	69%	74%

44. Events After the Reporting Period

There was no material subsequent event undertaken by the Group after 31 December 2018.

45. Statement of Financial Position of the Company

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**2**	2
Investments in subsidiaries	**608,359**	608,359
Total non-current assets	**608,361**	608,361
CURRENT ASSETS		
Cash and bank balances	**1,736**	592
Prepayments and other receivables and other assets	**533**	—
Total current assets	**2,269**	592
CURRENT LIABILITIES		
Corporate bonds	**289,752**	261,609
Interest-bearing bank borrowings	**—**	33,529
Other payables and accruals	**183,171**	102,769
Total current liabilities	**472,923**	397,907
NET CURRENT LIABILITIES	**(470,654)**	(397,315)
TOTAL ASSETS LESS CURRENT LIABILITIES	**137,707**	211,046
NET ASSETS	**137,707**	211,046
EQUITY		
Equity attributable to owners of the parent		
Share capital	**66,396**	66,396
Other reserves	**71,311**	144,650
Total equity	**137,707**	211,046

45. Statement of Financial Position of the Company (Continued)

Note:

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

	Share premium account RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	180,536	9,528	3,471	(4,906)	(48,151)	140,478
Total comprehensive income/(loss) for the year	–	–	–	25,938	(30,935)	(4,997)
Acquisition of a subsidiary	44,604	–	–	–	–	44,604
Forfeiture of equity-settled share option arrangements	–	(404)	–	–	–	(404)
Dividend declared	(35,031)	–	–	–	–	(35,031)
At 31 December 2017 and 1 January 2018	190,109	9,124	3,471	21,032	(79,086)	144,650
Total comprehensive loss for the year	–	–	–	(2,628)	(28,777)	(31,405)
Transfer of share option reserve upon the forfeiture of share options	–	(3,434)	–	–	–	(3,434)
Dividend declared	(38,500)	–	–	–	–	(38,500)
At 31 December 2018	151,609	5,690	3,471	18,404	(107,863)	71,311

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

46. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2019.

Definitions

"Account Charge"	On 9 May 2016, Broad Landscape International entered into a charge with Bank of Shanghai (Hong Kong) Limited, pursuant to which Broad Landscape International agreed to charge by way of first fixed charge a bank account of Broad Landscape International with Bank of Shanghai (Hong Kong) Limited, all its present and future rights, title and interest in or to the Account and all moneys (including interest standing to the credit of the Account as security for the 2016 Facility) belong to Bank of Shanghai (Hong Kong) Limited
"Amount of Profit Compensation"	the amount of profit compensation calculated pursuant to the Offshore Share Purchase Agreement and the Onshore Share Purchase Agreement, details of which were disclosed in the announcement of the Company dated 30 November 2016
"Articles of Association"	the articles of association of the Company conditionally adopted on 25 June 2014 and became unconditionally effective on the Listing Date and as amended from time to time
"associates"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the Board of directors of the Company
"Broad Greenstate Ecological"	Broad Greenstate Ecological Construction Group Company Limited* (博大綠澤生態建設集團有限公司) (formerly known as Shanghai Broad Landscape Construction and Development Company Limited* (上海博大園林建設發展有限公司)), a company established in the PRC with limited liability on 1 July 1999, which is a wholly-owned subsidiary of Shanghai Qianyi and an indirect wholly-owned subsidiary of our Company
"Broad Landscape International"	Broad Landscape International Company Limited (博大國際有限公司), a company incorporated in BVI on 8 October 2013 and is owned as to 86.92% by Mr. Wu Zhengping (吳正平) and 13.08% by Ms. Xiao Li (肖莉)
"BVI"	the British Virgin Islands
"CG Code"	Corporate Governance Code as amended from time to time contained in Appendix 14 to the Listing Rules
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "Parent", "we", "us" or "our"	China Greenland Broad Greenstate Group Company Limited (中國綠地博大綠澤集團有限公司), a company incorporated in the Cayman Islands on 22 October 2013

"Company Charged Shares"	100,000 ordinary shares of Greenstate Times, representing the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under the Company Share Charge
"Company Share Charge"	the share charge entered into between the Company and Greenland Financial on 15 October 2015 in relation to the charge of all rights, entitlements, interests and benefits in the entire issued share capital of Greenstate Times, in favour of Greenland Financial
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Adjustment"	the consideration adjustment calculated pursuant to the Offshore Share Purchase Agreement and the Onshore Share Purchase Agreement, details of which were disclosed in the announcement of the Company dated 30 November 2016
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules
"Deed of Consent"	the deed of consent entered into on 15 November 2017 between the Company and Greenland Financial in relation to the Reissue of Notes
"Deed of Novation"	the deed of novation entered into on 11 September 2015 between the Company, Greenland Leasing and Greenland Financial, pursuant to which Greenland Leasing shall novate all its rights, obligations and liabilities under the Note Purchase Agreement to the Purchaser
"Directors"	director(s) of the Company
"Eastern Greenstate International"	Eastern Greenstate International Company Limited (綠澤東方國際有限公司), a company incorporated in BVI on 9 October 2013, which is owned as to 2.81% by Ms. Zhu Wen (朱雯) and 97.19% by other parties
"Greenland"	Greenland Holdings Group Corporation Limited (綠地控股集團股份有限公司), a company incorporated under the laws of the PRC
"Greenland Financial"	Greenland Financial Overseas Investment Group Co., Ltd. (綠地金融海外投資集團有限公司), a company incorporated under the laws of the BVI, an indirectly wholly-owned subsidiary of Greenland
"Greenstate Gardening"	Shanghai Greenstate Gardening Company Limited* (上海綠澤園藝有限公司), a company established in the PRC with limited liability on 17 September 2004, which is a wholly-owned subsidiary of Shanghai Qianyi
"Greenstate International"	Greenstate International Company Limited (綠澤國際有限公司), a company incorporated in Hong Kong with limited liability on 12 November 2013 and a wholly-owned subsidiary of the Company

"Greenstate Business"	Shanghai Greenstate Business Management Company Limited* (上海綠澤商業管理有限公司) (formerly known as Shanghai Greenstate Landscape Properties Company Limited* (上海綠澤景觀置業有限公司), a company established in the PRC with limited liability on 15 June 2004, which is a wholly-owned subsidiary of Shanghai Qianyi and an indirect wholly-owned subsidiary of the Company
"Greenstate Times"	Greenstate Times International Company Limited (綠澤時代國際有限公司), a company incorporated in BVI on 30 October 2013 and a wholly-owned subsidiary of the Company
"Greenstate Times Charged Shares"	10,000 ordinary shares of Greenstate International, representing the entire issued share capital of Greenstate International, legally and beneficially held by Greenstate Times as the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under a share charge to be made by Greenstate Times
"Greenstate Times Share Charge"	the share charge entered into between Greenstate Times and Greenland Financial on 15 October 2015 in relation to the charge of all rights, entitlements, interests and benefits in the entire issued share capital of Greenstate International, in favor of Greenland Financial
"Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	a person(s) or company(ies) who/which is or are independent of and not connected (within the meaning of the Listing Rules) with the Company and our connected persons
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	21 July 2014, the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

"New Company Share Charge"	the charge of all rights, entitlements, interests and benefits in 50,000 ordinary shares of Greenstate Times, representing 50% of the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the Deed of Consent and charged in favor of Greenland Financial
"New Greenstate Times Share Charge"	the charge of all rights, entitlements, interests and benefits in 5,000 ordinary shares of Greenstate International, representing 50% of the entire issued share capital of Greenstate International, legally and beneficially held by Greenstate Times as at the date of the Deed of Consent and charged in favor of Greenland Financial
"New Note Instrument"	the instrument to be issued by the Company for the reissue of the Notes in favor of Greenland Financial pursuant to the Deed of Consent
"New Share Charges"	the New Company Share Charge and the New Greenstate Times Share Charge
"Nomination Committee"	the nomination committee of the Company
"Non-competition Deed"	a deed of non-competition dated 25 June 2014 executed by the Controlling Shareholders and the Company
"Offshore Share Purchase Agreement"	the offshore share purchase agreement dated 30 November 2016 entered into among the Company, Golden Spring Landscape Limited, Zhejiang Yulin Holding Group Company Limited* (浙江雨林控股集團有限公司) and Mr. Ling Jijiang
"Old Note Instrument"	the instrument issued by the Company on 15 October 2015 for the creation and issue of the Notes in favor of Greenland Financial
"Old Share Charges"	the Company Share Charge and the Greenstate Times Share Charge
"Onshore Share Purchase Agreement"	the onshore share purchase agreement dated 30 November 2016 entered into between Greenstate Business and Zhejiang Yulin Holding Group Company Limited* (浙江雨林控股集團有限公司)
"Prospectus"	the prospectus of the Company dated 30 June 2014 issued in connection with the initial public offering and listing of shares of the Company on the main board of Stock Exchange on 21 July 2014
"Reissue of Notes"	the reissue of the Notes by the Company to Greenland Financial on the terms and subject to the conditions set out in the New Note Instrument
"Remuneration Committee"	the remuneration committee of the Company
"Renminbi" or "RMB"	the lawful currency of China
"Reporting Period"	for the year ended 31 December 2018

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Qianyi"	Shanghai Qianyi Landscape Engineering Company Limited* (上海千頤景觀工程有限公司), a wholly foreign owned enterprise established in the PRC with limited liability on 26 December 2013, and an indirect wholly-owned subsidiary of the Company
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 25 June 2014 which became unconditionally effective on the Listing Date, the principal terms of which are summarised in the subsection headed "Share Option Scheme — Summary of terms" in Appendix V to the Prospectus
"Shareholders"	holder(s) of our Share(s) from time to time
"Shares"	ordinary shares of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supplemental Prospectus"	the supplemental prospectus of the Company dated 14 July 2014

In this annual report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with "*" is for identification purpose only.