巨匠建设

JUJIANG CONSTRUCTION GROUP

Jujiang Construction Group Co., Ltd.

巨 匠 建 設 集 團 股 份 有 限 公 司

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

(Stock Code: 1459)

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

SUPERVISORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lin Tao *(Chairman)*
Mr. Lyu Yaoneng
Mr. Yu Jingxuan

REMUNERATION AND APPRAISAL COMMITTEE

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

STRATEGIC COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Hong Kam Le
Mr. Jin Shuigen

AUTHORISED REPRESENTATIVES

Mr. Lyu Yaoneng
Mr. Jin Shuigen

LEGAL ADVISER

As to Hong Kong Law

Ince & Co.

As to PRC Law

AllBright Law Offices

AUDITOR

Ernst & Young

H SHARE REGISTRAR

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

CORPORATE INFORMATION

PRINCIPAL BANKERS

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

REGISTERED ADDRESS

Gaoqiao Town
Jiaxing City
Zhejiang Province
PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F,
Henley Building,
5 Queen's Road Central,
Central,
Hong Kong

STOCK CODE

1459

WEBSITE

www.jujiang.cn

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December	**2018** **RMB'000**	2017 *RMB'000*	2016 *RMB'000*	2015 *RMB'000*	2014 *RMB'000*
Major Items of Consolidated Statement of Profit or Loss and other Comprehensive Income					
Revenue	**6,895,993**	4,803,019	4,032,168	4,424,626	4,289,367
Gross profit	**378,319**	276,692	224,697	233,156	229,726
Gross profit margin	**5.5%**	5.8%	5.6%	5.3%	5.4%
Profit for the year	**172,868**	125,203	90,234	98,524	82,823
Net profit margin	**2.5%**	2.6%	2.2%	2.2%	1.9%

As at 31 December	**2018** **RMB'000**	2017 *RMB'000*	2016 *RMB'000*	2015 *RMB'000*	2014 *RMB'000*
Major Items of Consolidated Statement of Financial Position					
Non-current assets	**280,294**	226,676	240,688	204,610	206,429
Current assets	**5,234,784**	4,563,540	4,225,649	3,900,960	4,074,466
Non-current liabilities	**–**	827	24,804	24,402	11,682
Current liabilities	**4,201,042**	3,659,330	3,436,077	3,307,199	3,593,588
Total equity	**1,314,036**	1,130,059	1,005,456	773,969	675,445
Gearing ratio (Note 2)	**16.5%**	39.6%	55.8%	82.6%	86.3%

Notes:

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board ("Board") of directors ("Directors") of Jujiang Construction Group Co., Ltd. ("Jujiang Construction" or the "Company", together with the subsidiaries, the "Group"), I hereby present the annual results of the Company for the year ended 31 December 2018.

The Group reaped encouraging results during the year. For the year ended 31 December 2018, the Group's turnover and profit amounted to RMB6,896.0 million and RMB172.9 million respectively, an increase of 43.6% and 38.1% respectively year-on-year. Moreover, new contracted businesses signed up by the Group (including the contracts for which the Group has won tenders but not yet signed up) hit a record high of approximately RMB10 billion, which formally represented the first move for the Group to become a construction company that netted a contract amount of RMB10 billion.

China continued to maintain medium-to-high-speed growth in its economy in 2018, with an economic aggregate reaching a new level. The tertiary industry, which was dominated by the service industry, "continued to improve", and the real economy sector, which was dominated by the manufacturing industry, "tended to improve with stability" and remained "stable as a whole with steady progress". Compared with 2017, the growth rate of private investment accelerated in 2018, which was one of the main factors that backed fixed asset investment. In the real estate sector, the real estate regulatory control policy, on the one hand, continued to proactively curb irrational demand by maintaining the positioning that "houses are used for accommodation rather than for speculation" for deepening differentiated regulatory controls in 2018. On the other hand, the policy stressed the need for expanding and implementing "effective supply", with a focus on the "supply side" to solve the problem regarding an imbalance between supply and demand. In large cities, housing development plans as well as medium- and long-term plans for land supply were introduced successively, the proportion of policy-backed housing and rental housing was increased and more channels on the supply, development and inventory sides were established to further assure "effective supply", which forced construction companies to modify their strategic choices and development approaches in the next several years.

To cope with the ever-changing market, the Group proceeded with business restructuring aggressively, carried out the optimization of market strategy proactively and kept track of the development trend of the industry, with its constant focus on the yearly development strategy and business plan and on the key tone of work which was speedy progress with stability. On the one hand, the Group strengthened the allocation of business resources by making use of its own brand advantages, thus having reaped remarkable results in market expansion. On the other hand, the Group further optimized its business structure by: (1) executing strongly a strategy aimed at large customers, transforming the traditional marketing concept and building up a customer service concept with a focus on both the development of customers in the early stage and the construction process and extended services in the later stage to deepen collaboration, so as enhance customer satisfaction with better quality and services, maintain a good customer relationship and establish a long-term stable strategic partnership; (2) further improving business quality by seizing large and major projects to increase the proportion of large-scale projects continuously, while identifying the opportunity arising from the construction of affordable housing as well as small- and medium-sized cities and towns for vigorously expanding government's infrastructure projects; and (3) further optimizing the business strategy by both further consolidating the market share of Jiaxing City, carrying out "go-out" development and opening up new regional customers in a targeted manner as boosted by large customers.

Based on the current economic environment and the projections about the future development of the construction industry, the construction industry will inevitably experience internal structure diversification and industrialization. For this reason, the Group will further reinforce its internal structure and exploration of new areas. In terms of internal structure, the Group will carry out specialization development in the area of specialization by further upgrading the existing specialized qualifications for municipal, installation, curtain wall and fire protection facilities so as to extend the chain of the construction industry. In the new areas, the Group will, by integrating internal resources, step up collaboration with large customers and the government; participate appropriately in the investment in public-private partnership ("PPP") projects; and vigorously expand the undertaking of projects under engineering, procurement and construction ("EPC") contracts to create new economic drivers vigorously. The Group has placed emphasis on reinforcing the management of EPC projects. On the basis of summarizing the existing experience with the management of EPC projects, the Group has stepped up the training and recruitment of EPC project management personnel as well as the build-up of a team. Moreover, industrialization of the construction industry has become an inevitable trend in the development of the industry. In the past several years, the Group vigorously carried out industrialization of construction by carrying out standardized construction at construction sites with the guidance of construction projects at model areas to promote standardization at construction sites. In the industry, the development of new prefabricated concrete structures and industrialized production were generally used by the Group in various places. Field visits were paid to a number of plants involved in industrialized construction projects and concrete prefabricated ("PC") components in the past year, and the Group believed industrialized production would overcome the shortcomings of traditional construction production methods and effectively improve the quality and construction time of construction projects. The Group will continue to build up relevant experiences and studies to lay a solid foundation for pushing construction industrialization in its next move.

CHAIRMAN'S STATEMENT

In the future, as guided by the development plan and the 5th Five-year Construction Plan during the period of the "13th Five-year Plan", the Group will execute its three-year action programme, accelerate the transformation of its development, expand overseas markets, enhance internal capabilities and accelerate reform programmes, with a focus on the key tone of comprehensive high-quality development, and on the basis of a strategic plan for "making the principal business prominent, excelling in professionalism and monitoring new areas closely", so as to seize new opportunities and carry out new leapfrogging development. With great self-confidence, a strong sense of crisis and a lofty sense of mission, the Group will be ready for making changes and will forge ahead to enhance the industry's regional competitive advantages and achieve the goals under the "13th Five-year Plan" ahead of schedule.

Finally, I hereby would like to extend my heartfelt gratitude to all of our board members, our employees, shareholders and business partners for their ongoing support and trust. With a firm determination for development, a strong sense of responsibility and strong execution capabilities, the Group will stand firm at a new starting point, make a new plan, aim to carry out new development based on its original mission and with diligence and courage, striving to bring forth high-speed growth and high-quality development.

Lyu Yaoneng
Chairman
29 March 2019

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lyu Yaoneng (呂耀能), aged 59, has over 31 years of experience in construction engineering industry. Mr. Lyu has been the chairman of the Board, executive Director and general manager of the Company since 17 July 1996, being the date of incorporation of the Company. He was also appointed as the president of the Company since December 2008. He is primarily responsible for corporate strategic planning and overall business development, management of the Company and decision making. The spouse of Mr. Wang Shaolin (王少林), one of the vice presidents of the Company, is the sister of Mr. Lyu. From December 1976 to February 1987, Mr. Lyu worked at Qitang Commune Construction Agency* (騎塘公社建築社). From March 1987 to April 1991, he worked as Manager and person-in- charge for technical matters at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社). From May 1991 to June 1996, he worked as the vice chairman and general manager at Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司).

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

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

Mr. Lyu Dazhong (呂達忠), aged 56, has over 35 years of experience in construction engineering industry. Mr. Lyu has been an executive Director since 17 July 1996, being the date of incorporation of the Company. He was also appointed as the vice president of the Company since September 2009. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. From September 1979 to December 1992, Mr. Lyu worked at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社). From January 1993 to July 1996, he worked as the deputy general manger of Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司).

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

Mr. Li Jinyan (李錦燕), aged 42, has over 20 years of experience in construction engineering industry. He has been an executive Director since 6 September 2011. He was also appointed as the vice president of the Company since September 2009. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. From August 1994 to July 1995, he joined Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司) as a technician and worked as deputy chief of production technology department of the same company from July 1995 to July 1996.

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

Mr. Lu Zhicheng (陸志城), aged 50, has over 27 years of experience in construction engineering industry. Mr. Lu has been an executive Director since 6 September 2011. He joined our Group as construction worker in July 1996 and was also appointed as the project manager of the Company since May 1998. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company. From May 1987 to May 1995, he worked at Tongxiang County Qitang Construction Agency* (桐鄉縣騎塘鄉建築社), while from May 1995 to July 1996, he worked at Tongxiang City Qitang Construction Company* (桐鄉市騎塘建築工程公司).

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

Mr. Shen Haiquan (沈海泉), aged 45, has over 15 years of experience in construction engineering industry. He has been an executive Director since 6 September 2011. He joined our Group as construction worker in September 1999 and was also appointed as the project manager of the Company since July 2012. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations, in particular with regard to project management of the Company. From April 2003 to June 2006, Mr. Shen worked as the manager of engineering department of Zhejiang Jujiang Real Estate Group Co. , Ltd.* (浙江巨匠房地產集團有限公司).

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

Mr. Zheng Gang (鄭剛), aged 50, has over 27 years of experience in construction engineering industry. Mr. Zheng has been an executive Director since 6 September 2011. He joined our Group as director of technology centre in October 2008 and was also appointed as the vice president of the Company since July 2011. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. From September 1992 to December 1999, he worked as the director of testing room at Zhejiang Jiaxing Construction Installation Company Ltd.* (浙江嘉興建築安裝有限公司). From January 2001 to April 2003, he worked as director of testing centre at Zhejiang Zhongyuan Construction Company Ltd.* (浙江中元建設股份有限公司). From May 2003 to October 2006, he worked as the manager at Jiaxing City Zhongyuan Engineering Inspection Company Ltd.* (嘉興市中元工程檢驗有限責任公司). Mr. Zheng worked as the general manager of Jiaxing City Zhongxu Engineering Inspection Company Ltd.* (嘉興市中旭工程檢驗有限責任公司) and Jiaxing City Chunqiu Construction Engineering Inspection Company Ltd.* (嘉興市春秋建設工程檢測有限責任公司) from November 2006 to March 2008 and from April 2008 to September 2008, respectively.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Jingxuan (余景選), aged 47, has been an independent non-executive Director since 24 November 2016. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. He has obtained a master's degree in management majoring in accounting from Shanghai University of Finance and Economics in February 2001, and a doctor's degree in management majoring in agricultural economics management from Northwest A&F University in June 2011. Mr. Yu has been an associate professor at the School of Accounting in Zhejiang University of Finance and Economics (浙江財經大學會計學院) ("ZUFE") since November 2004, and is currently the secretary and deputy officer to the financial management department of Party Branch Committee. He served as a teaching assistant from August 1993 to March 1999, and a lecturer from March 1999 to November 2004 in ZUFE.

Mr. Lin tao (林濤), aged 43, has over 14 years of experience in the construction education. Mr. Lin has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. From July 1997 to August 1998, he worked as assistant architect at Ningbo Institute of Construction Design Company Ltd.* (寧波建築設計研究院有限公司). Since April 2001, he is a lecturer and assistant officer of faculty of Zhejiang University* (浙江大學) Faculty of Construction. Mr. Lin completed a bachelor's degree and a master degree in construction (建築學), and a doctoral degree in architectural design from Zhejiang University* (浙江大學) in the PRC in June 1997, March 2001 and June 2012, respectively. He was accredited as a class one registered architect by the Office of Personnel of Zhejiang Province* (浙江省人事廳) in September 2004. He is also a member of the Planning and Design Professional Committee* (規劃設計專業委員會) under the Zhejiang Province Village and Town Construction and Development Research Association* (浙江省村鎮建設與發展研究會) since August 2015.

Mr. Wong Ka Wai (王加威), aged 39, has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. From February 2017 to June 2017, he was an independent non-executive director of Green International Holdings Limited (Stock code: 2700), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Wong has worked in various international accounting firms for over seven years. From January 2013 to March 2017, he is the chairman of Jai Dam Distribution (Hong Kong) Co. Ltd. . He is the chief financial officer and company secretary of the Ruifeng Power Group Company Limited (stock code: 2025) a company whose shares are listed on the Main Board of the Stock Exchange since May 2017. Mr. Wong obtained a bachelor's degree of business administration in accountancy from the City University of Hong Kong in November 2001. He was admitted as a member of the Association of Chartered Certified Accountants in 2009.

BOARD OF SUPERVISORS

Mr. Zou Jiangtao (鄒江滔), aged 41, has joined the Company since November 2000 and is currently serving as the manager of the Anhui branch office of the Company. He was appointed as an employee representative Supervisor since 25 December 2014. Mr. Zou Jiangtao completed four years studies in civil engineering at Zhuzhou Institute of Technology* (株洲工學院) in July 2000. Mr. Zou Jiangtao also obtained a qualification certificate for senior engineer in construction engineering issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in February 2011.

Mr. Chen Xiangjiang (陳祥江), aged 60, has joined our Company as a shareholder representative Supervisor since 19 August 2015. He was the head of factory of Zhejiang Longchang Leather Group Co. , Ltd* (浙江龍昌皮革集團有限責任公司) from January 1991 to October 1998. He is a general manager of Zhejiang Xianglong Leather Co. , Ltd. (浙江祥隆皮革有限公司) since October 1998. Mr. Chen completed secondary school at Nanri Secondary School* (南日中學) in PRC in 1975.

Mr. Lyu Xingliang (呂興良), aged 46, has joined our Company as a shareholder representative Supervisor since 20 August 2016. He has completed three years studies in industrial and civil construction at Zhejiang Radio & Television University* (浙江廣播電視大學) in June 2001. He joined the Company as the deputy chief of the operation division in August 1996, and promoted to chief of the operation division in April 2001. He served as the manager of sales department of the Company from February 2006 to January 2014. He served as the standing deputy general manager of the sales centre of the Company from January 2014 to December 2016 and he is currently served as assistant to the president. Previously, he served as a budget forecaster of Tongxiang County Qitang Construction Company* (桐鄉縣騎塘建築工程公司), the predecessor of the Company, from December 1991 to August 1996.

Mr. Zhu Jialian (朱家煉), aged 56, has joined our Company as a shareholder representative Supervisor since 24 November 2016. He has completed three years studies in Mathematics at Zhejiang Institute of Education* (浙江教育學院) in July 1989. Mr. Zhu has been the general manager of Zhejiang Yonghe Adhesive Products Co. , Ltd* (浙江永和膠粘製品股份有限公司) since August 1998 and a director at Bank of Jiaxing since May 2007. Before that, he served as a biology teacher in Tongxiang City Gaoqiao Secondary School* (桐鄉市高橋中學) from July 1983 to June 1988 and the factory director of school- run factory of Tongxiang City Gaoqiao Secondary School* (桐鄉市高橋中學校辦廠) from June 1988 to August 1998.

SENIOR MANAGEMENT

Mr. Lyu Yaoneng (呂耀能), aged 59, has been appointed as the president of the Company since December 2008. For biographical details of Mr. Lyu please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" in this report.

Mr. Lyu Dazhong (呂達忠) and Mr. Li Jinyan (李錦燕), aged 59 and 42 respectively, have been appointed as the vice president of the Company since September 2009. For biographical details of Mr. Lyu and Mr. Li please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" in this report.

Mr. Zheng Gang (鄭剛), aged 50, has been appointed as the vice president of the Company since July 2011. For biographical details of Mr. Zheng please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Executive Directors" in this report.

Mr. Wang shaolin (王少林), aged 56, joined the Company in July 1996 and has been our vice president since 15 September 2009. Mr. Wang completed two years studies via online distant learning in civil engineering at China University of Geosciences* (中國地質大學) in China in January 2007. Mr. Wang obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in April 2004. Mr. Wang also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2011.

Mr. Jin shuigen (金水根), aged 39, has been appointed as the joint company secretary of the Company since 31 August 2016. He has also been appointed as the vice president of the Company since January 2018, mainly responsible for the strategic planning and operation management of enterprise development. He completed master's degree studies in construction and civil engineering at Tongji University* (同濟大學) in July 2016 and obtained a bachelor's degree from East China Jiaotong University in civil engineering majoring in water supply and sewerage engineering in July 2003. He joined our Company and served as the deputy general manager of the enterprise development centre from July 2010 to June 2013. He served as the deputy general manager of Zhejiang Jujiang Real Estate Group Co. , Ltd.* (浙江巨匠房地產集團有限公司) from July 2013 to January 2015. He served as the standing deputy general manager of the enterprise development centre of the Company since January 2015 and also as the assistant to president of the Company since January 2016, which he is mainly responsible for the strategic planning and operation management of the enterprise development. Previously, he worked as a technician in Shanghai branch of China Railway Construction Engineering Group Co. , Ltd.* (中鐵建工集團有限公司上海分公司) from July 2003 to June 2005 and served as an engineer and a senior manager in Shanghai Merchant Property Co. , Ltd.* (上海招商置業有限公司) from June 2005 to June 2010.

Mr. Zhong Zhihua (鍾志華), aged 41, has been our Chief Financial Officer since 2017. He is primarily responsible for the Company's financial management and business development operation. Mr. Zhong has over 17 years of experience in the construction industry. He joined the Company in September 2000 as the Office Manager, handling administrative matters. From February 2008, he became manager of the finance department and was responsible for the financial management work. Starting from 2014, he has been the executive vice general manager of the integrated management center and concurrently served as the joint company secretary from August 2015 to August 2016 and the president's assistant from 2015 to 2017, and has served as vice president and general manager of the integrated management center since 2018. Mr. Zhong completed a two-year specialty course majoring in modern secretarial training at the Zhejiang Radio & Television University* (浙江廣播電視大學) in June 1999. He also completed a two and a half year online course majoring in accountancy at the East China University of Science and Technology* (華東理工大學) in January 2011. In July 2006, he completed a two-year online course majoring in administrative management at the East China University of Science and Technology* (華東理工大學). He also obtained a qualification certificate for assistant economist (助理經濟師) issued by Jiaxing City Personnel Bureau* (嘉興市人事局) in January 2005. In September 2009, he obtained a qualification certificate for engineer issued by Jiaxing City Personnel Bureau* (嘉興市人事局).

Mr. Cao Lijun (曹立峻), aged 47, is mainly responsible for the Company's market expansion. Mr. Cao has over 19 years of experience in the real estate development industry. He worked as a project manager in Zhejiang Zhingfang Real Estate Co. , Ltd.* (浙江中房置業股份有限公司) from June 1998 to March 2004. From April 2004 to November 2016, he was the deputy general manager of Zhejiang Zhongcheng Industrial Co. , Ltd.* (浙江中成實業有限公司) and from December 2016 to present, he served as vice president and general manager of the market expansion center of the Company.

JOINT COMPANY SECRETARIES

Mr. Hong Kam Le (康錦里), aged 39, has been our joint company secretary since 2 September 2015. He has more than seven years' experience in legal professional industry and is currently a senior associate of Li & Partners which is also the Company's legal advisers as to Hong Kong laws in the Global Offering. Prior to joining Li & Partners as an associate solicitor in June 2010, he worked at another Hong Kong law firm and was mainly involved in commercial and corporate matters. Mr. Hong also acts as the company secretary and authorized representative of Shengli Oil & Gas Pipe Holdings Limited (stock code: 1080) since December 2013.

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

Mr. Jin shuigen (金水根), aged 39, has been appointed as the joint company secretary of the Company since 31 August 2016. For biographical details of Mr. Jin, please refer to the corresponding paragraph in the section headed "Biographical Details of Directors, Supervisors and Senior Management – Senior Management" in this report .

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

MARKET REVIEW

In 2018, China's real estate regulatory policy entered a new stage. In addition to curbing irrational demand, the government placed emphasis on increasing effective supply and resolving the mismatch between supply and demand on the supply side. According to the statistics of the National Bureau of Statistics of the People's Republic of China, for the year ended 31 December 2018, i) total housing construction area in China was approximately 14.08920 billion sq.m. (31 December 2017: approximately 13.17195 billion sq.m.), representing an increase of 7.0% from the corresponding period of 2017; ii) total newly commenced area in China was approximately 5.58778 billion sq.m. (31 December 2017: approximately 5.21654 billion sq.m.), representing an increase of 7.1% from the corresponding period of 2017; and iii) total contract amount of PRC construction enterprises was approximately RMB49.4409 trillion (31 December 2017: approximately RMB43.9524 trillion), representing an increase of 12.5% from the corresponding period of 2017. Moreover, total value of the PRC construction industry increased by 9.9% year-on-year to approximately RMB23.5086 trillion for the year ended 31 December 2018 (31 December 2017: approximately RMB21.3954 trillion). Despite new challenges arising from regulatory policies, the improvement of various indicators reflected the strong momentum for the construction sector and the demand for the industry is expected to remain on the rise.

BUSINESS REVIEW

In 2018, the Group pushed forward the three main strategies of "major customers", "going out" and "quality business" developed in the previous year and achieved outstanding results and progress. During the year, the net value of new projects increased significantly by approximately 38.1% to approximately RMB10.1 billion as compared with the same period of last year. As at 31 December 2018, the outstanding backlog in terms of contract value was approximately to RMB11.2 billion.

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

	Year ended 31 December	
	2018	2017
	RMB'million	RMB'million
Opening value of backlog	**7,976.8**	5,422.6
Net value of new projects[(1)]	**10,087.1**	7,305.4
Revenue recognized[(2)]	**(6,824.7)**	(4,751.2)
Closing value of backlog[(3)]	**11,239.2**	7,976.8

Notes:

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

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

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

"Major Customers"

The Group advanced the "major customers" strategy in 2018. While maintaining existing good relationship with top real estate companies, we commenced cooperation with Greenland Holding Group Corporation Limited(綠地控股集團股份有限公司), which is a major property enterprise in China. We were awarded new commercial and residential projects of RMB4.88 billion, accounting for 48.4% of new contracts. Meanwhile, the Group pursued development of industrial projects by strengthening the relationship with industrial enterprises, including Tongkun Group Co., Ltd.*(桐昆集團股份有限公司), Jushi Group Co., Ltd.("Jushi") (巨石集團有限公司), Zhejiang Huayou Cobalt Co., Ltd.("Zhejiang Huayou") (浙江華友鈷業股份有限公司) and Xin Feng Ming Group Co., Ltd(新鳳鳴集團股份有限公司). This has contributed new industrial projects of RMB3.35 billion, accounting for 33.2% of new contracts. With a focus on large-scale projects, our major customers played increasingly important role in our business and projects over RMB100 million accounted for over 79.7% in our portfolio.

"Going Out"

Supported by "major customers", the Group not only strengthened market position in Jiaxing, Tongxiang, but also adopted the "Going Out" development approach with targeted measures. As a result, it secured new contracts outside of Zhejiang Province, which accounted for over 26.9% of our business. The Group intensively developed the Henan market and expanded to neighboring areas from Zhengzhou, which boosted our market share. Our new contract amount reached approximately RMB1.31 billion for the year, accounting for 48.3% of the total new contract amount in other areas (expect Zhejiang Province), and we have established strategic cooperation with local major players in the property sector, such as Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司), Zhengzhou Meisheng Real Estate Development Co., Ltd.* (鄭州美盛房地產開發有限公司) and Zhengzhou Kangqiao Real Estate Development Co., Ltd.* (鄭州康橋房地產開發有限責任公司). At the same time, we have undertaken projects of approximately RMB1.36 billion in Ningbo, Hangzhou, Huzhou, Taizhou, Quzhou and other cities in Zhejiang Province.

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

	Year ended 31 December				
	2018		2017		Change
	RMB'million	(%)	RMB'million	(%)	%
Jiaxing City	6,015.4	59.6	3,753.0	51.4	60.3
Zhejiang Province (except Jiaxing City)	1,360.7	13.5	1,751.0	24.0	(22.3)
Other areas (except Zhejiang Province)	2,711.0	26.9	1,801.4	24.6	50.5
Total	10,087.1	100.0	7,305.4	100.0	

"Quality business"

In 2018, the Group negotiated for a number of Engineering Procurement Construction ("EPC") projects and won the bid for five of them. Contract amount obtained from public project bidding and tendering exceeded RMB400 million. We enhanced direct operation and management by building a team for the management of Buttonwood+ Project in Wuzhen and Kangming Road Primary School project, thereby developing a preliminary replicable EPC project management model. On 13 November 2018, the Group acquired 80% equity interests in a subsidiary that had won the public-private partnership ("PPP") project for the Tongxiang City Youth Quality Education Practice Base. The acquisition has brought us the first PPP project of the Group. Besides, the Group also explored projects abroad and followed up the overseas investment projects of Jushi, Huayou and other clients so as to seek opportunities for international expansion.

The Group has always been committed to innovation in production technology. Leveraging the "Industry-Academic Research" platform, the "Academician Workstations" and other resources, it expedited the enhancement of new technology and techniques. In 2018, it obtained the certification of three Provincial Construction Techniques, as well as one national, two provincial and three municipal QC achievements. It was also granted two national invention patents and four utility model patents. By transforming technology into productivity, the Group focused on standardized construction, refined management and other aspects of technical management to highlight its image as a standardized construction company. We also increased the technical application of the Building Information Model ("BIM") and established the project-based BIM5D platform in BIM technology application projects, thereby generating the form for initial data analysis. During the year, the Group won a total of eight quality projects and developed 20 standardized sites, including eight provincial sites. Among which, the Zhenshi Headquarters Construction Project was selected as the Excellent Example of Internet Development in the Construction Industry for the Building Information Model ("BIM") technology project management, while Phase II of the Kanglaideng Garden Hotel Project received the Second Prize in the 1st "Master Cup" National BIM Competition in 2018.

For the year ended 31 December 2018, approximately 99.0% of the revenue was contributed by the construction contracting business. The Group recorded revenue of approximately RMB6,896.0 million for the year ended 31 December 2018, representing an increase of 43.6% year-by-year. The net profit for the year ended 31 December 2018 as compared to that for the year ended

31 December 2017 increased by 38.1% to approximately RMB172.9 million. The following table sets forth a breakdown of our revenue by business and project type for the years indicated:

	Year ended 31 December			
	2018		2017	
	RMB'million	%	RMB'million	%
Construction contracting business				
Residential	**3,329.3**	**48.3**	2,423.8	50.5
Commercial	**1,012.8**	**14.7**	1,506.4	31.4
Industrial	**1,898.9**	**27.5**	618.0	12.9
Public works	**583.7**	**8.5**	203.0	4.2
	6,824.7	**99.0**	4,751.2	99.0
Other business	**71.3**	**1.0**	51.8	1.0
Total revenue	**6,896.0**	**100.0**	4,803.0	100.0

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 43.6% from approximately RMB4,803.0 million for the year ended 31 December 2017 to approximately RMB6,896.0 million for the year ended 31 December 2018, primarily because of increase of construction contracting business amounting to approximately RMB2,073.5 million and an increase of other business amounting to approximately RMB19.5 million for the year ended 31 December 2018. Increase in construction contracting business was a result of an increase in revenue from residential construction contracting business, industrial contracting business and public work construction contracting business amounting to approximately RMB905.5 million, RMB1,280.9 million and RMB380.7 million, respectively, which was offset by a decrease in revenue from commercial construction contracting business amounting to RMB493.6 million. Such increase was due to benefits of the strategies of the Group, 'major customers', 'going out', and 'quality business', the net value of new projects increased significantly by 38.1%, especially for the residential construction contracting business and industrial construction contracting business. Decrease in commercial construction contracting business for the year ended 31 December 2018 is a result of the fact that some of the major projects were nearly completed in 2017, backlog values of the commercial contracting projects was approximately RMB1.4 billion as at 31 December 2018 which is expected to be completed before year ended 31 December 2020.

Gross profit increased by approximately 36.7% from approximately RMB276.7 million for the year ended 31 December 2017 to approximately RMB378.3 million for the year ended 31 December 2018 mainly due to the increase in business activities of the construction contracting business for the reasons disclosed above. The gross profit margin decreased from approximately 5.76% for the year ended 31 December 2017 to approximately 5.49% for the year ended 31 December 2018, such decrease was mainly due to the decrease in gross profit margins of the construction contracting business as the profits margin of the residential construction contracting business decreased from 5.77% for the year ended 31 December 2017 to 5.39% for the year ended 31 December 2018.

Other income and gains

Other income and gains decreased by approximately 36.6% from approximately RMB10.4 million for the year ended 31 December 2017 to approximately RMB6.6 million for the year ended 31 December 2018 primarily because the Group received a dividend income of approximately RMB4.7 million for the year ended 31 December 2017 as no such income were incurred for the year ended 31 December 2018.

Administrative expenses

The administrative expenses increased by approximately 30.0% from approximately RMB66.6 million for the year ended 31 December 2017 to approximately RMB86.7 million for the year ended 31 December 2018 which primarily because (i) an increase in salaries and employee benefits of approximately RMB11.8 million due to increase in number of staff and salaries increment and (ii) an increase in bank charges of approximately RMB5.8 million in relation to financing arrangement and issuance of guarantee letter for the project performance guarantee, for the year ended 31 December 2018.

Other expenses

Other expenses decreased by approximately RMB3.2 million from RMB5.6 million for the year ended 31 December 2017 to approximately RMB2.4 million for the year ended 31 December 2018, primarily due to the decrease in tax delay charge.

Finance costs

Finance costs increased by approximately 51.4% from approximately RMB39.0 million for the year ended 31 December 2017 to approximately RMB59.1 million for the year ended 31 December 2018. Such increase was primarily due to the Group used receivable factoring and discounting bills to obtain financing, as a result the Group incurred an aggregated interest of approximately RMB32.6 million for the year ended 31 December 2018, while no such transaction were incurred for the year ended 31 December 2017.

Income tax expense

Income tax expenses increased by 16.0% from approximately RMB43.3 million for the year ended 31 December 2017 to approximately RMB50.2 million for the year ended 31 December 2018 primarily because of an increase in the provision of tax as a result of the increased profit. The effective tax rate decreased from 25.7% for the year ended 31 December 2017 to 22.5% for the year ended 31 December 2018 primarily because the Group reversed a tax provision of approximately RMB7.4 million for the year ended 31 December 2018.

Profit for the year

Profit for the year increased by approximately 38.1% from approximately RMB125.2 million for the year ended 31 December 2017 to approximately RMB172.9 million for the year ended 31 December 2018. Net profit margin decreased from approximately 2.61% for the year ended 31 December 2017 to approximately 2.51% for the year ended 31 December 2018, primarily due to a decrease in gross profits margin which offset by decrease in effective tax rate for the year ended 31 December 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from cash generated from operating activities, interest-bearing bank and other borrowings. As of 31 December 2018 and 2017, the Group had cash and cash equivalents of approximately RMB167.4 million and approximately RMB83.9 million, respectively. Increase in cash and cash equivalents is a result of improvement of net cash flows from operating activities. The cash inflows from operating activities increased from approximately RMB153.2 million for the year ended 31 December 2017 to approximately RMB371.1 million for the year ended 31 December 2018.

Treasury Policies and Objectives

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

Contract assets/ amounts due from contract customers

The contract assets/ amounts due from contract customers decreased from approximately RMB3,084.5 million as of 31 December 2017 to approximately RMB 3,077.3 million as of 31 December 2018, representing 67.6% and 58.8% of the total current assets as of the same dates. The proportion of the contract assets/ amounts due from contract customers to the total current assets was decreased due to the Group strict control over the billings process. Decrease in absolute amounts of contract assets/ amounts due from contract customers primarily because of the Group actively issued bills to the customers.

Trade and bills receivables

Trade and bills receivables increased by approximately 54.5% from approximately RMB951.7 million as at 31 December 2017 to approximately RMB1,470.7 million as at 31 December 2018. Such increase was in line with the expansion of the business. The trade and bills receivables turnover days increased from approximately 60 days as at 31 December 2017 to approximately 63 days as at 31 December 2018, and such increase was a result of the increase in bills receivable balance as the bills receivable have a longer settlement period.

Trade and bills payables

Trade and bills payables increased from approximately RMB2,586.0 million as at 31 December 2017 to approximately RMB3,159.5 million as at 31 December 2018. Such increase was in line with the expansion of the business. The trade and bills payables turnover days decreased from approximately 198 days as at 31 December 2017 to approximately 161 days as at 31 December 2018, such decrease was a result of improvement of the operating cash flow.

Borrowings and charge on assets

As of 31 December 2018, the Group relied on interest-bearing bank and other borrowings in the amount of approximately RMB420.1 million (31 December 2017: approximately RMB549.6 million) which are repayable within 1 year and carried effective interest rate with a range from 3.9% to 6.5% per annum (31 December 2017: 4.4% to 20.4% per annum).

As at 31 December 2018, certain general banking facilities were secured by the land use rights and buildings of approximately RMB93.2 million (31 December 2017: approximately RMB95.5 million).

Gearing ratio

The gearing ratio decreased from 39.6% as at 31 December 2017 to 16.5% as at 31 December 2018. The decrease was mainly attributable to a steady increase in the total equity during the year and repayments of the bank loans.

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

Capital Expenditure

Capital expenditures increased from approximately RMB6.6 million for the year ended 31 December 2017 to approximately RMB98.9 million for the year ended 31 December 2018. During the year ended 31 December 2018, the Group purchased property, plant and equipment in acquisition of subsidiary and purchased the construction equipment for business expansion.

Capital Commitments

As at 31 December 2018, the Group did not have any significant commitments.

Contingent liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

On 13 November 2018, the Company and a third party (the "Vendor") entered into the share transfer agreement, pursuant to which the Company agreed to acquire 80% of the equity interest in the Tongxiang City Youth Quality Education Practice Base Co., Ltd.*(桐鄉市青少年素質教育實踐基地有限責任公司) from the Vendor at a cash consideration of RMB48,000,000. The transaction was completed on 13 November 2018.

For more details of the transaction, please refer to the announcements of the Company dated 13 November 2018.

Save as disclosed herewith, the Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2018, the Group had total of 851 employees (31 December 2017: 727 employees), of which 617 were based in Jiaxing City, and 234 were based in other areas in Zhejiang Province and in other provinces and regions in China. In 2018, the Group incurred total staff costs of approximately RMB51.1 million, representing an increase of approximately 31.5% as compared with those in 2017, mainly attributable to salary incremental.

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

FUTURE PROSPECTS

The Group will push forward the business strategy centering on "Major Customers". It will strengthen the "long-term" operation with existing major customers, enhance customer database, establish the evaluation system for customers needs, focus on customers requirements, improve tracking management, research and analysis and undertake businesses specific to customers needs. At the same time, the Group will optimize internal management by implementing more stringent risk control, strengthening internal cost management, upgrading production technology management and improving operations supervision and management, so as to achieve high-quality development on all fronts.

DIRECTORS' REPORT

The Directors hereby presents the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

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

RESULTS

The results of the Group for the year ended 31 December 2018 and the financial information of the Group as at 31 December 2018 are set out in the audited financial statements of this annual report.

BUSINESS AND FINANCIAL REVIEW

The business and financial review of the Group for the year ended 31 December 2018 and a discussion on the Group's future development are set out in the section head "Management Discussion and Analysis" on pages 14 to 21 of this annual report.

KEY RISKS AND UNCERTAINTIES

Business and market

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

In addition, the Group are susceptible to the adverse changes in national or local policies related to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing, foreign investment and taxation. During the year, the PRC Government implemented various regulations and policies aimed to cool the real estate market and the inflation of property prices. Various property price control policies have been implemented in recent years, including but not limited to limitations on the individuals to purchase property outside the province of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions. More recently, the PRC Government lowered interest rates to stimulate the slowing real estate industry and associated industries, including the construction industry. These policies may affect the level of activity in the PRC real estate industry, and in turn affect the number of construction projects available to the Group. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Financial

The major financial risks faced by the Group are interest risk, credit risk and liquidity risk. Management of the Group meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. The financial risk management objectives and policies are set out in the note 36 to the consolidated financial statement.

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

Tax Relief and exemption

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2018, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL PROTECTION

The Company and the Group uphold the concept of sustainable development, focus attention on the design of research and development, operation environment, social and governance risks, strive to achieve sustainable growth.

The Company considers the staff, shareholders and potential investors, government authorities, and suppliers as the key stakeholders, and values highly the expectations and opinions of the stakeholders on us with respect to environment, society and governance. The Company has commenced multi-dimensional risk analysis, identified issues on the environment, society and importance of governance which are the concerns in our own development and of the relevant stakeholders, and an environmental, social and governance report has been published.

For further relevant information regarding our performance on environment, society and governance during the current financial year, please refer to the section headed "Environmental, Social and Governance" on pages 48 to 57 in this annual report for details.

The Company has formulated the compliance procedures to ensure compliance with, in particular, the applicable laws, rules and regulations having material effect on us. The relevant employees and the relevant operating entities will be informed of any changes in the applicable laws, rules and regulations from time to time.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors and management team, comprising experienced professionals that possess extensive technical and industry experience, have a proven record of successfully operating and expanding the business. Therefore, the Group ensures the remuneration package of Directors and management are reasonable and competitive in the market and also continue to improve and regularly review and update its policies on remuneration and benefits. The Directors also believe that our long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of our employees depend primarily on their type of work, position, length of service with us and local market conditions.

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

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

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2018 is as follows:

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

FINAL DIVIDEND

Proposal for profit distribution of 2018

Audited net profit attributable to the holders of ordinary shares of the Company for the year 2018 calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to approximately RMB174,759,000. Together with undistributed profit of approximately RMB353,955,000 carried forward at the beginning of the year and after provision for statutory surplus reserves of approximately RMB17,474,000, profit available for distribution to shareholders amounted to approximately RMB511,240,000.

DIRECTORS' REPORT

The Board of Directors of the Company has recommended profit distribution for 2018 of 4.0 HK cents in cash (before tax) per share as the final dividend based on the number of shares held by H shareholders registered as at the close of business on the record date for profit distribution and dividend payment. The dividend will be denominated and declared in Hong Kong Dollar, and distributed to the domestic shareholders in RMB and to the overseas shareholders in Hong Kong Dollar. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of Hong Kong Dollar against RMB as published by the People's Bank of China one week preceding the date of the declaration of such dividend.

The Company expects to pay the dividend to shareholders on 23 August 2019.

In respect of the Company's distribution of final Dividend to Shareholders whose names appear on the H share register of the Company on the H Share record date, the Company will process income tax payable on dividends and profit distributions in accordance with relevant taxation laws and regulations of PRC. The details are as follow:

1. In connection with overseas non-resident corporate H shareholders, a 10% enterprise income tax to be withheld and paid on behalf of such shareholders by the Company shall apply in accordance with relevant provisions of the "Notice of the State Administration of Taxation on issues concerning the withholding and payment of enterprise income tax on dividends paid by Chinese resident enterprises to overseas non-resident corporate H shareholders" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)). Any H shares registered in the name of non-resident individual H shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident corporate H shareholders, and consequently will be subject to the withholding of the enterprise income tax.

2. Pursuant to relevant laws and regulations and regulatory documents such as the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》), the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》 (國稅發[2009]124號)) and the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]45號文件廢止後有關個人所得稅徵管問題的通知》 (國稅函[2011]348號)), dividends received by overseas resident individual shareholders from the stocks issued by domestic non-foreign investment enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of the stocks issued by domestic nonforeign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). For individual holders of H shares, dividends payable to them are subject to the individual income tax withheld at a tax rate of 10% in general unless otherwise specified by the tax regulations and the relevant tax agreements.

DETERMINATION MECHANISM ON DIVIDEND

Subject to the approval of the shareholders and requirement of the relevant laws, the Company shall pay annual dividends to the shareholders if i) the Group is profitable, ii) the operations environment is stable, and iii) there is no significant investment or commitment made by the Group. The Company has no fixed dividend policy specifying a dividend payout ratio. The declaration, payment and amount of dividends will be subject to the discretion of the Board, taking into consideration the criteria described below. The remaining net profits will be used for Group's development and operations. This dividend policy allows the Company to declare special dividends from time to time in addition to the annual dividends. The Company's ability to pay dividends will depend upon, among other things, the Group's current and future operations, financial position, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company's subsidiaries and associates, as well as any other conditions or factors which the Board deems relevant and having regard to the directors' fiduciary duties.

APPROVAL AND PAYMENT PROCEDURES

Details of the procedures have been set out in Articles 227 of the Company's Articles of Association posted on the website of the Company.

REVIEW AND MONITOR OF DIVIDEND POLICY

The form, frequency and amount of dividend payment by the Company are subject to restrictions under the PRC laws and the Company's Articles of Association. The Board reserves the right in its sole and absolute discretion to update, amend, modify the dividend policy at any time, and the existing dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

PUBLIC FLOAT

Based on the available public information of the Company, so far as the Directors are aware of, the Company has met the requirements of public float under the Rule 8.08 of the Listing Rules, during the year ended 31 December 2018 and there after up to the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2018, the Group acquired additional property, plant and equipment of approximately RMB97.9 million. Details of the movements are set out in note 13 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2018 and up to the date of this report, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

DISTRIBUTABLE RESERVES

As at 31 December 2018, reserves available for distribution of the Company amounted to RMB511.2 million (2017: RMB354.0 million).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 31 December 2018 represented approximately 10.3% (2017: 7.4%) and 32.1% (2017: 22.6%), respectively, of the Group's total revenue from sales operations.

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 31 December 2018 respectively amounted to RMB175.2 million (31 December 2017: RMB109.7 million) and RMB535.3 million (31 December 2017: RMB350.9 million).

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

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

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

BOARD OF SUPERVISORS

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

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

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

As at 31 December 2018, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange are as follows:

The Company

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

Notes:

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

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

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

As at 31 December 2018, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of Part XV of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

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

Notes:

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2018, so far as the Directors, Supervisors and the chief executive of the Company are aware of, no other persons have interests and/or short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate liability insurance to indemnify the Directors and senior officers for their liabilities arising out of corporate activities. For the year ended 31 December 2018, no claim has been made against the Directors and senior officers.

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

During the year ended 31 December 2018, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

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

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

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

TRANSACTIONS WITH CONNECTED PERSON

Jujiang Holdings mainly engages in the business of, amongst other things, property development and investment holding and it is also the shareholder of various subsidiaries (including the Company). As at 31 December 2018, Jujiang Holdings was owned as to approximately 51.33% by Mr. Lyu Yaoneng and approximately 48.67% by eight other individual shareholders.

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

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 33 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules but, save as disclosed hereinbelow, are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

CONSTRUCTION CONTRACTING SERVICE MASTER AGREEMENT

The Group, as service provider, entered into a construction contracting service master agreement on 25 August 2016 ("2016 Master Agreement") with Jujiang Holdings, one of the controlling shareholders and a connected person of the Company. For a term ending on 31 December 2018, pursuant to which Jujiang Holdings agreed to engage construction contracting services such as building construction, foundation work, curtain wall construction, building decoration and fire equipment installation from our Group. The annual caps for the transactions contemplated for the three years ending 31 December 2018 are RMB321 million, RMB325 million and RMB318 million respectively. During the year ended 31 December 2018, a total of RMB64.8 million service fees was received from Jujiang Holdings under the 2016 Master Agreement.

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

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

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITOR OF THE COMPANY

Confirmation from Directors

The Directors (including the independent non-executive Directors) have reviewed and confirmed that for the year ended 31 December 2018 the above continuing connected transactions have been and will be entered into in the ordinary and usual course of our Group's business and were based on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from auditor of the Company

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

(a) have not been approved by the Board;

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

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

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

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

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018, the Group entered into transactions with related parties set out in notes 33 to the consolidated financial statements. Some of these related party transactions constituted connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules and the Company have complied with the disclosure requirement thereon. Amongst the related party transactions shown in notes 33 (income received from design, survey and consultancy service) to the consolidated financial statements constituted connected transactions or continuing connected transactions but are exempt from shareholders' approval and disclosure and other requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

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

REMUNERATION POLICY

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

NON-COMPETITION AGREEMENT

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

NON-COMPETITION

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

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

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

Each of Mr. Lyu Yaoneng, Jujiang Holdings and Jujiang Equity Investment, as the Controlling Shareholders, has confirmed to the Company of his compliance with the Non-Competition Agreement for the year ended 31 December 2018.

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

COMPETING INTERESTS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this report, there are no major subsequent events to 31 December 2018 which would materially affect the Group's operating and financial performance as of the date of this report.

AUDITOR

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

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

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

Zhejiang Province, the PRC, 29 March 2019

SUPERVISORS' REPORT

2018 WORK REPORT OF THE BOARD OF SUPERVISORS

In 2018, all the members of the Board of Supervisors of Jujiang Construction Group Co., Ltd. (the "Company") discharged their own duties cautiously and conscientiously as required by various regulations and requirements such as the Listing Rules, the Company Law, the Articles of Association of the Company and the Rules of Procedure of the Board of Supervisors. They exercised powers independently in accordance with the law to ensure operational compliance of the Company and safeguard the interests of the Company and investors. The Board of Supervisors oversaw the Company's business plans, use of proceeds, connected transactions, the Company's production and business activities, financial position as well as the discharge of duties by the Company's directors and senior management members and the operation of the subsidiaries to facilitate the regulated operation and sound development of the Company.

I. Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Company convened three meetings in total:

1. The tenth meeting of the first session of the Board of Supervisors was convened on 29 March 2018, at which the following resolutions were considered and approved: (1) the "Resolution on the Audited Annual Report and Results Announcement of the Company for 2017" was considered; (2) the "Profit Distribution Resolution for 2017" was considered; (3) the "Resolution on the Re-appointment of Ernst & Young (Special General Partnership) as Auditor of the Company for 2018" was considered; (4) the "Resolution on the Work Report of the Board of Supervisors of the Company for 2017" was considered; (5) the "Resolution on the Election of the Board of Supervisors of the Company" was considered.

2. The first meeting of the second session of the Board of Supervisors was convened on 13 June 2018, at which the "Resolution on the Election of Mr. Lyu Xingliang as the Chairman of the Second Session of the Board of Supervisors" was considered and approved.

3. The second meeting of the second session of the Board of Supervisors was convened on 24 August 2018, at which the "Resolution on the Announcement on the Unaudited Interim Results of the Company for 2018" was considered and approved.

II. Supervisory Opinions of the Board of Supervisors on Relevant Matters of the Company during 2018:

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

In 2018, the Board of Supervisors of the Company conscientiously discharged its supervisory duties in strict compliance with the Listing Rules, the Company Law, the Articles of Association of the Company, the Rules of Procedure of the Board of Supervisors and requirements under relevant laws and regulations, with an aim of effectively safeguarding the interests of the Company as well as the rights and interests of all minority shareholders as a whole. Members of the Board of Supervisors attended all board meetings and general meetings in 2018 and considered that the Board of Directors conscientiously enforced the resolutions adopted at general meetings, and faithfully performed its obligation of good faith, without prejudicing the interests of the Company and its shareholders; that all the resolutions of the Board of Directors were in compliance with the Company Law, other laws and regulations as well as requirements under the Articles of Association. The Board of Supervisors also oversaw the Company's production and business activities during the tenure of office, and considered that the management team of the Company was diligent and responsible, and conscientiously enforced all the resolutions of the Board of Directors, and that no non-compliance were found in the Company's operations.

2. *The Company's financial position*

   The Board of Supervisors of the Company examined the financial positions of the headquarters and subsidiaries of the Company by listening to the briefing reports of the financial department and carrying out regular audit based on the actual circumstances of the Company, thereby strengthening its supervision over the financial work of the Company. The Board of Supervisors of the Company considered that the Company and its subsidiaries had independent financial departments, independent books of accounts and independent accounting process, and complied with the Accounting Law and relevant financial rules and regulations. In 2018, the Company and its subsidiaries had standardized financial management in place and their financial statements gave a true and accurate view of the actual situation of the Company and its subsidiaries.

3. *Connected transactions*

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

4. *The Company's internal control*

   During the reporting period, the Company established and improved the internal control system across all aspects to make sure it was under normal business operation and safeguard the security and integrity of the Company's assets. The Company has a complete organizational structure for internal control, with the internal audit department and staffing in place, which ensured that the key activities for the Company's internal control were fully and effectively implemented and monitored. In 2018, no violations of the "Guidelines for Internal Control of Listed Companies" and the Company's internal control system were found. The Board of Supervisors considered that the self-evaluation of the Company's internal control was a comprehensive and true reflection of the actual status of the Company's internal control.

III. The work plan of the Board of Supervisors for 2019

The year 2019 will be crucial for the Company to achieve comprehensive high-quality growth thought transformation and upgrade. Adhering to the business goals and missions as always, the Board of Supervisors will innovate new operating practices and methodology centering on financial monitoring in 2019, with the view of enhancing timeliness and effectiveness in this regard. It will put emphasis on coordination and implementation while strengthening monitoring. At the same time, it will explore risk prevention and alert mechanism for business, and perform its supervisory obligations conferred by laws and the Articles of Association, so as to duly safeguard the legal interests of the Company and its shareholders.

1. The Company will continue to explore and improve the working and operation mechanisms of the Board of Supervisors, perform active and orderly supervision in accordance with laws and regulations, and drive towards scientific, systematic and standardized operation of the Board of Supervisors.

2. The Board of Supervisors will persist in the regular inspection of production, operation and asset management, cost control and management and establishment of standardized financial management, with an aim of understanding the production, operation and financial positions of the Company on a timely manner.

3. The Board of Supervisors will enhance daily supervision and optimize its information system, while strengthening the oversight of the performance of duties by directors and other senior management.

4. The Board of Supervisors will step up its own development. By enhancing learning and pushing forward its own development, it will upgrade supervision capabilities and better discharge duties. Apart from these, it will promote ideological, organizational and work-style build-up, and strive to improve duty discharge, supervision and participation in decision-making, thereby boosting innovation capability and effectiveness of supervision and inspection for discharging its functions with dedication.

5. Based on the proposal on target assessment for 2019, the Board of Supervisors will step up the tracking and implementation of these targets to make sure the assessment is taken seriously. It will focus on how the Company conducts target assessments for various work units to identify whether there is non-compliance in the internal assessment process.

The Board of Supervisors will discharge its supervisory duties conscientiously, continue to work on a regular basis and propose supervisory opinions on specific issues. If a problem is identified, it will recommend the Board of Directors or the management team of the Company to implement the accountability system and adopt rectification measures to facilitate the overall targets of the Company for 2019.

The above report is hereby submitted to Supervisors for consideration.

Board of Supervisors of Jujiang Construction Group Co., Ltd.
29 March 2019

CORPORATE GOVERNANCE REPORT

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "Code Provisions") of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2018 and up to the date of this report, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below.

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

Save as disclosed above, the Company has complied with the CG Code for the year 2018. The Directors will review the corporate governance policies and compliance with the CG Code each financial year.

BOARD OF DIRECTORS

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

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

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

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

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

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

Accountability

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

Directors' Continuous training and Professional Development

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

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

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

Independence of Independent non-executive Directors

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

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

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors were independent and met the independence guidelines set out in Rules 3.13 of the Listing Rules throughout the year ended 31 December 2018 and up to the date of this annual report.

Board Committees

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

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

Audit Committee

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

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

Pursuant to the meeting of the Audit Committee on 29 March 2019, the Audit Committee has reviewed, among other things, the financial statements of the Company for the year ended 31 December 2018, including the accounting principles and practices adopted by the Company, report prepared by the external auditors covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Company's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditors. During the year, the Audit Committee held two meetings.

Remuneration and Appraisal Committee

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

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

Pursuant to the meeting of the Remuneration and Appraisal Committee on 29 March 2019, the Remuneration and Appraisal Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company. During the year, the Remuneration and Appraisal committee held one meeting.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors and Supervisors for the year ended 31 December 2018 are set out in note 9 to the consolidated financial statements.

The biographies of the senior management are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of non-Director members of the senior management for the year ended 31 December 2018 is as follows:

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

Nomination Committee

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

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

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

NOMINATION POLICY

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

1. Selection Criteria

(a) The NC is authorized by the Board to determine the nomination of directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer. Without prejudice to the NC exercising its powers and duties, the ultimate responsibility for selection and appointment of directors rests with the entire directors.

(b) In assessing the suitability of a proposed candidate, the NC may make reference, according to the Company's business model and specific needs, to certain criteria such as the Company's need, the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in construction contracting and/or other professional areas, the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities and, in case of independent non-executive director, the independence requirements set out in the Listing Rules (as amended from time to time), and seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

(c) Where necessary, the NC should seek independent professional advice to access a wider range of potential candidates.

(d) Proposed candidate will be asked to submit the necessary personal information, together with his/her written consent to be appointed as a director and to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director.

(e) Non-executive director will receive a formal letter of appointment on his/her appointment to the Board, setting out clearly the expectations of him/her in terms of time commitment, committee service and involvement outside board meetings.

2. Nomination Procedures

The secretary of the NC shall invite nominations of candidates from Board members if any, for consideration by the NC. The NC may also put forward candidates who are not nominated by Board members.

Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting, and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, in the case of the re-appointment of a director at the general meeting, the NC shall review the overall contribution of the directors to the Company and their services, their participation and performance within the board of directors, and whether such director still meets the above criteria.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board may revoke or terminate any of the appointment of a managing director, joint managing director or deputy managing director in accordance with Article 143 of the articles of association of the Company.

A shareholder of the Company can serve a notice to the Company within the lodgment period of its intention to propose a resolution to elect a certain person as a director. Details of the procedure has been set out in the "Procedure for Shareholders to Propose a Person for Election as a Director of the Company" posted on the website of the Company.

3. Review and Monitor of this Policy

(a) The NC shall review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

(b) The NC shall keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to complete effectively in the marketplace.

(c) The NC shall keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

Strategic Committee

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

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

One meeting was held by the Strategic Committee during the year ended 31 December 2018.

Corporate Governance Functions

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

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

Attendance Record of Directors

The attendance record of each of the current Directors at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2018 is set out in the table below. The Directors did not authorize any alternate Director to attend Board or Board Committee meetings.

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

Board Proceedings

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

During the year ended 31 December 2018, there were four Board meetings held and all Directors attended the meetings that they were required to attend.

Board Diversity Policy

The Board first adopted a board diversity policy (the "Board Diversity Policy") in 23 December 2015 in accordance with the requirement set out in the CG Code and the Board Diversity Policy had amend it in 1 January 2019. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted: selection of candidate will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

Board of supervisors

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

Model code for securities transactions

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules ("Model Code") as the Company's code of conduct regarding Directors' and Supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from 1 January 2018 to 31 December 2018.

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

JOINT COMPANY SECRETARIES

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

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

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

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

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

The Company confirms that Mr. Jin and Mr. Hong Kam Le have for the year of 2018 complied with Rule 3.29 of the Listing Rules and attend to less than 15 hours of relevant professional training.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

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

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

Internal controls and risk management

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

External Auditor

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

For the year ended 31 December 2018, the fees payable to Ernst & Young in respect of its annual audit services provided to the Company was RMB1.9 million.

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

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

Shareholders' Rights

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

Right to convene extraordinary general meeting

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

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

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

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

INVESTOR RELATIONS

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

Constitutional Documents

During the year ended 31 December 2018, there had been no change in the Company's constitutional documents.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group is committed to upholding a high quality of corporate social responsibilities ("CSR") and issued this environmental, social and governance report pursuant to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules. During the year, the Group continued to improve its performance in fulfilling its CSR through diversified measures. The report provides details of the Company's policies and practices in three aspects namely working environment, environmental protection, and community involvement for the year ended 31 December 2018.

WORKING ENVIRONMENT

Employees

Our Directors believe that our long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of our employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve our employees' skills and technical expertise, we provide regular training to our employees. Besides these, the Group has made detailed regulations in its employee manual with respect to dismissal, working hours, vacations and other aspects.

The Group mainly recruit through recruitment fairs and on-campus recruitment. As at year ended 31 December 2018, we had a total of 851 employees, of which 617, or 72.5%, were based in Jiaxing, and 234, or 27.5%, were based in other areas in Zhejiang Province and in other provinces and regions in China. The following table sets forth the number and breakdown of our full-time employees by function as at year ended 31 December 2018:

	Number of employees
Project management	391
Quality and safety	212
Administrative and management	121
Design, survey and consultancy	56
Sales and marketing	45
Finance	26
Total	851

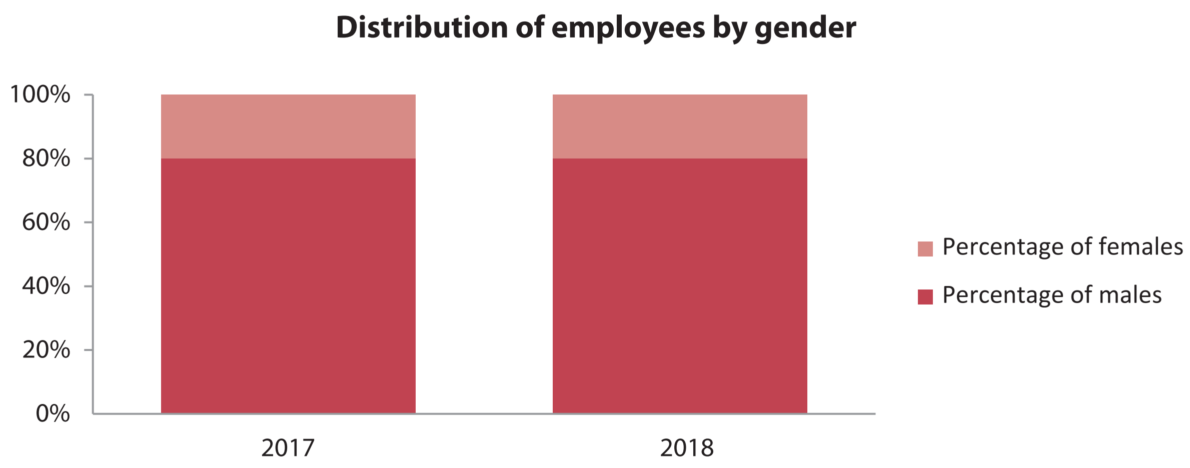
Fair recruitment

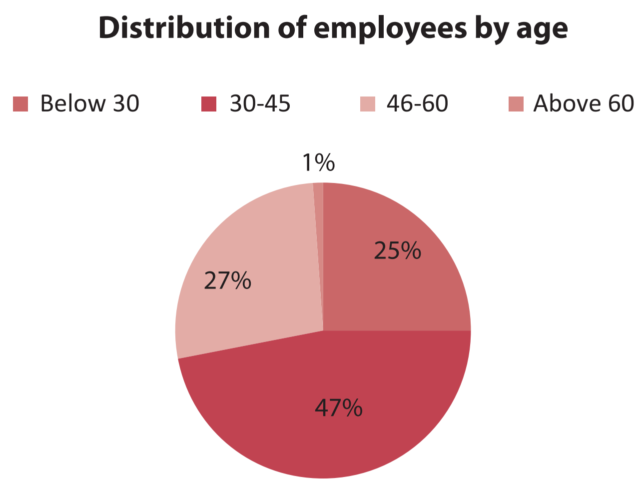
The Group recruits staff based on a fair, open and impartial principle to ensure the recruitment and selection process is objective and consistent. The Company only take into account an individual's competence, regardless of the age (no recruitment of minors under the age of 16), nationality, race, gender,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

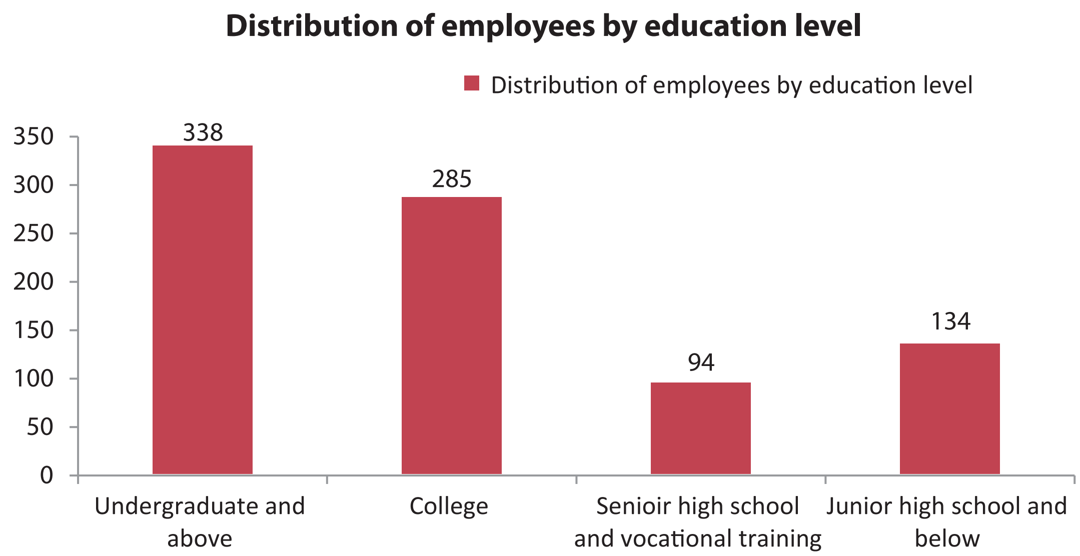
Employment

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

Employment statistics by gender, age and education level training

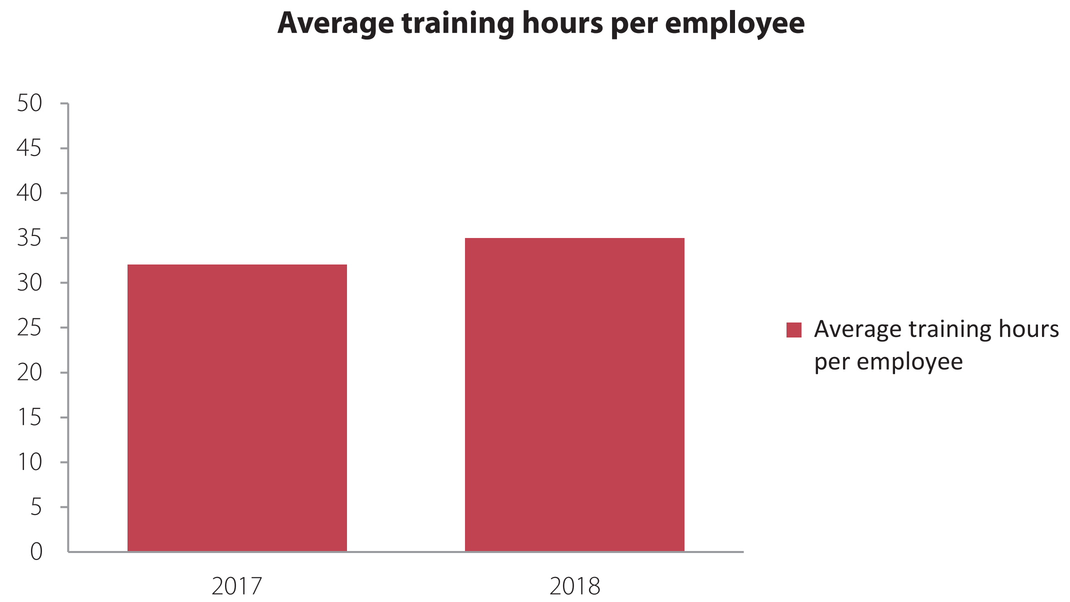






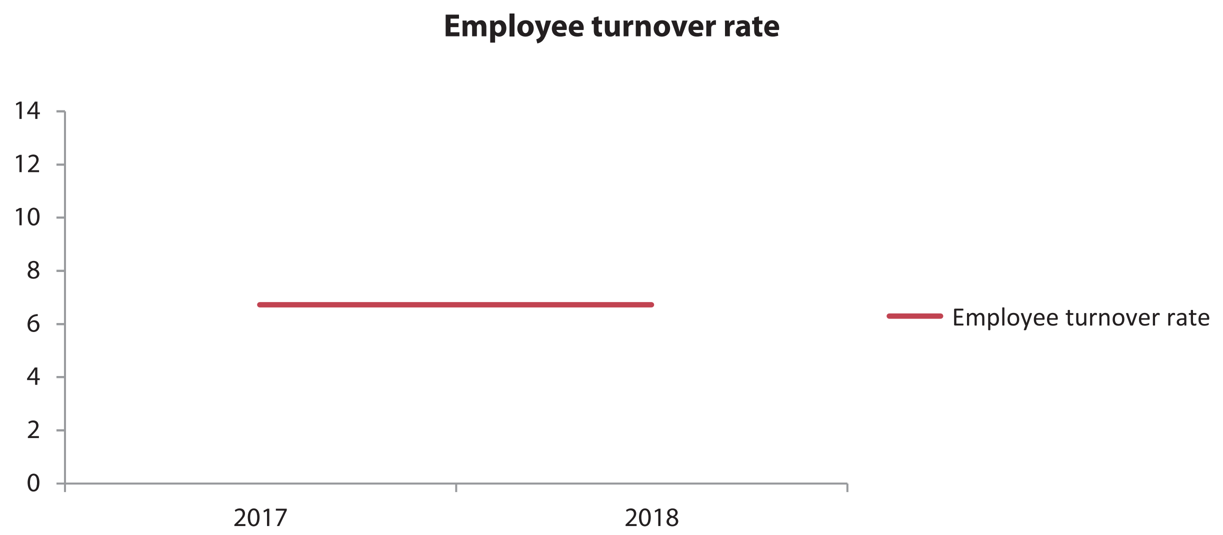
Training

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



Benefits

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



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

OCCUPATIONAL HEALTH AND SAFETY

Safety Management system

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

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

During the year ended 31 December 2018, the Group was granted 23 construction safety awards at provincial-level, municipal-level or county-level, including fours Safe and Civilised Construction Demonstration Sites in Zhejiang Province accredited by the Zhejiang Provincial Department of Construction.

Accident Rate Analysis

For the years ended 31 December 2017 and 2018, the accident rate on the Group's construction projects was 0.37 and 0.37 workplace accidents for every 1,000 workers, respectively. The Group accident rate equals the number of workplace accidents (including fractures and other injuries) during the relevant year or period divided by the annual average number of workers on our construction projects (including our project management personnel and subcontracted workers). Moreover, a table showing the Group's lost time injuries frequency rates ("LTIFR(s)") (Note) is set out below:

For the years ended 31 December	
2017	Less than 0.01
2018	Less than 0.01

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

For the years ended 31 December 2017 and 2018, the number of workplace accidents (including fractures and other injuries) occurred on our construction sites was four and four respectively.

Having considered the number of accidents and fatalities nationally and in Zhejiang Province from 2017 to 2018, the Directors believe that we did not have a high accident or fatality number during the year ended 31 December 2018.

Supply Chain Management

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

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

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

Data Protection and Privacy Policies

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

Bribery, corruption and other misconduct

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

ENVIRONMENTAL PROTECTION

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

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

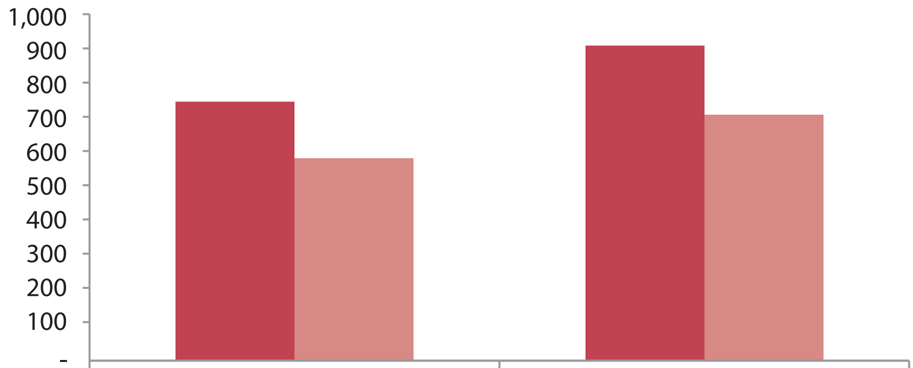
ENERGY CONSERVATION AND EMISSION REDUCTION

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

POWER CONSUMPTION CONTROL

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

Power consumption and corresponding carbon emission



	2017	2018
Power consumption (kWh in '000s)	746.6	907.8
Carbon emission (tonnes)	582.3	708.1

During the year, the total power consumption is of approximately 907,797 kWh, and the intensity is approximately 131.6 kWh/RMB million revenue.

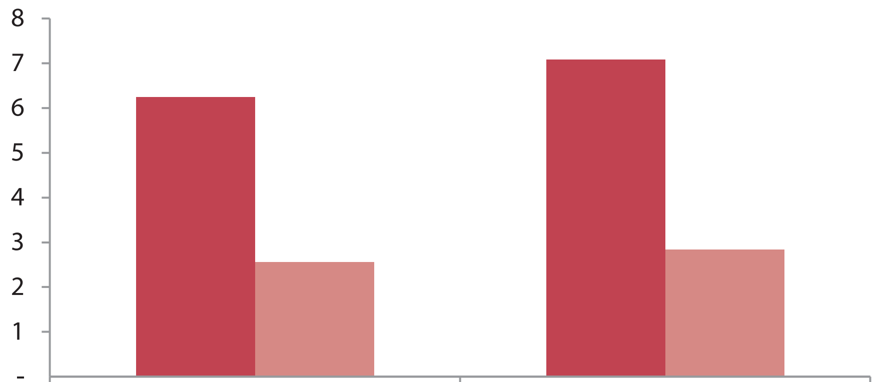
WASTE MANAGEMENT

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

WATER CONSUMPTION CONTROL

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

Water consumption and corresponding carbon emission



	2017	2018
Water consumption (kilotonnes)	6.25	7.09
Carbon emission (tonnes)	2.56	2.84

During the year, the total water consumption is approximately 7,085 tonnes and the intensity is approximately 1.03kg/RMB million revenue.

Economical Use of Resources

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

Packing materials

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

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

QUALITY CONTROL AND MANAGEMENT

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

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

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

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

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

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

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

COMMUNITY INVOLVEMENT/CHARITABLE DONATIONS

The Group is committed to fulfilling its CSR and continues to dedicate its internal resources to charitable activities. During the year ended 31 December 2018, the Group donated a total of RMB1,548,560 to students and poor families.

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

FUTURE DIRECTION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Jujiang Construction Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 146, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction contracts	
The Group provided construction contracting services to its customers and the construction revenue amounting to RMB6,825 million for the year ended 31 December 2018, which was accounted for by applying an input method to measure the progress towards complete satisfaction of the construction service. The input method recognises revenue based on the proportion of the actual costs incurred to the estimated total costs for satisfaction of the construction services. The estimation of the total budgeted cost involves management's judgement and estimates and is based on historical experience. In addition, revenue, cost and gross profit realised on such contracts can vary from the Group's original estimates because of changes in conditions. The accounting policies and related disclosures for the revenue recognition on construction contracts are included in Note 3.3 – Summary of significant accounting policies, Note 4 – Significant accounting judgements and estimates, and Note 6 – Revenue, other income and gains to the financial statements.	We evaluated and tested the Group's controls over the budgeting process of contract costs (including the assessment of the historical accuracy of the budget for completed projects), accounting process of contract revenues and the calculation of the progress towards completion of the construction service. On a sample basis, we reviewed significant construction contracts and checked the total contract value and key contract terms. On a sample basis, we checked the contract costs incurred by reviewing the related documents such as documents of settlement and supplier invoices. We observed selected construction work sites and discussed the progress with construction surveyors and project managers to assess the consistency between the construction status and the related progress calculated from the input method. We re-calculated the revenues recognised under the input method and performed analytical review procedures according to different construction contract types.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses ("ECL") of receivables and contract assets	
As at 31 December 2018, trade receivables, other receivables and contract assets amounting to RMB4,425 million, accounted for 80% of total assets, were material to the Group's consolidated financial statements. The Group adopted IFRS 9 *Financial Instruments* which is effective from 1 January 2018. As a result, a forward-looking ECL impairment model is applied by the Group. This involves judgments as the expected credit loss impairment model reflects information about past events, current conditions and forecasts of future conditions. Accordingly these accounts are considered as a key audit matter. The accounting policies and related disclosures for the provision for expected credit losses of trade receivables, other receivables and contract assets are included in Note 3.3 – Summary of significant accounting policies, Note 4 – Significant accounting judgements and estimates, Note 19 – Trade and bills receivables, Note 20 – Prepayments, other receivables and other assets, and Note 21- Contract assets to the financial statements.	We evaluated and tested controls over the accounting process of the provision for ECL of trade receivables, other receivables and contract assets. We tested the accuracy of the ageing of receivables and contract asset balances by tracing details of selected samples to invoices and terms of the contracts with customers. We assessed whether the calculation of expected credit loss was in accordance with IFRS 9. We evaluated the significant judgments employed by the ECL impairment model by considering the underlying data related to selected customers' historical default rates, current macroeconomic information, and expected future payment pattern. We checked the arithmetic accuracy of the ECL impairment model. We assessed the adequacy of the Group's disclosures in relation to trade receivables, other receivables, and contract assets included in the financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises Chairman's Statement, Management Discussion and Analysis, Directors' Report and Corporate Governance Report included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available 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. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to report that fact.

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	6	**6,895,993**	4,803,019
Cost of sales	8	**(6,517,674)**	(4,526,327)
Gross profit		**378,319**	276,692
Other income and gains	6	**6,569**	10,365
Administrative expenses		**(86,653)**	(66,632)
Impairment losses on financial and contract assets, net		**(13,645)**	(7,324)
Other expenses		**(2,416)**	(5,599)
Finance costs	7	**(59,126)**	(39,047)
PROFIT BEFORE TAX	8	**223,048**	168,455
Income tax expense	10	**(50,180)**	(43,252)
PROFIT FOR THE YEAR		**172,868**	125,203
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**172,868**	125,203
Profit attributable to:			
Owners of the parent		**171,096**	123,792
Non-controlling interests		**1,772**	1,411
		172,868	125,203
Total comprehensive income attributable to:			
Owners of the parent		**171,096**	123,792
Non-controlling interests		**1,772**	1,411
		172,868	125,203
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	12	**0.32**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**221,202**	132,559
Prepaid land lease payments	14	**8,706**	8,997
Goodwill		**1,162**	–
Other intangible assets	15	**2,803**	2,407
Deferred tax assets	16	**20,197**	17,113
Trade receivables	19	**–**	25,173
Prepayments, other receivables and other assets	20	**26,224**	40,412
Other non-current assets		**–**	15
Total non-current assets		**280,294**	226,676
CURRENT ASSETS			
Prepaid land lease payments	14	**291**	291
Inventories	17	**17,209**	12,028
Amounts due from contract customers	18	**–**	3,084,495
Contract assets	21	**3,077,317**	–
Trade and bills receivables	19	**1,470,703**	926,544
Prepayments, other receivables and other assets	20	**466,489**	437,571
Pledged deposits	22	**35,369**	18,752
Cash and cash equivalents	22	**167,406**	83,859
Total current assets		**5,234,784**	4,563,540
CURRENT LIABILITIES			
Trade and bills payables	23	**3,159,517**	2,586,026
Other payables and accruals	24	**439,085**	232,574
Amounts due to contract customers	18	**–**	132,125
Interest-bearing bank and other borrowings	25	**420,050**	549,561
Tax payable		**182,390**	159,044
Total current liabilities		**4,201,042**	3,659,330
NET CURRENT ASSETS		**1,033,742**	904,210
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,314,036**	1,130,886

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	24	–	827
Total non-current liabilities		–	827
Net assets		1,314,036	1,130,059
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	533,360	533,360
Reserves	27	761,570	590,474
		1,294,930	1,123,834
Non-controlling interests		19,106	6,225
Total equity		1,314,036	1,130,059

Lyu Yaoneng
Director

Lyu Dazhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to owners of the parent							
	Note	Share capital RMB'000	Capital reserve* RMB'000	Special reserve* RMB'000	Statutory surplus reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2017		533,360	188,480	–	29,927	248,275	1,000,042	5,414	1,005,456
Profit for the year		–	–	–	–	123,792	123,792	1,411	125,203
Total comprehensive income for the year		–	–	–	–	123,792	123,792	1,411	125,203
Appropriation to statutory surplus reserve		–	–	–	13,044	(13,044)	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(600)	(600)
Transfer to special reserve	(i)	–	–	105,368	–	(105,368)	–	–	–
Utilisation of special reserve	(i)	–	–	(105,368)	–	105,368	–	–	–
As at 31 December 2017 and 1 January 2018		533,360	188,480	–	42,971	359,023	1,123,834	6,225	1,130,059
Profit for the year		–	–	–	–	171,096	171,096	1,772	172,868
Total comprehensive income for the year		–	–	–	–	171,096	171,096	1,772	172,868
Appropriation to statutory surplus reserve		–	–	–	18,082	(18,082)	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(600)	(600)
Acquisition of a subsidiary		–	–	–	–	–	–	11,709	11,709
Transfer to special reserve	(i)	–	–	142,922	–	(142,922)	–	–	–
Utilisation of special reserve	(i)	–	–	(142,922)	–	142,922	–	–	–
As at 31 December 2018		**533,360**	**188,480**	**–**	**61,053**	**512,037**	**1,294,930**	**19,106**	**1,314,036**

* These reserve accounts comprise the consolidated reserves of RMB761,570,000 (2017: RMB590,474,000) in the consolidated statement of financial position.

Note:

(i) In preparation of the financial statements, the Group has appropriated a certain amount of retained profits to a special reserve fund for each of the two years ended 31 December 2018 and 2017, for safety production expense purposes as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was transferred back to retained profits until such special reserve was fully utilised.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**223,048**	168,455
Adjustments for:			
Finance costs	7	**59,126**	39,047
Dividend from available-for-sale investment	6	**–**	(4,680)
Interest income	6,8	**(476)**	(432)
Exchange differences, net		**–**	4
Gain on disposal of available-for-sale investment	6	**–**	(164)
Depreciation of items of property, plant and equipment	8	**8,524**	8,585
Amortisation of intangible assets	8	**540**	435
Amortisation of prepaid land lease payments	8	**291**	291
Impairment of trade receivables	8	**4,923**	11,413
Impairment/(reversal of impairment) of other receivables	8	**4,994**	(4,089)
Impairment of contract assets	8	**3,728**	–
Gain on disposal of items of property, plant and equipment, net	8	**(316)**	(2,998)
		304,382	215,867
Increase in inventories		**(5,181)**	(4,416)
Decrease in contract assets		**(3,081,045)**	–
Decrease/(increase) in amounts due from/to contract customers		**2,952,370**	(67,994)
Increase in trade and bills receivables		**(523,909)**	(289,123)
Decrease in prepayments, other receivables and other assets		**10,324**	62,832
Increase in pledged deposits		**(9,193)**	(642)
Increase in trade and bills payables		**573,491**	260,183
Increase /(decrease) in other payables and accruals		**179,283**	(7,952)
Cash flows from operations		**400,522**	168,755
Interest received		**476**	432
Income tax paid		**(29,919)**	(15,974)
Net cash flows from operating activities		**371,079**	153,213

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(14,881)**	(5,886)
Payments for acquisition of intangible assets	15	**(827)**	(740)
Proceeds from disposal of items of property, plant and equipment		**1,068**	3,076
Proceeds from disposal of available-for-sale investment		**–**	3,764
Acquisition of a subsidiary	28	**(46,231)**	–
Net cash flows (used in)/from investing activities		**(60,871)**	214
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(59,126)**	(39,047)
New bank loans		**557,100**	688,971
Repayment of bank loans		**(716,611)**	(783,901)
Deposits paid for bank loans		**(7,424)**	–
Dividends paid to non-controlling shareholders		**(600)**	(600)
Borrowings and repayments of loans to related parties		**–**	(6,621)
Borrowings and repayments of loans from related parties		**–**	6,621
Net cash flows used in financing activities		**(226,661)**	(134,577)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**83,547**	18,850
Effect of foreign exchange rate changes		**–**	(4)
Cash and cash equivalents at beginning of year		**83,859**	65,013
CASH AND CASH EQUIVALENTS AT END OF YEAR		**167,406**	83,859
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**167,406**	83,859
Cash and cash equivalents as stated in the statement of financial position		**167,406**	83,859
Cash and cash equivalents as stated in the statement of cash flows		**167,406**	83,859

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2018

1. CORPORATE AND GROUP INFORMATION

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

During the year ended 31 December 2018, the Group's principal activities were as follows:

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Notes	Place and date of incorporation/ registration and business	Share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhejiang Jujiang Construction Surveying and Design Co., Ltd. ("浙江巨匠建築勘察設計有限公司")	(a)	The PRC/Mainland China September 1985	RMB10,000,000	100%	0%	Surveying, designing and engineering exploration
Tongxiang City Jujiang Lifting Equipment Installation Co., Ltd. ("桐鄉市巨匠起重設備安裝有限公司")	(a)	The PRC/Mainland China May 2006	RMB1,600,000	100%	0%	Installation, disassembly and rent of construction lifting equipment
Zhejiang Jujiang Municipal Landscaping Engineering Co., Ltd. ("浙江巨匠市政园林綠化工程有限公司")	(a)	The PRC/Mainland China October 2007	RMB50,000,000	100%	0%	Municipal public and sports facilities construction and landscaping
Zhejiang Kepuao Building Materials Trading Co., Ltd. ("浙江科普奧建材貿易有限公司")	(a)	The PRC/Mainland China February 2013	RMB30,000,000	100%	0%	Sales of building materials, machinery and metal materials

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Notes	Place and date of incorporation/ registration and business	Share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tongxiang City Jujiang Curtain Wall Installation Engineering Co., Ltd. ("桐鄉市巨匠建築幕牆安裝工程有限公司")	(a)	The PRC/Mainland China March 2009	RMB5,000,000	85%	0%	Installation of architecture wall
Jiaxing Jujiang Defence Equipment Co., Ltd. ("嘉興巨匠防護設備有限公司")	(a)	The PRC/Mainland China April 2013	RMB10,000,000	70%	0%	Civil defence product manufacturing business
Tongxiang City Youth Quality Education Practice Base Co., Ltd. ("桐鄉市青少年素質教育實踐基地有限責任公司")	(a)	The PRC/Mainland China November 2015	RMB60,000,000	80%	0%	Building and operating of youth quality education practice base
Jujiang Construction (India) Construction contracting Private Limited ("巨匠建設（印度）私人有限公司")	(b)	The Republic of India August 2018	Rs6,704,500	90%	10%	Construction contracting

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

Notes:

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

(b) Registered as limited liability companies under India law.

During the year, the Group acquired Tongxiang City Youth Quality Education Practice Base Co., Ltd. from a third-party company. Further details of this acquisition are included in note 28 to the financial statements.

2. BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to the amendments to IFRS 2, IFRS 4, amendments to IAS 40, IFRIC 22 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 IFRSs are described below:

(a) IFRS 15 and its amendments replace

IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 4 and 6 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 3.3 to the financial statements.

The Group has adopted IFRS 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 IFRS 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 IAS 11, IAS 18 and related interpretations.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) IFRS 15 and its amendments replace *(Continued)*

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 IFRS 15:

	At 31 December 2017 (as previously presented)	Effects of adoption of IFRS 15	At 1 January 2018 (as restated)
	RMB'000	RMB'000	RMB'000
Amounts due from contract customers	3,084,495	(3,084,495)	–
Trade receivables	25,173	(25,173)	–
Contract assets	–	3,109,668	3,109,668
Amounts due to contract customers	(132,125)	132,125	–
Advances from customers	(12,390)	12,390	–
Contract liabilities	–	(144,515)	(144,515)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on the consolidated statement of profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) IFRS 15 and its amendments replace *(Continued)*

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	IFRS 15 RMB'000	Previous IFRS RMB'000	Increase/ (decrease) RMB'000
Amounts due from contract customers	(i)	–	3,036,118	(3,036,118)
Trade receivables	(i)	–	41,199	(41,199)
Contract assets	(i)	3,077,317	–	3,077,317
Total assets		3,077,317	3,077,317	–
Amounts due to contract customers	(ii)	–	151,301	(151,301)
Advance from customers	(ii)	–	17,712	(17,712)
Contract liabilities	(ii)	169,013	–	169,013
Total liabilities		169,013	169,013	–
Net assets		2,908,304	2,908,304	–

(i) Construction services

Before the adoption of IFRS 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 amounts due from contract customers in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 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 RMB3,084,495,000 from amounts due from contract customers to contract assets as at 1 January 2018.

Before the adoption of IFRS 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 IFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB25,173,000 from trade receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in amounts due from contract customers of RMB3,077,317,000 and an increase in contract assets of RMB3,077,317,000.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) IFRS 15 and its amendments replace *(Continued)*

(ii) Consideration received from customers in advance

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

Therefore, upon adoption of IFRS 15, the Group reclassified RMB132,125,000 from the amount due to contract customers and RMB12,390,000 from the advance from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB151,301,000 from the amount due to contract customers and RMB17,712,000 from the advance from customers were reclassified to contract liabilities for the provision of construction and design service.

(b) IFRS 9 Financial Instruments replaces IAS 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 and measurement, impairment and hedge accounting.

There are no significant transition adjustments recognised against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Classification and measurement (continued)

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

	Note	Category	IAS 39 measurement Amount RMB'000	Re-classification RMB'000	IFRS 9 measurement Amount RMB'000	Category
Financial assets						
Trade receivables	(i)	L&R[1]	774,599	–	774,599	AC[2]
Bills receivable		L&R	182,603	–	182,603	FVPL[3]
Financial assets included in prepayments, other receivables and other assets		L&R	507,333	–	507,333	AC
Pledged deposits		L&R	18,752	–	18,752	AC
Cash and cash equivalents		L&R	83,859	–	83,859	AC
			1,567,146	–	1,567,146	
Other assets						
Contract assets	(i)		3,109,668	–	3,109,668	
Financial liabilities						
Trade and bills payables		AC	2,586,026	–	2,586,026	AC
Financial liabilities included in other payables and accruals		AC	28,044	–	28,044	AC
Interest-bearing bank borrowings		AC	549,561	–	549,561	AC
			3,163,631	–	3,163,631	

1. L&R: Loans and receivables
2. AC: Financial assets or financial liabilities at amortised cost
3. FVPL: Financial assets at fair value through profit or loss

Note:

(i) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 3.1(a) to the financial statements.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Changes to the impairment calculation

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impact of adopting expected credit loss model under IFRS 9 was not significant and, therefore, the Group made no adjustment to reserves as of 1 January 2018 for the changes in impairment.

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 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

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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

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

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

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

Business combinations and goodwill

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

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

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

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

Fair value measurement

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

(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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

Software

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

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

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

Investments and other financial assets (policies under IFRS 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 IFRS 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement

The subsequent measurement of financial assets 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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) *(continued)*

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 investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 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 consolidated statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the consolidated statement of profit or loss and other comprehensive income 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.

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 consolidated statement of profit or loss and other comprehensive income.

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 through profit or loss are also recognised as other income in the consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income. 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) *(continued)*

Financial assets at fair value through profit or loss (continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under IAS 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 IAS 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 consolidated statement of profit or loss and other comprehensive income. 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 IAS 39 are satisfied.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) *(continued)*

Subsequent measurement (continued)

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 consolidated statement of profit or loss and other comprehensive income. 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.

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 the consolidated statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the consolidated statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and other comprehensive 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 and other comprehensive income. 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 and other comprehensive 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) *(continued)*

Available-for-sale financial investments (continued)

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

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under IFRS 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.

The Group considers a financial asset in default when contractual payments are 90 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-month 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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) *(continued)*

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.

Impairment of financial assets (policies under IAS 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 and other comprehensive income. 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 and other comprehensive income.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under IAS 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 amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss and other comprehensive income, is removed from other comprehensive income and recognised in the statement of profit or loss and other comprehensive income.

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 and other comprehensive income – is removed from other comprehensive income and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss and other comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 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, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

3.3 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 and other comprehensive income 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 and other comprehensive income.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 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.

Inventories

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

Cash and cash equivalents

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

3.3 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.

Government grants

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

Revenue recognition (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 IFRS 15.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 January 2018) *(continued)*

(a) Construction 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.

(b) Sales of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from other sources

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

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

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

(c) 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;

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable before 1 January 2018) *(continued)*

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

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

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 and other comprehensive income 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts (applicable before 1 January 2018) *(continued)*

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

Contracts for services (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.

Borrowing costs

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

Dividends

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Social pension plans

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

Housing fund and other social insurances

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

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

Production safety expenses

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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:

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

Judgements *(continued)*

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 timing of satisfaction of construction services

The Group concluded that revenue for construction services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the construction that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the installation services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(ii) 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 not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

Estimation uncertainty

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

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

Estimation uncertainty *(continued)*

Progress of completion of construction and service works

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

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

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

Provision for expected credit losses on receivables and contract assets

The Group uses a provision matrix to calculate ECLs for 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 geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 manufacturing 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 receivables and contract assets is disclosed in note 19, note 20 and note 21 to the financial statements, respectively.

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Year ended 31 December 2018	Construction contracting RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 6)				
Sales to external customers	6,824,733	71,260	–	6,895,993
Intersegment sales	–	11,159	(11,159)	–
Total revenue	6,824,733	82,419	(11,159)	6,895,993
Segment results	219,887	5,061	(1,900)	223,048
Income tax expense	(48,002)	(2,178)	–	(50,180)
Profit for the year	171,885	2,883	(1,900)	172,868
Segment assets	5,508,908	236,463	(230,293)	5,515,078
Segment liabilities	4,158,465	129,683	(87,106)	4,201,042
Other segment information:				
Interest income	413	63	–	476
Finance costs	56,350	2,776	–	59,126
Depreciation	8,075	449	–	8,524
Amortisation	753	78	–	831
Impairment losses recognised in the statement of profit or loss and other comprehensive income	12,897	748	–	13,645
Capital expenditure*	12,605	86,277	–	98,882

5. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2017

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

Note:

* Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of a subsidiary.

Geographical information

All the Group's long-lived assets are located in the Mainland China and all the Group's revenue and operating profits were derived from the Mainland China during the year.

Information about a major customer

Revenue of approximately RMB711,011,000 for the year (2017: RMB83,242,000) was derived from the construction contracting segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	6,895,993	–
Construction contracting	–	4,751,245
Others	–	51,774
	6,895,993	4,803,019

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Type of goods or service			
Construction contracting	6,824,733	–	6,824,733
Designing services	–	27,382	27,382
Sale of construction materials and civil defence products	–	43,878	43,878
Total revenue from contracts with customers	6,824,733	71,260	6,895,993
Geographical market			
Mainland China	6,824,733	71,260	6,895,993
Total revenue from contracts with customers	6,824,733	71,260	6,895,993
Timing of revenue recognition			
Services transferred over time	6,824,733	27,382	6,852,115
Goods transferred at a point in time	–	43,878	43,878
Total revenue from contracts with customers	6,824,733	71,260	6,895,993

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

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

For the year ended 31 December 2018

	Construction contracting RMB'000	Others RMB'000	Total RMB'000
Revenue from contract with customers			
Sales to external customers	6,824,733	71,260	6,895,993
Intersegment sales	–	11,159	11,159
	6,824,733	82,419	6,907,152
Intersegment adjustment and eliminations	–	(11,159)	(11,159)
Total revenue from contracts with customers	6,824,733	71,260	6,895,993

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018 RMB'000
Construction contracting	**132,308**
Design, survey and consultancy	**11,820**
Sale of construction materials and civil defence products	**387**
	144,515

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

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

Construction contracting
The performance obligation is satisfied over time as construction services are rendered and payment is generally due within 1 to 3 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, survey and consultancy
The performance obligation is satisfied over time as design, survey and consultancy services are rendered and payment is generally due within 1 to 3 months from the date of billing. A deposit is received upon signing such contract and the remainder of the contract value in instalment payments that are due upon achieving key milestones stipulated in the contract. In some cases, A certain percentage of payment is retained by customers until after final acceptance of the construction project to which we provided design, survey and consultancy services, ranging one to three years in length.

Sale of construction materials and civil defence products
The performance obligation is satisfied upon delivery of the construction materials and civil defence products and payment is generally due within 1 to 3 months from delivery, where payment in advance is normally required.

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

	RMB'000
Total remaining performance obligations	11,239,230

Based on the information available to the Group at the end of each reporting period, the management of the Company expects the transaction prices allocated to the contracts under construction as at 31 December 2018 will be recognised as revenue in the period of next six months to three years, amounting to RMB5,637,112,000.

The transaction prices allocated to the contracts which are signed but not yet commenced as at 31 December 2018 amounted to RMB5,602,118,000. They will normally be recognised as revenue in six months to three years once the construction permits are obtained by the customers.

6. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations (Continued)

Sale of construction materials and civil defense products *(continued)*

	2018 RMB'000	2017 RMB'000
Other income		
Interest income	476	432
Government grants*	5,276	1,031
	5,752	1,463
Gains		
Dividend from available-for-sale investment	–	4,680
Gain on disposal of available-for-sale investment	–	164
Others	817	4,058
	817	8,902
	6,569	10,365

* Government grants mainly consisted of incentive fund received from bureau of housing and urban-rural development in support of construction service. There is no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank loans and other borrowings wholly repayable within one year	26,542	39,047
Factoring expense	27,998	–
Interest on discounted bills receivable	4,586	–
	59,126	39,047

8. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of construction contracting (including depreciation)		**6,462,700**	4,489,851
Cost of others		**54,974**	36,476
Total cost of sales		**6,517,674**	4,526,327
Depreciation of items of property, plant and equipment (note (a))	13	**8,524**	8,585
Amortisation of prepaid land lease payments	14	**291**	291
Amortisation of intangible assets	15	**540**	435
Total depreciation and amortisation		**9,355**	9,311
Impairment of financial and contract assets, net:			
Impairment of trade receivables	19	**4,923**	11,413
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	20	**4,994**	(4,089)
Impairment of contract assets	21	**3,728**	–
Total impairment losses, net		**13,645**	7,324
Minimum lease payments under operating leases (note (b))		**1,215**	796
Auditors' remuneration		**2,328**	2,830
Employee benefit expenses (including directors' and supervisors' remuneration) (note (c)):		**51,082**	38,855
– Wages, salaries and allowances		**39,714**	32,237
– Social insurance		**9,338**	5,442
– Welfare and other expenses		**2,030**	1,176
Interest income		**(476)**	(432)
Gain on disposal of items of property, plant and equipment, net		**(316)**	(2,998)

8. PROFIT BEFORE TAX *(continued)*

(a) Depreciation of approximately RMB3,690,000 (2017: RMB4,315,000) is included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018.

(b) Minimum lease payments of approximately RMB190,000 (2017: RMB183,000) are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018.

(c) Employee benefit expenses of approximately RMB51,082,000 (2017: RMB38,855,000) are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018.

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

(a) Directors' and supervisors' remuneration

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

	2018 **RMB'000**	2017 RMB'000
Fees	**–**	–
Others emoluments:		
– Salaries, allowances and benefits in kind	**1,837**	1,803
– Performance-related bonuses	**385**	236
– Pension schemes	**54**	53
	2,276	2,092

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

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

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

Year ended 31 December 2018	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension schemes RMB'000	Total remuneration RMB'000
Executive Directors					
Mr. Lyu Yaoneng (呂耀能)	–	308	120	10	438
Mr. Zheng Gang (鄭剛)	–	266	90	7	363
Mr. Li Jinyan (李錦燕)	–	255	100	7	362
Mr. Lu Zhicheng (陸志城)	–	61	–	5	66
Mr. Lyu Dazhong (呂達忠)	–	112	–	7	119
Mr. Shen Haiquan (沈海泉)	–	61	–	5	66
	–	1,063	310	41	1,414
Independent Non-executive Directors					
Mr. Wong Ka Wai (王加威)	–	101	–	–	101
Mr. Lin Tao (林濤)	–	81	–	–	81
Mr. Yu Jingxuan (余景選)	–	81	–	–	81
	–	263	–	–	263
Supervisors					
Mr. Zou Jingtao (鄒江滔)	–	199	25	6	230
Mr. Lyu Xingliang (呂興良)	–	190	50	7	247
Mr. Chen Xiangjiang (陳祥江)	–	61	–	–	61
Mr. Zhu Jialian (朱家煉)	–	61	–	–	61
	–	511	75	13	599
	–	1,837	385	54	2,276

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

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

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

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

(b) Five highest paid employees

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

	2018	2017
Directors	3	3
Supervisors	–	–
Non-director and non-supervisor employees	2	2
	5	5

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

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

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	498	458
Performance related bonuses	160	110
Pension schemes	7	13
	665	581

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

	2018	2017
Nil to RMB1,000,000	2	2

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

10. INCOME TAX EXPENSE

Provision for Mainland China current income tax is based on the statutory rate of 25% on the assessable profits of the PRC entities of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008.

	2018 RMB'000	2017 RMB'000
Current income tax – Mainland China		
Charge for the year	**60,657**	45,374
Overprovision in prior years	**(7,393)**	(900)
Deferred income tax (note 16)	**(3,084)**	(1,222)
Tax charge for the year	**50,180**	43,252

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate is as follows:

	2018 RMB'000	2017 RMB'000
Profit before tax	**223,048**	168,455
Income tax charge at the statutory income tax rate	**55,762**	42,114
Income not subject to tax	**–**	(1,170)
Lower tax rate enacted by local authority	**(84)**	–
Expenses not deductible for tax	**1,094**	1,578
Adjustments in respect of current tax of previous periods	**(7,393)**	(900)
Deductible temporary difference not recognised	**148**	–
Tax losses not recognised	**653**	1,630
Tax charge for the year at the effective rate	**50,180**	43,252

11. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Proposed final – RMB3.43 cents (2017: Nil) per ordinary share*	18,300	–
	18,300	–

* The board of directors recommends the payment of a final dividend of HK4.00 cents (before tax) per share. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of Hong Kong Dollar against RMB as published by the People's Bank of China at 29 March 2019.

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year ended 31 December 2018.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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

	2018 RMB'000	2017 RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	171,096	123,792

	2018 '000	2017 '000
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	533,360	533,360

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	113,734	53,303	15,402	10,611	–	193,050
Accumulated depreciation	(18,209)	(19,724)	(14,178)	(8,380)	–	(60,491)
Net carrying amount	95,525	33,579	1,224	2,231	–	132,559
At 1 January 2018, net of accumulated depreciation	95,525	33,579	1,224	2,231	–	132,559
Additions	–	1,969	4,408	6,425	2,079	14,881
Acquisition of subsidiary (note 28)	–	–	–	122	82,916	83,038
Disposals	–	(393)	(352)	(7)	–	(752)
Depreciation provided during the year	(2,271)	(4,951)	(432)	(870)	–	(8,524)
At 31 December 2018, net of accumulated depreciation	93,254	30,204	4,848	7,901	84,995	221,202
At 31 December 2018:						
Cost	113,734	51,902	12,622	17,009	84,995	280,262
Accumulated depreciation	(20,480)	(21,698)	(7,774)	(9,108)	–	(59,060)
Net carrying amount	93,254	30,204	4,848	7,901	84,995	221,202

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Certain of the Group's buildings with a net carrying amount of approximately RMB93,248,000 (2017: RMB95,518,000) as at 31 December 2018 were pledged to secure general banking facilities granted to the Group (note 25).

14. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**9,288**	9,579
Amortisation for the year	**(291)**	(291)
Carrying amount at 31 December	**8,997**	9,288
Portion classified as current assets	**(291)**	(291)
Non-current portion	**8,706**	8,997

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

15. OTHER INTANGIBLE ASSETS

	2018 RMB'000	2017 RMB'000
At beginning of the year:		
Cost	**3,712**	2,972
Accumulated amortisation for the year	**(1,305)**	(870)
Net carrying amount	**2,407**	2,102
Cost at beginning of the year, net of accumulated amortisation	**2,407**	2,102
Additions	**827**	740
Acquisition of subsidiary (note 28)	**109**	–
Accumulated amortisation for the year	**(540)**	(435)
At end of the year	**2,803**	2,407
At end of the year:		
Cost	**4,559**	3,712
Accumulated amortisation for the year	**(1,756)**	(1,305)
Net carrying amount	**2,803**	2,407

16. DEFERRED TAX ASSETS

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

	2018 RMB'000	2017 RMB'000
Deferred tax assets:		
At beginning of the year	**17,113**	15,891
Deferred tax credited to profit or loss during the year (note 10)	**3,084**	1,222
At end of the year	**20,197**	17,113

The deferred tax assets are attributed to the following items:

	2018 RMB'000	2017 RMB'000
Deferred tax assets:		
Impairment of financial and contract assets	**18,265**	15,003
Accrued but not paid salaries, wages and benefits	**1,932**	2,107
Amortisation difference of intangible assets between accounting and tax	**–**	3
	20,197	17,113

Deferred tax assets amounting to approximately RMB801,000 (2017: RMB1,630,000) were not recognised as at 31 December 2018. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

17. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**7,749**	4,410
Goods in process	**3,457**	2,182
Finished goods	**5,973**	5,426
Spare parts and consumables	**30**	10
	17,209	12,028

18. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2018 RMB'000	2017 RMB'000
Amounts due from contract customers	–	3,084,495
Amounts due to contract customers	–	(132,125)
	–	2,952,370
Accumulated contract costs incurred plus recognised profits less recognised losses to date	–	31,689,928
Less: Accumulated progress billings received and receivable	–	(28,737,558)
	–	2,952,370

19. TRADE AND BILLS RECEIVABLES

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

	2018 RMB'000	2017 RMB'000
Trade receivables	**1,083,475**	799,772
Provision for impairment	**(35,581)**	(30,658)
Trade receivables, net	**1,047,894**	769,114
Bills receivable	**422,809**	182,603
	1,470,703	951,717
Portion classified as non-current assets[1]	**–**	(25,173)
Current portion	**1,470,703**	926,544

(1) The non-current portion of trade receivables mainly represents the amounts of unbilled retentions held by customers at the end of each reporting period, which will be paid at the end of the retention period. Such retention is reclassified to contract assets as at 31 December 2018.

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

	2018 RMB'000	2017 RMB'000
Retentions in trade receivables	**63,444**	69,894
Provision for impairment	**(800)**	(146)
Retentions in trade receivables, net	**62,644**	69,748
Portion classified as non-current assets	**–**	(25,173)
Current portion	**62,644**	44,575

19. TRADE AND BILLS RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	**533,645**	338,663
3 months to 6 months	**96,859**	63,112
6 months to 1 year	**240,397**	141,979
1 to 2 years	**79,647**	181,790
2 to 3 years	**78,317**	19,576
3 to 4 years	**8,574**	13,106
4 to 5 years	**1,506**	7,020
Over 5 years	**8,949**	3,868
	1,047,894	769,114

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

	2018 RMB'000	2017 RMB'000
At beginning of year	**30,658**	19,245
Impairment losses, net (note 8)	**4,923**	11,413
At end of the year	**35,581**	30,658

19. TRADE AND BILLS RECEIVABLES *(continued)*

Impairment under IFRS 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 geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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. Generally, trade receivables are written off if past due for more than five years and are not subject to enforcement activity.

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	**Expected credit loss rate**	**Gross carrying amount**	**Expected credit losses**
		RMB'000	RMB'000
Current and within 1 year	0.12%	887,493	1,048
More than 1 year but within 2 years	5.68%	89,435	5,076
More than 2 years but within 3 years	14.75%	80,778	11,915
More than 3 years but within 4 years	24.42%	9,726	2,375
More than 4 years but within 5 years	66.17%	2,590	1,714
More than 5 years	100.00%	13,453	13,453
		1,083,475	35,581

Impairment under IAS 39 for the year ended 31 December 2017

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

The ageing analysis of the trade receivables as at 31 December 2017 that were neither individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017
	RMB'000
Neither past due nor impaired	403,257
Past due within 1 year but not impaired	201,454
	604,711

19. TRADE AND BILLS RECEIVABLES *(continued)*

Impairment under IAS 39 for the year ended 31 December 2017 *(continued)*

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom that 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 IAS 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.

Transferred financial assets that are not derecognised in their entirety

The Group endorsed and discounted certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of approximately RMB352,892,000 (2017: RMB141,751,000) as at 31 December 2018, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was approximately RMB352,892,000 (2017: RMB141,751,000) as at 31 December 2018.

Transferred financial assets that are derecognised in their entirety

The Group endorsed and discounted certain bills receivable accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB537,826,000 (2017: RMB422,068,000) as at 31 December 2018. The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the reporting period, the Group has recognised RMB4,586,000 in finance costs (note 7) on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments	**267,045**	288,540
Deposits and other receivables	**260,012**	218,793
	527,057	507,333
Impairment allowance	**(34,344)**	(29,350)
	492,713	477,983
Portion classified as non-current assets (1)	**(26,224)**	(40,412)
Current portion	**466,489**	437,571

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

The movements in impairment allowance other receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of the year	**29,350**	33,439
Impairment losses, net (note 8)	**4,994**	(4,089)
At end of the year	**34,344**	29,350

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of approximately RMB7,771,000 (2017: RMB22,155,000) with an aggregate carrying amount before provision of approximately RMB7,771,000 (2017: RMB22,155,000) as at 31 December 2018.

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

From 1 January 2018, the Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to a 12-month ECLs for deposits and other receivables in stage 1 and lifetime ECLs in stage 2 and stage 3. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

As at 31 December 2018	Expected credit loss rate	Gross carrying amount	Expected credit losses
		RMB'000	RMB'000
Current and within 1 year	2.19%	202,932	4,437
More than 1 year but within 2 years	23.05%	25,251	5,821
More than 2 years but within 3 years	48.72%	14,221	6,929
More than 3 years but within 4 years	57.21%	751	430
More than 4 years but within 5 years	59.39%	320	190
More than 5 years	100.00%	8,766	8,766
		252,241	26,573
Apparently impaired item	100.00%	7,771	7,771
Total		260,012	34,344

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

	2017
	RMB'000
Neither past due nor impaired	117,700
Past due within 1 year but not impaired	56,473
	174,173

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

21. CONTRACT ASSETS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract assets arising from:			
Construction services	3,066,983	3,084,495	–
Design, survey and consultancy	14,062	–	–
	3,081,045	3,084,495	–
Impairment	(3,728)	–	–
	3,077,317	3,084,495	–

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 was the result of the increase in the provision of construction services at the end of the year. During the year ended 31 December 2018, RMB3,728,000 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 19 to the financial statements.

21. CONTRACT ASSETS *(Continued)*

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

Retention receivables	RMB'000
Within one year	15,143
More than one year	26,056
	41,199

The remaining contract assets of RMB3,039,846,000 are expected to be recovered or settled within 3 years upon completion of services and acceptance by the customer.

The movements in the loss allowance for impairment of contract assets are as follows:

	2018 **RMB'000**
At beginning of year	**–**
Impairment losses, net (note 8)	**3,728**
At end of year	**3,728**

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 days past due of trade receivables for groupings of various customer segments with similar loss patterns. 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.

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 loss rate**	**Gross carrying amount** RMB'000	**Expected credit losses** RMB'000
Construction services	0.12%	3,081,045	3,728

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**167,406**	83,859
Time deposits	**35,369**	18,752
	202,775	102,611
Less: Pledged time deposits		
Pledged for salaries of migrant workers	**(8,945)**	–
Pledged for bank loans and bank notes	**(26,424)**	(18,752)
Cash and cash equivalents	**167,406**	83,859

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

23. TRADE AND BILLS PAYABLES

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

	2018 RMB'000	2017 RMB'000
Within 6 months	**2,515,938**	1,272,495
6 months to 1 year	**119,275**	725,478
1 to 2 years	**284,268**	300,129
2 to 3 years	**95,754**	233,826
Over 3 years	**144,282**	54,098
	3,159,517	2,586,026

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

24. OTHER PAYABLES AND ACCRUALS

	Notes	2018 RMB'000	2017 RMB'000
Contract liabilities	(a)	**169,013**	–
Advances from customers		**–**	12,390
Accrued salaries, wages and benefits		**12,124**	8,428
Other taxes payable		**208,152**	184,539
Other payables	(b)	**49,796**	28,044
		439,085	233,401
Portion classified as non-current liabilities	(c)	**–**	(827)
Current portion		**439,085**	232,574

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	2018 RMB'000	2017 RMB'000
Construction services	**145,436**	132,308
Sale of construction materials and civil defence products	**17,712**	11,820
Design, survey and consultancy	**5,865**	387
Total contract liabilities	**169,013**	144,515

Contract liabilities include short-term advances received to construction services, sale of construction materials and civil defence products and design, survey and consultancy. 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.

(b) Other payables are non-interest-bearing and have no fixed term of settlement.

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

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – mortgaged	**4.79 – 6.48**	**2019**	**409,550**	4.35 – 7.22	2018	399,677
Bank loans – guaranteed	**5.66**	**2019**	**10,000**	4.79 – 20.4	2018	140,589
Bank loans – other	**3.93 – 3.98**	**2019**	**500**	7.18	2018	9,295
			420,050			549,561

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**420,050**	549,561

Notes:

(a) Certain of the Group's buildings with a net carrying amount of approximately RMB93,248,000 (2017: RMB95,518,000) as at 31 December 2018 were pledged to secure general banking facilities granted to the Group.

(b) As set out in note 33(b), as at 31 December 2018, the Group's interest-bearing bank loans and other borrowings of approximately RMB347,930,000 (2017: RMB511,516,000) were jointly guaranteed by the controlling shareholder and other related parties of the Group, free of charge.

26. SHARE CAPITAL

	2018 RMB'000	2017 RMB'000
Issued and fully paid:		
533,360,000 (2017: 533,360,000) ordinary shares	**533,360**	533,360

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

	Share capital	
	2018 RMB'000	2017 RMB'000
At beginning of year	**533,360**	533,360
Public offer of H shares	**–**	–
At end of year	**533,360**	533,360

27. RESERVES

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

28. BUSINESS COMBINATION

On 13 November 2018, the Group acquired 80% interest in Tongxiang City Youth Quality Education Practice Base Co. Ltd. ("Tongxiang Education Base") from an independent third party. Tongxiang Education Base is engaged in the investment, development, construction and management of Tongxiang City Youth Quality Education Practice Base. The acquisition was made as part of the Group's strategy to diversify the Group's business. The purchase consideration for the acquisition was in the form of cash, with RMB48,000,000 paid on 22 November 2018.

The Group has elected to measure the non-controlling interest in Tongxiang Education Base at the non-controlling interest's proportionate share of Tongxiang Education Base's identifiable net assets.

The fair values of the identifiable assets and liabilities of Tongxiang Education Base as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	83,038
Intangible assets	109
Cash and bank balances	1,769
Prepayments and other receivables	30,032
Other payables and accruals	(26,401)
Interest-bearing bank borrowings	(30,000)
Total identifiable net assets at fair value	58,547
Non-controlling interests	(11,709)
Goodwill on acquisition	1,162
Satisfied by Cash	48,000

The fair values of other receivables as at the date of acquisition amounted to RMB30,032,000.

The Group incurred transaction costs of RMB283,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

28. BUSINESS COMBINATION *(continued)*

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

	RMB'000
Cash consideration	(48,000)
Cash and bank balances acquired	1,769
Net outflow of cash and cash equivalents included in cash flows from investing activities	(46,231)
Transaction costs of the acquisition included in cash flows from operating activities	(283)
	(46,514)

Tongxiang Education Base was under development and has no operation before and after the acquisition.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

2018	**Bank and other loans RMB'000**
At 1 January 2018	**549,561**
Cash flows	**(159,511)**
Acquisition of subsidiary	**30,000**
At 31 December 2018	**420,050**

2017	Bank and other loans RMB'000
At 1 January 2017	644,491
Cash flows	(94,930)
At 31 December 2017	549,561

30. PLEDGE OF ASSETS

Details of the Group's bank loans which are mortgaged by the assets of the Group or guaranteed are included in note 25 to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

As lessee

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

	2018 RMB'000	2017 RMB'000
Within one year	750	1,064
After one year	–	740
	750	1,804

32. COMMITMENTS

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

33. RELATED PARTY TRANSACTIONS

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

	2018 RMB'000	2017 RMB'000
Construction contracting services provided to:		
Fellow subsidiaries	64,282	111,523
Associate of fellow subsidiaries	500	5,715
Design, survey and consultancy services provided to:		
Fellow subsidiaries	2	66
Sales of goods:		
Fellow subsidiaries	–	10
Purchases of raw materials:		
A company of which the controlling shareholder of the Company is a director	–	503
Borrowings and repayments of loans provided to:		
Fellow subsidiaries	–	6,621
Borrowings and repayments of loans received from:		
Fellow subsidiaries	–	6,621

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

(b) Other transactions with related parties:

The Group's interest-bearing bank loans and other borrowings of RMB347,930,000 (2017: RMB511,516,000) as at 31 December 2018, were jointly guaranteed by the controlling shareholder and other related parties of the Group, as set out in note 25(b).

33. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties:

	2018 RMB'000	2017 RMB'000
Accounts receivable:		
Fellow subsidiaries	**36,438**	46,671
Other receivables:		
Fellow subsidiaries	**352**	352
Key management person of the holding company	**950**	950
Other payables:		
Fellow subsidiaries	**50**	50
Contract assets:		
Fellow subsidiaries	**41,811**	–
Associate of fellow subsidiaries	**52,050**	–
Amounts due from contract customers:		
Fellow subsidiaries	**–**	68,765
Associate of fellow subsidiaries	**–**	51,535
Contract liabilities:		
Fellow subsidiaries	**133**	–
Amounts due to contract customers:		
Fellow subsidiaries	**–**	63

34. 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:

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost/loans and receivables:		
Trade receivables	1,047,894	769,114
Bills receivable	–	182,603
Financial assets included in deposits and other receivables	225,668	189,443
Pledged deposits	35,369	18,752
Cash and bank balances	167,406	83,859
Financial assets at FVPL:		
Bills receivable	422,809	–
	1,899,146	1,243,771
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	3,159,517	2,586,026
Financial liabilities included in other payables and accruals	49,796	28,044
Interest-bearing bank and other borrowings	420,050	549,561
	3,629,363	3,163,631

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts	
	2018	2017
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables, non-current portion	**–**	25,173
Financial assets included in deposits and other receivables, non-current portion	**26,224**	40,412
	26,224	65,585
Financial liabilities		
Financial liabilities at amortised cost:		
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	**–**	827
	–	827

	Fair value	
	2018	2017
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables, non-current portion	**–**	25,173
Financial assets included in deposits and other receivables, non-current portion	**25,837**	38,125
	25,837	63,298
Financial liabilities		
Financial liabilities at amortised cost:		
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	**–**	780
	–	780

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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

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

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk *(continued)*

	Group Increase/(decrease) in basis points	Increase/decrease) in profit before tax
	RMB'000	RMB'000
2018		
The benchmark deposit and lending rate of RMB	**100**	**(4,789)**
The benchmark deposit and lending rate of RMB	**(100)**	**4,789**
2017		
The benchmark deposit and lending rate of RMB	100	(5,509)
The benchmark deposit and lending rate of RMB	(100)	5,509

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs	
	Stage 1	Simplified approach	Total
	RMB'000	RMB'000	RMB'000
Contract assets*	–	3,077,317	3,077,317
Trade receivables*	–	1,047,894	1,047,894
Financial assets included in prepayments, other receivables and other assets			
– Normal**	225,668	–	225,668
Pledged deposits			
– Not yet past due	35,369	–	35,369
Cash and cash equivalents			
– Not yet past due	167,406	–	167,406
Total	428,443	4,125,211	4,553,654

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging as at 31 December 2018 (continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 21 to the financial statements, respectively.

** 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".

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise financial assets included in prepayments, other receivables and other assets, pledged deposits, cash and cash equivalents and guarantees given to banks in connection with facilities granted to third party, with a maximum exposure equal to the carrying amounts of these instruments.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

Liquidity risk

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

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

	2018			
	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	3,159,517	–	–	3,159,517
Financial liabilities included in other payables and accruals	49,796	–	–	49,796
Interest-bearing bank and other borrowings	431,795	–	–	431,795
Total	3,641,108	–	–	3,641,108

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	2017			
	Within 1 year	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	2,586,026	–	–	2,586,026
Financial liabilities included in other payables and accruals	27,217	827	–	28,044
Interest-bearing bank and other borrowings	564,529	–	–	564,529
Total	3,177,772	827	–	3,178,599

Capital management

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

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

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

	2018 **RMB'000**	2017 RMB'000
Interest-bearing bank and other borrowings	**420,050**	549,561
Cash and bank balances (note 22)	**(167,406)**	(83,859)
Pledged deposits (note 22)	**(35,369)**	(18,752)
Net debt	**217,275**	446,950
Total equity	**1,314,036**	1,130,059
Gearing ratio	**17%**	40%

37. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 December 2018.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	129,036	125,746
Prepaid land lease payments	8,706	8,997
Intangible assets	2,570	2,226
Investments in subsidiaries	143,850	95,850
Deferred tax assets	17,998	15,444
Trade receivables	–	19,092
Prepayments, other receivables and other assets	26,224	35,742
Total non-current assets	328,384	303,097
CURRENT ASSETS		
Prepaid land lease payments	291	291
Inventories	4,151	–
Trade and bills receivables	1,419,434	869,317
Prepayments, other receivables and other assets	423,684	420,595
Amounts due from contract customers	–	2,960,573
Contract assets	2,917,542	–
Pledged deposits	35,369	16,661
Cash and bank balances	39,781	25,606
Total current assets	4,840,252	4,293,043
CURRENT LIABILITIES		
Trade and bills payables	2,947,905	2,467,027
Other payables and accruals	419,056	264,874
Amounts due to contract customers	–	127,163
Interest-bearing bank and other borrowings	330,050	465,183
Tax payable	181,741	156,173
Total current liabilities	3,878,752	3,480,420
NET CURRENT ASSETS	961,500	812,623
TOTAL ASSETS LESS CURRENT LIABILITIES	1,289,884	1,115,720

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES		
Other payables and accruals	–	595
Total non-current liabilities	–	595
Net assets	1,289,884	1,115,125
EQUITY		
Share capital	533,360	533,360
Reserves	756,524	581,765
Total equity	1,289,884	1,115,125

Note:

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

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2017	188,480	26,806	–	241,243	456,529
Profit for the year	–	–	–	125,236	125,236
Total comprehensive income	–	–	–	125,236	125,236
Appropriation to statutory surplus reserve	–	12,524	–	(12,524)	–
Transfer to special reserve	–	–	(102,398)	102,398	–
Utilisation of special reserve	–	–	102,398	(102,398)	–
As at 31 December 2017 and 1 January 2018	188,480	39,330	–	353,955	581,765
Profit for the year	–	–	–	174,759	174,759
Total comprehensive income	–	–	–	174,759	174,759
Appropriation to statutory surplus reserve	–	17,474	–	(17,474)	–
Transfer to special reserve	–	–	(138,357)	138,357	–
Utilisation of special reserve	–	–	138,357	(138,357)	–
As at 31 December 2018	188,480	56,804	–	511,240	756,524

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2019.