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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Yu Jingxuan
(appointed with effect from 24 November 2016)
Mr. Lin Tao
Mr. Wong Ka Wai
Mr. Xu Guoqiang
(resigned with effect from 24 November 2016)

SUPERVISORS

Mr. Zou Jiangtao
Mr. Chen Xiangjiang
Mr. Lv Xingliang (appointed with effect from 20 August 2016)
Mr. Zhu Jialian
(appointed with effect from 24 November 2016)
Mr. Shen Bing Kun (resigned with effect from 20 August 2016)
Mr. Lv Zili (resigned with effect form 24 November 2016)

AUDIT COMMITTEE

Mr. Yu Jingxuan *(Chairman)*
(appointed with effect from 24 November 2016)
Mr. Wong Ka Wai
(resigned as chairman with effect from 24 November 2016 and remain as member)
Mr. Lin Tao
Mr. Xu Guoqiang
(resigned with effect from 24 November 2016)

NOMINATION COMMITTEE

Mr. Lin Tao *(Chairman)*
Mr. Lv Yaoneng
Mr. Yu Jingxuan (appointed with effect from 24 November 2016)
Mr. Xu Guoqiang
(resigned with effect from 24 November 2016)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wong Ka Wai *(Chairman)*
(appointed as chairman with effect from 24 November 2016)
Mr. Lv Yaoneng
Mr. Lin Tao
Mr. Xu Guoqiang
(resigned with effect from 24 November 2016)

STRATEGIC COMMITTEE (ESTABLISHED WITH EFFECT FROM 24 NOVEMBER 2016)

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

JOINT COMPANY SECRETARIES

Mr. Hong Kam Le
Mr. Jin Shuigan (appointed with effect from 31 August 2016)
Mr. Zhong Zhihua (resigned with effect from 31 August 2016)

AUTHORISED REPRESENTATIVES

Mr. Lv Yaoneng
Mr. Jin Shuigan (appointed with effect from 31 August 2016)
Mr. Zhong Zhihua (resigned with effect from 31 August 2016)

LEGAL ADVISER

As to Hong Kong Law
Li & Partners

As to PRC Law
AllBright Law Offices

AUDITOR

Ernst & Young

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

CORPORATE INFORMATION

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

REGISTERED ADDRESS

Gaoqiao Town
Jiaxing City
Zhejiang Province
PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

1459

WEBSITE

www.jujiang.cn

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December	**2016** **RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Major Items of Consolidated statement of Profit or Loss and Other Comprehensive Income					
Revenue	**4,032,168**	4,424,646	4,289,367	4,072,105	3,269,803
Gross profit	**224,697**	233,156	229,726	202,200	167,929
Gross profit margin	**5.6%**	*5.3%*	*5.4%*	*5.0%*	*5.1%*
Profit for the year	**90,234**	98,524	82,823	60,720	46,729
Net profit margin	**2.2%**	*2.2%*	*1.9%*	*1.5%*	*1.4%*

As at 31 December	**2016** **RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Major Items of Consolidated statement of Financial Position					
Non-current assets	**240,688**	204,610	206,429	233,772	215,741
Current assets	**4,225,649**	3,900,960	4,074,466	3,198,650	2,901,323
Non-current liabilities	**24,804**	24,402	11,682	14,273	19,216
Current liabilities	**3,436,077**	3,307,199	3,593,588	2,825,527	2,618,946
Total equity	**1,005,456**	773,969	675,445	592,622	478,902
Gearing ratio (Note 2)	**55.8%**	82.6%	86.3%	107.7%	164.6%

Notes

(1) The results and summary of assets and liabilities for the years ended 31 December 2012, 2013 and 2014 which were extracted from the prospectus dated 30 December 2015.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board ("Board") of directors ("Directors") of Jujiang Construction Group Co. Limited ("Jujiang Construction" or the "Company", together with the subsidiaries, the "Group"), I hereby present the annual results of the Company for the year ended 31 December 2016.

In 2016, the Chinese economy continued to face many prominent conflicts and problems, such as the conflict between excess capacity and upgrading of demand structure, the insufficient growth momentum in the country, and the piling up of financial risks. In the real estate market, inventory of property was still considerably high facing a structural imbalance in the market, thus the reduction of inventory remained the key tone of the sector during the year. Against this backdrop, the construction industry suffered from a declining demand and a slowdown in growth, exerting greater pressure on construction companies. The new dynamics and issues under the "New Normal" put forward a call for us to accurately capture the current situation, in order to survive and seek opportunities for developments, while working hard to surmount the pressure and challenges.

As an enterprise holding a Premium Class Certificate for General Building Construction Contracting Work ("Premium Class Certificate") and a Grade A Engineering Design (Construction Industry) Certificate ("Engineering Design Certificate"), the Company integrated its resources in 2016, fully drew on its strengths in general contracting of design and construction projects, pressed ahead in full steam a structural adjustment in its businesses, while actively optimising its market layout. In terms of client selection, the Company gradually shifted to seeking influential, large-scale clients of which strategic partnerships could be established. As at the end of 2016, the Company has built relationships with a dozen of quality major customers, including Country Garden Holdings Company Limited ("Country Garden"), China Vanke Co., Ltd. ("Vanke"), Greentown China Holdings Limited ("Greentown"), Jiayuan Chuangsheng Holding Group Co., Ltd. ("Jiayuan"), Sunac China Holdings Limited ("Sunac"), Zhenshi Holding Group Co., Ltd. ("Zhenshi") and Tongkun Group Co., Ltd.*（桐昆集團股份有限公司）("Tongkun"). At the same time, the Company shifted its focus to acquire "high-end, large-scale, exquisite and demanding" projects, and has undertaken several key high-end projects including Phase One of CCTV New Film Tongxiang Park and Puyuan Woolen Sweater Town.

As regulations imposed on the construction industry become more stringent, and requirements from the society and customers continue to rise, standardised operation and meticulous management demand immediate implementation. Innovation in technological management is crucial to enhance the core competitiveness of construction enterprises.

In 2016, Jujiang Construction established a standardised construction management system at the institutional level to put forward the implementation of model display and actual construction by categories at different levels through a set of optimised construction standard guidelines. The Company also promoted standardised construction process on the operational level. Paying close attention to quality, the Company sought to improve the overall quality of actual construction works through standardised construction process and on-site inspection and assessment. In terms of safety enhancement, the Company reinforced its visual identification system development, conducted inspection on various projects, and commenced the regulation of safety inspection on construction projects in an orderly manner. To ensure project progress was maintained, the Company formulated a comprehensive schedule to keep track of ledgers, so as to grasp full control of the actual progress of projects. In particular, the application of Building Information Modelling Technology ("BIM Technology") in pilot projects has successfully improved the standard of comprehensive management in building construction.

Facing a prolonged period of housing bubbles, the Central Economic Work Conference laid down a key tone of "promoting steady and healthy development" for the property market in 2017. Under such context, the Company, as a leading construction enterprise in Jiaxing City, will firmly establish and fully uphold the five major ideas of development – innovation, coordination, green, opening up and sharing, proactively adapt to the economic dynamics in the "New Normal", taking the three key strategies as its direction, maintaining speed and efficiency, while ensuring scale and quality. The Company will expedite its transformation with reforms and innovation as its key driving forces, focus on lifting market competitiveness, put forward the five major types

CHAIRMAN'S STATEMENT

of building construction, work well on stabilising growth, promoting reforms, adjusting structures, enhancing supervision and alleviating risks, thereby continuing to improve the Company's economic strength and operational capability.

Following the working direction of "active concern, strength accumulation, and immediate follow-up", the Company proactively explored new aspects for development in the industry and new points for business growth. Adopting the model of general contracting of construction works, the Company seized the opportunities emerging from the promotion of pilot projects for general contracting of construction works in Zhejiang province, with an aim to enhance its core capabilities in general contracting. The Company also stepped up its efforts in nurturing a project management team for general contracting with capabilities in design, procurement and construction, thereby expanding its business scope to Engineering Procurement and Construction (EPC) projects. As for public-private partnership (PPP) operations, the Company established a PPP centre in a timely manner to organise a platform for the implementation of PPP models, in order to expand to the PPP market. The Company also continued to pay close attention to the industrialisation of building construction and green construction.

Following the path of "piloting at points, fanning out from points to areas and popularising gradually", the Company established the BIM Technology Research Institute. Through pragmatic operations and conclusion of findings from the new technologies adopted in pilot projects, the Company was able to speed up the promotion of BIM technology applications.

Making reference to analyses on the internal and external environment, the Company will accelerate its research and strategic deployments for the further development of the "Going out" strategy. It will focus mainly on developed coastal areas and actively expand to first- and second-tier cities such as Shanghai and Hangzhou, while selectively exploring the central and western markets, so as to establish a nationwide presence centring on Yangtze River Delta. At the same time, in line with the Chinese government's continuous promotion of the "One Belt One Road" initiative, the Company will proactively identify opportunities for international contracting business, realising the "Going out" strategy by leveraging on the strengths of major clients, so as to achieve a breakthrough in offshore business.

Relying on the listing platform, the Company will actively integrate its resources and continue to strengthen its "brand" strategy. On one hand, the Company will seek to acquire "high-end, large-scale, exquisite and demanding" projects and regional landmark projects to increase the proportion of large-scale exquisite projects; on the other hand, it will proactively maintain the existing stable and large customer base, enhance its partnership with major customers, and seek opportunities for new projects so as to reinforce the results of cooperation. At the same time, the Company will actively identify major potential clients in the future and seek ways to establish partnerships with them, striving to develop a new strong customer base which can offer sustainable development and stable business.

Looking ahead, as the Chinese government continues to push forward with its "One Belt One Road" initiative, along with ongoing urbanisation across the country and more investment in infrastructure and environmental protection, the construction industry will remain as a vital driving force for China's economic growth and a market with great potential and promising prospect. Jujiang Construction will, with more determination in development, greater awareness of its responsibilities and stronger execution capabilities, seize every opportunity, stand firm at a new starting point to tackle the "New Normal", and strive to bring forth a new round of development.

In closing, I thank you, our Board, staff, shareholders, and business partners for your continued trust and support.

Lv Yaoneng
Chairman
29 March 2017

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lv Yaoneng (呂耀能), aged 57, 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. Lv. Mr. Lv has over 31 years of experience in construction engineering industry. Mr. Lv completed one-and-half-year studies and obtained a professional certificate (專業證書) in industrial and civil construction (工業及民用建築) from Zhejiang University* (浙江大學) in China in January 1995. Mr. Lv obtained a qualification certificate for senior economist (高級經濟師) issued by the Office of Personnel of Zhejiang Province* (浙江省人事廳) of the PRC in December 2006. Mr. Lv also obtained a qualification certificate for senior engineer in construction engineering management issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in March 2013.

Mr. Lv Dazhong (呂達忠), aged 54, 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. Mr. Lv Dazhong has over 35 years of experience in construction engineering industry. Mr. Lv Dazhong completed two years part-time studies in industrial and civil construction (工業及民用建築) at Zhejiang University of Technology* (浙江工業大學) in China in June 2004. Mr. Lv Dazhong obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in November 1994. He also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2010.

Mr. Li Jinyan (李錦燕), aged 40, 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. Mr. Li has over 20 years of experience in construction engineering industry. 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 48, 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. Mr. Lu has over 27 years of experience in construction engineering industry. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Shen Haiquan (沈海泉), aged 43, 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. Mr. Shen has over 15 years of experience in construction engineering industry. 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 48, 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. Mr. Zheng has over 27 years of experience in construction engineering industry. 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 45, 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 41, 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. Mr. Lin Tao has over 14 years of experience in the construction education. He is currently 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.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wong Ka Wai (王加威), aged 37, 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. He is 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") since 13 February 2017. Mr. Wong has worked in various international accounting firms for over seven years. He is the chairman of Jai Dam Distribution (Hong Kong) Co. Ltd. since January 2013. 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 39, has joined the Company as deputy manager of technology department in November 2011 and was appointed as a employee representative Supervisor since 25 December 2014. Mr. Zou completed four years studies in civil engineering at Zhuzhou Institute of Technology* (株洲工學院) in July 2000. Mr. Zou 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 58, has joined our Company as an external Supervisor since 19 August 2015. He is a General Manager of Zhejiang Xianglong Leather Co., Ltd. (浙江祥隆皮革有限公司) since October 1998. Mr. Chen completed secondary school at Nanri Secondary School* (南日中學) in PRC in 1975.

Mr. Lv Xingliang (呂興良) aged 44, 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 and is currently the standing deputy general manager of the sales centre of the Company. 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 54, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wang Shaolin (王少林), aged 54, has been our vice president since 15 September 2009. Mr. Wang completed two years studies via online distant learning in civil engineering at China University of Geosciences* (中國地質大學) in China in January 2007. Mr. Wang obtained a qualification certificate for engineer issued by the Personnel Bureau of Jiaxing City* (嘉興市人事局) of the PRC in April 2004. Mr. Wang also obtained a qualification certificate for senior economist (高級經濟師) issued by the Department of Human Resources and Social Security of Zhejiang Province* (浙江省人力資源和社會保障廳) of the PRC in January 2011.

Mr. Gao Xingwu (高興武), aged 55, has been our chief engineer since 3 September 2001. Mr. Gao has over 26 years of experience in contracting of building construction. Mr. Gao worked at China Nuclear Industry 22nd Construction Co., Ltd. (中國核工業第22建 設公司) from August 1989 to August 2001. Mr. Gao completed four years studies in civil engineering majoring in industrial and civil construction (工業及民用建築) at Zhejiang University* (浙江大學) in China in June 1993. Mr. Gao also completed two years studies in economics management at Party School of the Central Committee of the Communist Party of China* (中共中央黨校) in December 2004.

JOINT COMPANY SECRETARIES

Mr. Hong Kam Le (康錦里), aged 37, 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 37, 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. (中铁建工集团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.

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 50 years' experience in the construction industry, the Group has built a successful track record in the industry in which the Group operates.

The Group successfully obtained the Premium Class Certificate for General Building Construction Contracting Work ("Premium Class Certificate") and the Grade A Engineering Design (Construction Industry) Certificate ("Engineering Design Certificate") on 28 January 2015 after undergoing a stringent review process. As of 31 December 2016, the Group was one of few numbers construction company in Zhejiang Province holding both certificates. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Holding these two key certificates as well as other certificates, the Group is able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. The Group believes holding these certificates will also allow us to charge a premium rate for our services, resulting in higher profit margins in our construction projects.

MARKET REVIEW

China's rapid economic growth over the years has spurred the development of its construction industry. Given China's continuous urbanization in relation to improving community functions and facilities in urban areas, the demand for construction industry is expected to maintain its momentum. The urbanization rate of China was 57.4% in 2016. Urbanization rate represents the rate of change in the size of the urban population over a certain period. According to the report by Ipsos, by 2020, it is projected that approximately 100 million of the rural population will settle in urban areas, which will bring significant demand for new urban residential construction. In line with the historical trend of increases in the average fee for construction projects, the total output value of construction industry in China increased from approximately RMB18,075.7 billion for the year ended 31 December 2015 to approximately RMB19,356.7 billion for the year ended 31 December 2016, representing an increase of 7.1%.

BUSINESS REVIEW

In 2016, Jujiang Construction actively responded to the intensely competitive business environment by integrating its resources and optimizing its operations management. Having established a strong foothold in Jiaxing City, the Company seeks to expand to new markets focusing on the strategies of "Going out", acquiring major customers and providing quality services. The Company has set a number of business goals, and put efforts in keeping track of the key areas so as to take targeted steps to effectively enhance the quantity and quality of newly signed contracts. As at the end of 2016, the Company has built relationships with a dozen of quality major customers, including Country Garden, Vanke, Greentown, Jiayuan, Sunac, Zhenshi and Tongkun. Key high-end projects undertaken by the Company included Phase one of CCTV New Film Tongxiang Park and Puyuan Woolen Sweater Town. Committed to providing excellent products and services, the Company is able to maintain strong and stable partnerships with all customers, thus contributing to its steady and healthy development.

The Company has been placing a great deal of emphasis on innovation in production technologies. In 2016, the Company leveraged on the "Academician Workstations" and "Industry-Academic Research" platforms to expand the scale of technological cooperation with external parties, aiming to offer technical support to its on-going projects, and two technological projects of municipal-level or above were declared during the year. On the other hand, the Company actively promoted technological innovation and application, aiming to explore new technologies and construction methods for its projects, and facilitate the declaration of patented technologies. In 2016, nine applications for national patents filed by the Company were accepted, eight patents were approved, and one excellent QC accomplishment award at the national-level, two at the provincial-level, and four at the municipal-level were granted. Phase One of the Tongxiang Tourism Plaza was listed as Provincial New Technology Application Demonstration Project and Green Demonstration Construction Project in Jiaxing City. In addition, the Muxin Art Museum constructed by the Company was awarded the 2016 World Architecture Festival Award, which is the most influential and largest architectural award in the world to date.

For the year ended 31 December 2016, approximately 99.2% of the revenue was contributed by the construction contracting business. The Group recorded revenue of approximately RMB4,032.2 million for the year ended 31 December 2016, decreased by 8.9% year-by-year. The net profit for the year ended 31 December 2016 as compared to the net profit for the year ended 31 December 2015 dropped by approximately 8.4% to approximately RMB90.2 million.

	Year ended 31 December			
	2016		2015	
	RMB'million	%	RMB'million	%
Construction contracting business				
Residential	1,691.1	42.0	1,547.0	35.0
Commercial	1,754.1	43.5	2,306.0	52.1
Industrial	339.4	8.4	255.7	5.8
Public works	214.5	5.3	292.2	6.6
	3,999.1	99.2	4,400.9	99.5
Other business	33.1	0.8	23.7	0.5
Total revenue	4,032.2	100.0	4,424.6	100.0

During the year, the Group promoted to work in high end projects and work with high value customers, including securing quality new customers such as Country Garden, Greentown and Sunac. As at 31 December 2016, the backlog was increased by 8.5% to approximately RMB5,422.6 million as compared with the backlog of approximately RMB4,999.4 million as at 31 December 2015.

	Year ended 31 December	
	2016	2015
	RMB'million	RMB'million
Opening value of backlog	4,999.4	4,756.4
Net value of new projects(1)	4,468.0	4,796.5
Revenue recognized(2)	(4,044.8)	(4,553.5)
Closing value of backlog(3)	5,422.6	4,999.4

Notes:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue decreased by approximately 8.9% from approximately RMB4,424.6 million for the year ended 31 December 2015 to approximately RMB4,032.2 million for the year ended 31 December 2016. The decrease in the revenue was mainly a result of the decrease in revenue from commercial construction projects as a result of completion of some major projects in 2015, partly offset by an increase in revenue from residential construction projects as a result of recovery of the residential real estate market during the year. The Group co-operated with some mega property developers, such as Vanke and Greentown, for the residential projects in 2016, it was a new driver for the Group to maintain the revenue growth in residential sector.

Gross profit decreased by approximately 3.6% from approximately RMB233.2 million for the year ended 31 December 2015 to approximately RMB224.7 million for the year ended 31 December 2016 mainly due to the decrease in business activities of the construction contracting business for the reasons discussed above. The gross profit margin improved from approximately 5.27% for the year ended 31 December 2015 to approximately 5.57% for the year ended 31 December 2016, such increase is mainly attributing to (i) increase in gross profit margins of the commercial and residential projects after the Group obtained the Premium Class Certificate and the Engineering Design Certificate on 28 January 2015 and (ii) the Group was in line with their strategies to focus on quality customers and high-margin projects.

Other income and gains

Other income and gains increased by approximately 119.6% from approximately RMB9.2 million for the year ended 31 December 2015 to approximately RMB20.2 million for the year ended 31 December 2016 primarily because of an one-off government grants of approximately RMB11.5 million in relation to the Listing and a dividend income from an available-for-sale investment amounting to approximately RMB3.6 million for the year ended 31 December 2016.

Administrative expenses

The administrative expenses increased by approximately 0.2% from approximately RMB73.2 million for the year ended 31 December 2015 to approximately RMB73.3 million for the year ended 31 December 2016 which remained stable.

Other expenses

Other expenses changed from an income of approximately RMB9.0 million for the year ended 31 December 2015 to an expenditure of approximately RMB4.8 million for the year ended 31 December 2016, primarily as a result of a reversal of provision made for impairment for other receivables by approximately RMB8.7 million for the year ended 31 December 2015 as a provision for impairment for other receivables amounting to approximately RMB2.3 million was made for the year ended 31 December 2016.

Finance costs

Finance costs were stable at approximately RMB42.7 million and approximately RMB43.8 million for the year ended 31 December 2016 and 2015 respectively, primarily attributing to the average loan balance did not have any material change.

Income tax expense

Income tax expenses decreased by 5.8% from approximately RMB35.9 million for the year ended 31 December 2015 to approximately RMB33.8 million for the year ended 31 December 2016 primarily because of decrease in revenue. The effective tax rate increased from 26.7% for the year ended 31 December 2015 to 27.2% for the year ended 31 December 2016 primarily because of increase in tax losses not recognized and non-deductible expenses.

Profit for the year

Profit for the year decreased by approximately 8.4% from approximately RMB98.5 million for the year ended 31 December 2015 to approximately RMB90.2 million for the year ended 31 December 2016, such decrease was in line with decrease in revenue. The net profit margin maintained at approximately 2.23% and approximately 2.24% for the year ended 31 December 2015 and 2016, respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operations primarily through cash generated from operating activities, net proceeds received from the global offering of H share of the Company ("Global Offering") completed in January 2016 and interest-bearing bank and other borrowings. As of 31 December 2016 and 2015, the Group had cash and cash equivalents of approximately RMB65.0 million and approximately RMB49.2 million, respectively.

Treasury Policies and Objectives

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

Amounts due from contract customers

The amounts due from contract customers increased from approximately RMB2,720.3 million as of 31 December 2015 to approximately RMB2,998.3 million as of 31 December 2016, representing 69.7% and 71.0% of the total current assets as of the same dates. The proportion of the amounts due from contract customers to the total current assets was stable. Increase in absolute amounts of amounts due from contract customers primarily because of the usual timing difference between the date of completion of construction works and the date of progress billings and the duration of the construction projects typically range from one to three years leading to an accumulated effect of the balance of amounts due from contract customers.

Borrowings and charge on assets

As of 31 December 2016, the Group relied on interest-bearing bank and other borrowings in the amount of approximately RMB644.5 million (31 December 2015: approximately RMB699.1 million) which are repayable within 1 year and carried effective interest rate with a range from 4.4% to 21.6% per annum (31 December 2015: 4.8% to 21.6% per annum).

As at 31 December 2016, certain general banking facilities were secured by the land use rights and buildings of approximately RMB98.2 million (31 December 2015: approximately RMB99.4 million).

Gearing ratio

The gearing ratio decreased from 82.6% as at 31 December 2015 to 55.8% as at 31 December 2016. The decrease was mainly attributable to a steady increase in the total equity during the year and the net proceeds from the Global Offering.

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 RMB0.9 million for the year ended 31 December 2015 to approximately RMB21.2 million for the year ended 31 December 2016 primarily because the Group used the net proceeds from the Global Offering for purchase of new equipment and machinery to undertake larger-scale and more complex construction projects.

Capital Commitments

As at 31 December 2016, the Group did not have any significant commitments.

Contingent liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plan for material investments and capital assets for the year ended 31 December 2016.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2016, the Group had total of 678 employees, of which 562 were based in Jiaxing City, and 116 were based in other areas in Zhejiang Province and in other provinces and regions in China. In 2016, the Group incurred total staff costs of approximately RMB37.6 million, representing an increase of approximately 12.7% as compared with those in 2015, mainly attributable to increase in employees benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

USE OF PROCEEDS

The Company was listed on the Stock Exchange on 12 January 2016. The net proceeds from the Company's issue of new shares amounted to approximately RMB141.7 million. As at 31 December 2016, the Company has fully used the proceeds of approximately RMB141.7 million for funding of new construction projects, repayment of the loans, investing in new equipment and machinery and general corporate purposes, which is complied with the intended use of proceeds set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 30 December 2015 (the "Prospectus").

During the year ended 31 December 2016, the Group has applied the net proceeds as follows:

	Budgeted amount as set out in the prospectus RMB'000	**Actual usage up to 31 December 2016** RMB'000
Use		
– Funding of new construction	92,106	92,106
– Repayment of the loans	28,340	28,340
– Investing in new equipment and machinery	14,170	14,170
– General corporate purposes	7,086	7,086
Total	141,702	141,702

FUTURE PROSPECTS

The Group's goal is to continue to capture greater market share in Zhejiang Province and in other provinces and regions in China, as well as expand the presence overseas to become a leading construction contracting and design company in selected regions. To achieve this goal, the Group intend to pursue the following strategies:

Leverage the Premium Class Certificate and Engineering Design Certificate to provide complete construction solutions for larger-scale and more complex construction projects

The Group plans to leverage the Premium Class Certificate and Engineering Design Certificate to provide fully-integrated construction solutions, which consist of general construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. As of 31 December 2016, the Group was one of the few holder of both the Premium Class Certificate and Engineering Design Certificate in Zhejiang Province. Leveraging the favorable position in the industry, the Group intends to undertake larger-scale and more complex construction projects. As profitability generally increases with the size and complexity of construction projects, undertaking such construction projects will enable us to enhance the profitability. Moreover, undertaking projects where the Group provides construction general contracting and design, survey and consultancy services allows us to vertically integrate the business. The Group will be able to take into account the costs and have better control over quality at the earlier design stage of the construction project. To facilitate the undertaking of larger-scale and more complex construction projects, the Group plans to apply a portion of the proceeds from the Listing to procure new equipment and machinery used in the construction projects, including jacks and lifting equipment.

The Group intends to leverage the Premium Class Certificate and Engineering Design Certificate to establish business relationships with new and well-recognized customers build the track record of prominent construction projects and enhance the brand exposure. With increased exposure and more prominent construction projects in the portfolio, the Group intends to augment the reputation in Zhejiang Province and in other provinces and regions in China. The Group expects that the augmented reputation will allow us to undertake increasingly more prominent construction projects where the Group will be able to charge a premium price for the services. The Group plans to leverage the position in Zhejiang Province holding both certificates to gain more bargaining power for favorable prices for raw materials and equipment and machinery, which will lower the costs and enhance the profitability.

Develop business opportunities to undertake BT and PPP projects

The Group believes that build-transfer (BT) and PPP projects are attractive business opportunities that offer higher profit margins due to the increased ability to provide financing, control project costs and manage returns on the project. Moreover, according to Ipsos, an increasing number of infrastructure projects in China are expected to be completed on a BT or PPP basis in the coming years. As such, the Group intends to develop business opportunities to undertake more projects on a BT or PPP basis in the future. Under both BT and PPP models, the Group would generally be responsible for financing, investment, management and construction of the project. The Group believes that BT and PPP projects will enhance the profitability and brand recognition, and the Group intends to selectively undertake such projects in the future. BT and PPP projects are both awarded to qualified construction companies through a public bidding process held by relevant government authorities. The Group intends to leverage the strong relations with the local Jiaxing government and the track record of high-quality public works construction projects to win such projects. By gaining expertise and developing the reputation as a premium BT and PPP service provider, the Group plans to develop the BT and PPP operations in other regions of Zhejiang Province and other provinces and regions in China. Given the significant upfront investment required to undertake such projects, the Group also plans to finance future projects through a combination of the working capital and bank borrowings.

Capture opportunities in the international market and actively participate in overseas construction and infrastructure projects

The Group's vision is to become an internationally recognized construction solutions provider. In line with the strategy to expand the business internationally, the Group obtained the Overseas Contracting Certificate (對外承包工程資格證書) in 2010, allowing us to undertake construction projects overseas. The Group intends to conduct overseas business development and participate in overseas construction and infrastructure projects more actively as increased outbound investment and business activities are expected in line with the Belt and Road Initiative (一帶一路) recently announced by the PRC Government. The purpose of the Belt and Road Initiative is to integrate countries in Europe and Asia and develop closer regional ties through building infrastructure and broadening trade. As the PRC Government and various financial institutions devote increased funding to this initiative, the Group expects to see more infrastructure development projects being announced in the coming years. The Group plans to capitalize on such an opportunity to expand overseas and augment the reputation and brand recognition. As the Group undertakes more BT and PPP projects domestically, the Group intends to leverage the experience the Group will gain in undertaking such projects to embark on overseas infrastructure development projects in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Actively developed the Building Information Modelling Technology

The Group believes that with the development of science and technology, advanced technology plays a major role in promoting the development of the industry. Currently, the construction industry is advocating application of the information technology BIM Technology throughout the whole process of project design, construction, operation and maintenance to enhance overall benefits. As important technological measures of promoting innovative development of the building and construction industry, application and promotion of the BIM Technology will have an immense impact on the scientific and technological advancement as well as the transformation and upgrade of the building and construction industry. The Group has aligned itself with industry trends to fully leverage the advantages of the BIM Technology, fully pushing forward the progress of applying the BIM Technology to the Zhenshi Headquarters Building (振石總部大樓) project. To prepare itself for future development, the Group has also gradually developed pilot projects including Xianghu Leisure Manor (湘湖逍遙莊園), Scientific Innovation Park Phase II (科創園二期) and Municipal Utility Ducts (市政管廊). The Group will strengthen its BIM Technology team, and through professional training and technological exchanges, a professional core team has initially been set up, with a group of BIM Technology application technical staff in place in the project department.

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 2016.

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 2016 and the financial information of the Group as at 31 December 2016 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 2016 and a discussion on the Group's future development are set out in the section head "Management Discussion and Analysis" on pages 11 to 18 of this annual report.

KEY RISKS AND UNCERTAINTIES

Business and market

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

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

Financial

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

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

Tax Relief and Exemption

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2016, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL PROTECTION

The environmental protection policy adopted by the Group is set out in the section head "Environment Social and Governance Report" on pages 44 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

DIRECTORS' REPORT

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2016 is as follows:

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

PUBLIC FLOAT

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

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2016, the Group acquired additional property, plant and equipment of approximately RMB20.2 million. Details of the movements are set out in note 12 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2016 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 2016, reserves available for distribution of the Company amounted to RMB 241.2 million (2015: RMB156.9 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 2015 represented approximately 13.6% (2015: 11.2%) and 39.6% (2015: 28.9%), respectively, of the Group's total revenue from sales operations.

DIRECTORS' REPORT

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 31 December 2016 respectively amounted to RMB46.8 million (31 December 2015: RMB92.0 million) and RMB131.3 million (31 December 2015: RMB197.5 million).

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

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

Mr. Yu Jingxuan
(appointed with effect from 24 November 2016)
Mr. Lin Tao
Mr. Wong Ka Wai
Mr. Xu Guoqiang
(resigned with effect from 24 November 2016)

BOARD OF SUPERVISORS

Mr. Zou Jiangtao
Mr. Chen Xiangjiang
Mr. Lv Xingliang (appointed with effect from 20 August 2016)
Mr. Zhu Jialian
(appointed with effect from 24 November 2016)
Mr. Shen Bing Kun (resigned with effect from 20 August 2016)
Mr. Lv Zili (resigned with effect form 24 November 2016)

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 7 to 10 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 2016, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange are as follows:

The Company

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

Notes:

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

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

Associated Corporation

Director/Supervisor	Associated Corporation	Nature of interest	Approximate shareholding percentage in the relevant class of shares in the Associated Corporation
Mr. Lv Yaoneng	Jujiang Holdings	Beneficial Owner[1]	51.33%
	Jujiang Industrial	Beneficial Owner[3]	10.00%
Mr. Lv Dazhong	Jujiang Holdings	Beneficial Owner[1]	11.42%
Mr. Lu Zhicheng	Jujiang Holdings	Beneficial Owner[1]	6.58%
Mr. Li Jinyan	Jujiang Holdings	Beneficial Owner[1]	5.33%
Mr. Shen Bingkun	Jujiang Holdings	Beneficial Owner[1]	7.46%
Mr. Shen Haiquan	Jujiang Equity Investment	Beneficial Owner[2]	2.41%
Mr. Zheng Gang	Jujiang Equity Investment	Beneficial Owner[2]	2.10%
Mr. Zou Jiangtao	Jujiang Equity Investment	Beneficial Owner[2]	0.45%

Notes:

(1) The disclosed interest represents the interests in Jujiang Holdings, the associated corporation which is owned as to approximately 51.33% by Mr. Lv Yaoneng, 11.42% by Mr. Lv Dazhong, 6.58% by Mr. Lu Zhicheng, 7.46% by Mr. Shen Bingkun, 2.31% by Mr. Fan Zhiming, 8.52% by Mr. Wang Shaolin, 1.96% by Mr. Ma Shengliang, 5.33% by Mr. Li Jinyan and 5.09% by Mr. Gao Xingwu, respectively.

(2) The disclosed interest represents the interests in Zhejiang Jujiang Equity Investment Management Co., Ltd (浙江巨匠股權投資管理有限公司) ("Jujang Equity Investment"), the associated corporation which is owned by 164 individual shareholders together as to 100%, of which two are Directors (Mr. Shen Haiquan and Mr. Zheng Gang who owned 2.4049% and 2.0964% of Jujiang Equity Investment respectively), one is a Supervisor (Mr. Zou Jiangtao who owned 0.4493% of Jujiang Equity Investment), 113 are current employees other than Directors and Supervisors, ten are former employees, one is Mr. Lv Yuntao, who is Mr. Lv Yaoneng's son (who owned 13.5303% of Jujiang Equity Investment) and 37 are Independent Third Parties.

(3) The disclosed interest represents the interests in Jujiang Industrial, the associated corporation which is owned as to 10% by Mr. Lv Yaoneng and 90% by Jujiang Technology, respectively.

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

As at to 31 December 2016, 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%
Jujang Equity Investment(6)	Beneficial Owner	196,000,000 Domestic Shares (L)	49%	36.75%

Notes:

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2016, 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.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISIONS

At no time during the year ended 31 December 2016, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors.

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

During the year ended 31 December 2016, 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 2016, Jujiang Holdings was owned as to approximately 51.33% by Mr. Lv Yaoneng and approximately 48.67% by eight other individual shareholders.

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

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 31 to the consolidated financial statements also constituted non-exempt continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules.

Construction Contracting Service Master Agreement

The Group, as service provider, entered into a construction contracting service master agreement on 10 September 2015 ("2015 Master Agreement") with Jujiang Holdings. During the year, Jujiang Holdings has engaged the Group to provide construction contracting services for certain new projects, therefore the Board has proposed to revise the existing annual cap. on 25 August 2016. The Company and Jujiang Holdings entered into a construction contracting service master agreement ("2016 Master Agreement") for a term from 1 January 2016 to 31 December 2018, which was approved by the extraordinary general meeting

("EGM") on 24 November 2016 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. During the year ended 31 December 2016, a total of RMB311.1 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.

The Company has confirmed that the specific implementation of the continuing connected transactions set above during the Listing Date to the date of this report have followed the pricing principles of such continuing connected transactions.

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 2016 the above continuing connected transactions have been and will be entered into in the ordinary and usual course of our Group's business and are based on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from auditor of the Company

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

(a) have not been approved by the Board;

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

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

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

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

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, the Group entered into transactions with related parties set out in notes 31 to the consolidated financial statements. Some of these related party transactions constituted connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules and the Company have complied with the disclosure requirement thereon. Amongst the related party transactions shown in notes 31 (income received from design, survey and consultancy service) to the consolidated financial statements constituted connected transactions or continuing connected transactions but are exempt from shareholders' approval and disclosure and other requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

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

REMUNERATION POLICY

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

NON-COMPETITION AGREEMENT

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

NON-COMPETITION

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

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

DIRECTORS' REPORT

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).

DIRECTORS' COMPETING INTERESTS

Save as disclosed in this report, 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

No significant event of the Group occurred after the end of the reporting period.

AUDITOR

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

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

Zhejiang Province, the PRC, 29 March 2017

SUPERVISORS' REPORT

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

WORK OF THE BOARD OF SUPERVISORS

During the year ended 31 December 2016, all members of the Board of Supervisors earnestly safeguarded the interest of the Company and Shareholders as a whole, and prudently and honestly performed their duties in compliance with requirements Law of the PRC, relevant regulations and the Articles of Association; Supervisors attended all the Board meetings held in the year and supervised operating activities and financial condition of the Company as well as the performance of duties of Directors and senior management, thereby promoting the Company's standard operation and healthy development.

During the year ended 31 December 2016, the Board of Supervisors paid close attention to the major activities of operation and management. The Board of Supervisors convened regular meetings to consider resolutions in relation to the financial reports of the Company and supervised the financial tasks and financial condition of the Company in a timely manner. During the year ended 31 December 2016 a total of 2 meetings were held by the Board of Supervisors. Employees Representatives attended operation analysis meetings, effectively performing its duties in supervising the operation and management procedures of the Company.

During the year ended 31 December 2016, the Board of Supervisors supervised the convening procedures and resolutions of the general meetings and the Board meetings of the Company, the implementation of resolutions approved at the general meetings by the Board, senior management's performance of their duties and implementation of the management system of the Company in accordance with requirements of relevant laws and regulations of the PRC as well as the Articles of Association. Given the supervisory work mentioned above, the Board of Supervisors is of the view that the Company has established a comprehensive corporate governance structure and internal control system. During the year ended 31 December 2016, the Company operated strictly in accordance with the standards stipulated in the laws and regulations of the PRC and the Articles of Association, while the convening procedures of general meetings and the Board meetings, rules of procedures and resolution procedures were lawful and valid. It is not aware of any breaches of laws and regulations of the PRC and the Articles of Association or prejudice to the Company's interests by any Directors and senior management when performing their duties for the Company. The relatively sound internal control system of the Company promoted the legal operation of the Company, and ensured the asset safety and operation efficiency of the Company.

During the year ended 31 December 2016, the Board of Supervisors examined the financial structure and financial condition of the Company in a serious and careful manner and considered that the Company maintained healthy financial condition in 2016. The standard unqualified audit report issued by Ernst & Young and the opinions on the matters involved were objective and fair. The financial report of the Company for the year 2016 gave a true picture of the financial condition and operating results of the Company.

During the year ended 31 December 2016, members of the Board of Supervisors attended the Board meetings of the Company. The Board of Supervisors had no objections to the contents of reports and resolutions proposed by the Board at the general meetings. The Board of Supervisors supervised the implementation of resolutions approved at the general meetings and considered that the Board had duly performed relevant resolutions approved at the general meetings.

Looking forward, the Board of Supervisors of the Company will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the shareholders of the Company.

On behalf of the Board of Supervisors
LV XingLiang
Chairman

Zhejiang Province, the PRC, 29 March 2017

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain high standards of corporate governance and protect the interests of its Shareholders in an open manner.

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 2016 and up to the date of this annual report, the Company has fully complied with the Code Provisions, except for the following deviations.

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

According to Code A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company is negotiating with the relevant insurance agents about the liability insurance for the Directors and will arrange such insurance cover in due course.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year.

BOARD OF DIRECTORS

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

Executive Directors:	Mr. Lv Yaoneng *(Chairman)*
	Mr. Lv Dazhong
	Mr. Li Jinyan
	Mr. Lu Zhicheng
	Mr. Shen Haiquan
	Mr. Zheng Gang
Independent Non-executive Directors:	Mr. Yu Jingxuan (appointed with effect from 24 November 2016)
	Mr. Lin Tao
	Mr. Wong Ka Wai
	Mr. Xu Guoqiang (resigned with effect from 24 November 2016)

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 7 to 10 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.

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.

Directors' Continuous Training and Professional Development

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

In February 2016, 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.

	Types of training	
Name of Director	**Attending in-house training organized by professional organizations**	**Reading materials updating on new rules and regulations**
Executive Directors		
Mr. Lv Yaoneng	✓	✓
Mr. Lv Dazhong	✓	✓
Mr. Li Jinyan	✓	✓
Mr. Lu Zhicheng	✓	✓
Mr. Shen Haiquan	✓	✓
Mr. Zheng Gang	✓	✓
Independent Non-executive Directors		
Mr. Yu Jingxuan (appointed with effect from 24 November 2016)	✓	✓
Mr. Lin Tao	✓	✓
Mr. Wong Ka Wai	✓	✓
Mr. Xu Guoqiang (resigned with effect from 24 November 2016)	N/A	N/A

Independence of Independent Non-Executive Directors

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

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

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

Board Committees

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

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

Audit Committee

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

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

Pursuant to the meeting of the Audit Committee on 29 March 2017, the Audit Committee has reviewed, among other things, the financial statements of the Company for the year ended 31 December 2016, 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.

CORPORATE GOVERNANCE REPORT

Remuneration and Appraisal Committee

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

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

Pursuant to the meeting of the Remuneration and Appraisal Committee on 29 March 2017, 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 2016 are set out in note 9 to the consolidated financial statements.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of non-Director members of the senior management for the year ended 31 December 2016 is as follows:

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

Nomination Committee

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

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

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

CORPORATE GOVERNANCE REPORT

STRATEGIC COMMITTEE

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

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

No meeting was held by the Strategic Committee during the year ended 31 December 2016 because the Strategic Committee was established on 24 November 2016.

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 2016 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 General Meeting
Mr. Lv Yaoneng	7/7	N/A	1/1	2/2	N/A	1/1	1/1
Mr. Lv Dazhong	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Li Jinyan	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Lu Zhicheng	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Shen Haiquan	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Zheng Gang	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Xu Guoqiang (resigned with effect from 24 November 2016)	7/7	2/2	1/1	2/2	N/A	1/1	1/1
Mr. Yu Jingxuan (appointed with effect from 24 November 2016)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Lin Tao	7/7	2/2	1/1	2/2	N/A	1/1	1/1
Mr. Wong Ka Wai	7/7	2/2	N/A	N/A	N/A	1/1	1/1

CORPORATE GOVERNANCE REPORT

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 2016, there were seven Board meetings held and all Directors attended the meetings that they were required to attend.

Board Diversity Policy

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

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

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

Board of Supervisors

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

Model Code for Securities Transactions

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' and supervisors' securities transactions on terms or less exactly than the requested standard set out in the Model Code. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this report.

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.

COMPANY SECRETARY

The Group have appointed Mr. Jin Shuigan (金水根) as one of our joint company secretaries filled the vacancy left by the resignation of Mr. Zhong Zhihua. 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.

CORPORATE GOVERNANCE REPORT

The Company confirms that Mr. Jin and Mr. Hong Kam Le have for the year of 2016 complied with Rule 3.29 of the Listing Rules and attend to less than 15 hours of relevant professional training.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

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

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

Internal controls and risk management

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

External Auditor

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

For the year ended 31 December 2016, the fees payable to Ernst & Young in respect of its annual audit services provided to the Company was RMB1.25 million. The total fees paid and payable to Ernst & Young for the reporting accountant service in relation to the listing of the Company on the Main Board of the Stock Exchange was approximately RMB1.0 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.

CORPORATE GOVERNANCE REPORT

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, amendment to the Company's Articles of Association was duly passed by way of special resolution on the AGM held on 26 May 2016, details of which is disclosed in the circular dated 11 April 2016. Further, amendments to the Company's Articles of Association reflecting current circumstances of the Company and for the preparation of A share offering was duly passed by way of special resolution on the EGM held on 24 November 2016. Details of which is disclosed in the circular dated 7 November 2016. Some of the amendments were effective upon approval and registration at the related governments and regulatory authorities in the PRC, while some of the amendment shall be effective upon listing of the A share of the Company. A copy of the latest Articles of Association are posted on the websites of the Company and Stock Exchange.

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 2016.

WORKING ENVIRONMENT

Employees

The Group 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.

The Group mainly recruit through recruitment fairs and on-campus recruitment. As at year ended 31 December 2016, we had a total of 678 employees, of which 562, or 82.9%, were based in Jiaxing, and 116, or 17.1%, 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 2016:

	Number of employees
Project management	299
Quality and safety	177
Administrative and management	104
Design, survey and consultancy	46
Sales and marketing	30
Finance	22
Total	678

Fair recruitment

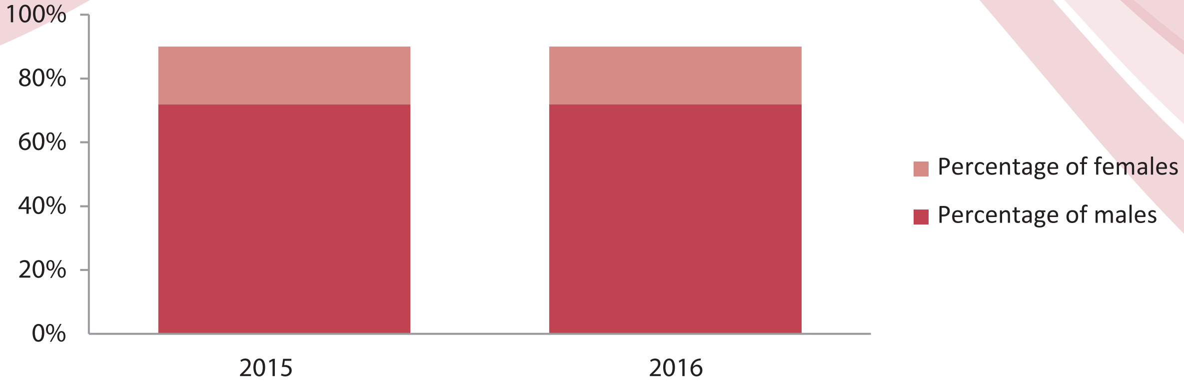
The Group recruit staff based on a fair, open and impartial principle to ensure the recruitment and selection process is objective and consistent. The Company only take into account an individual's competence, regardless of the age (no recruitment of minors under the age of 16), nationality, race, gender,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

Employment

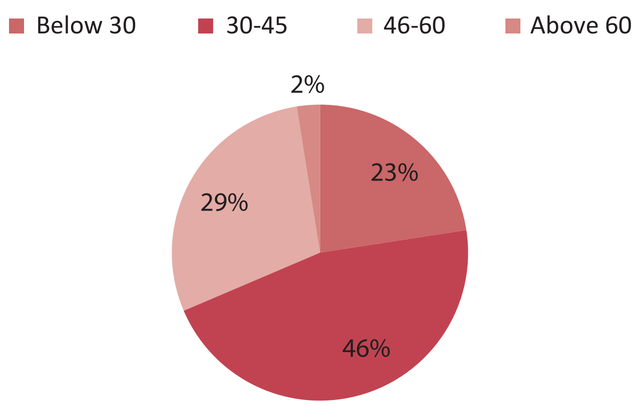
The Group stringently comply with all national and local laws, such as the Labor Law, Labor Contract Law and Employment Promotion Law of the People's Republic of China. We legally abide by labour policies and eliminate any malpractice such as the use of child labour or forced-labour workers.

Employment statistics by gender, age and education level

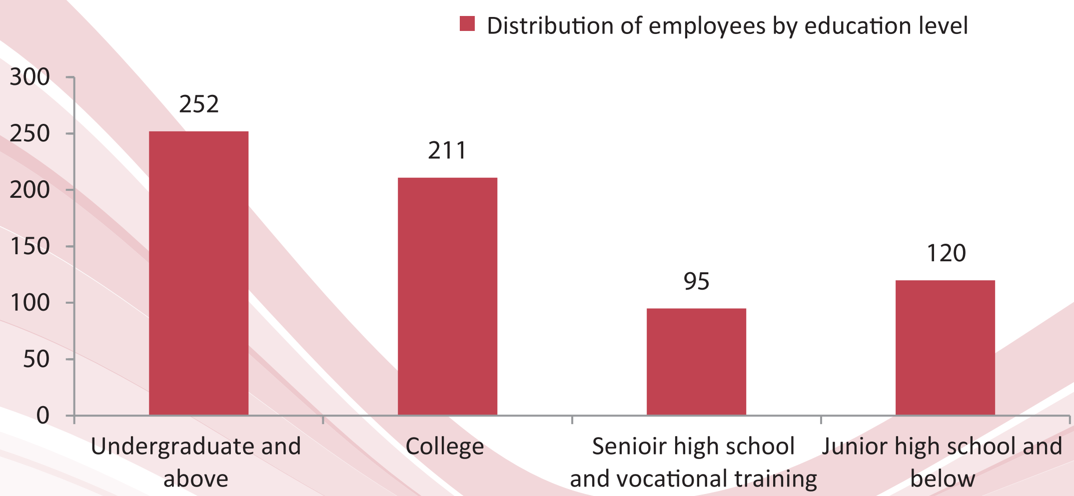
Distribution of employees by gender



Distribution of employees by age

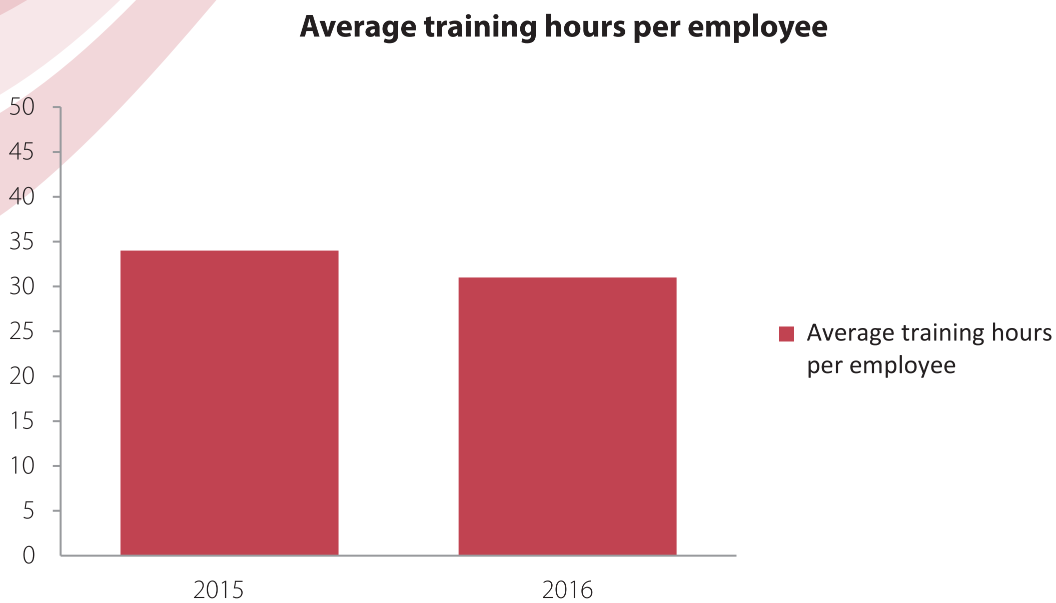


Distribution of employees by education level



Training

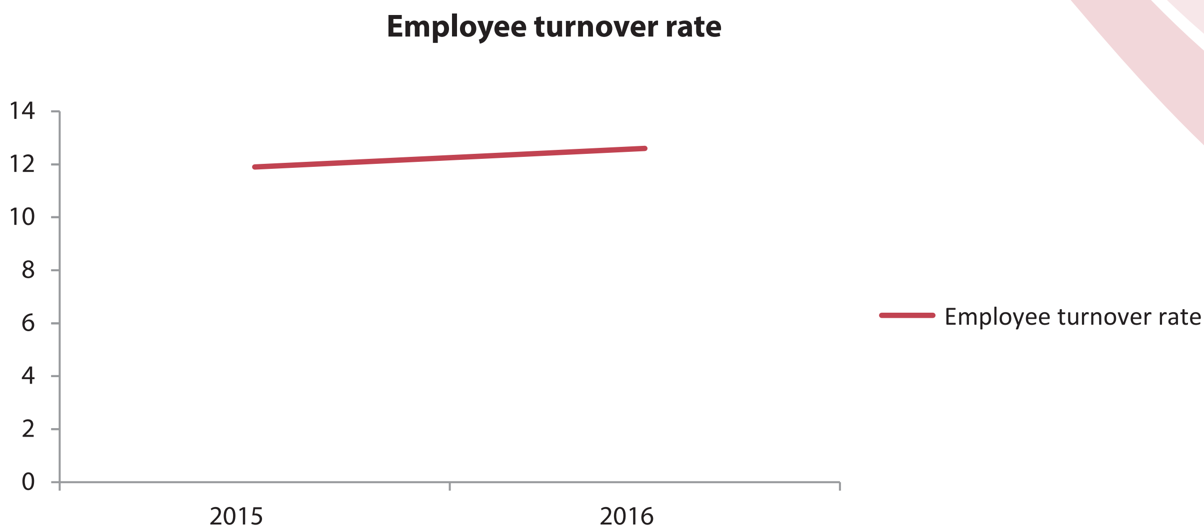
The Group provides different career development and training programs to all levels of staff. Continuous learning is one of our core values. Employees may be provided with in-house training sessions or may enrol in external training courses, such as seminars, workshops, visits and demonstrations, so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



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.

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.



A labour union has been formed to protect employees' rights, assist the Group in attaining its financial goals, encourage employees to participate in management decisions and assists the Group 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 24 April 2014 to 23 April 2017).

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

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2016, the Group was granted 19 construction safety awards at provincial-level, municipal-level or county-level. The most significant awards included: a National AAA Safe and Civilised Demonstration Site accredited by the Construction Safety Branch of China Construction Industry Association, and three 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 2015 and 2016, the accident rate on the Group's construction projects was 0.55 and 0.46 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	
2015	Less than 0.01
2016	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 2015 and 2016, the number of workplace accidents (including fractures and other injuries) occurred on our construction sites was five and five respectively.

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

Supply Chain Management

The Group recognise 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 is closely monitor 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. 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

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

The Group's employee handbook regulates 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 have 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 implement:

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

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

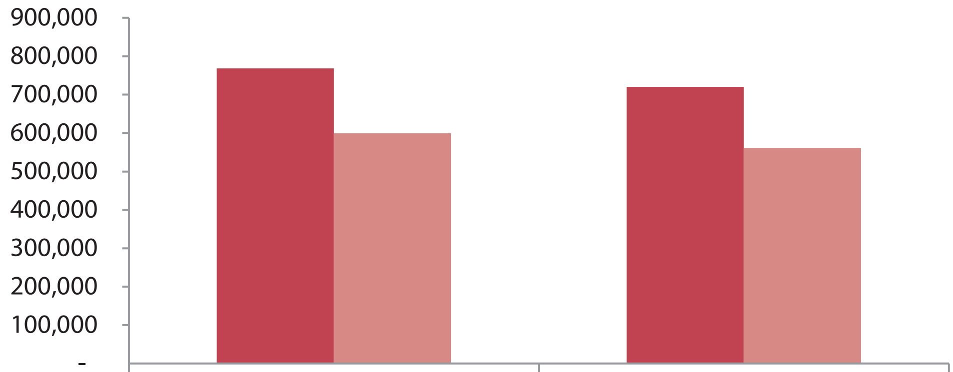
ENERGY CONSERVATION AND EMISSION REDUCTION

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

POWER CONSUMPTION CONTROL

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

Power consumption and corresponding carbon emission

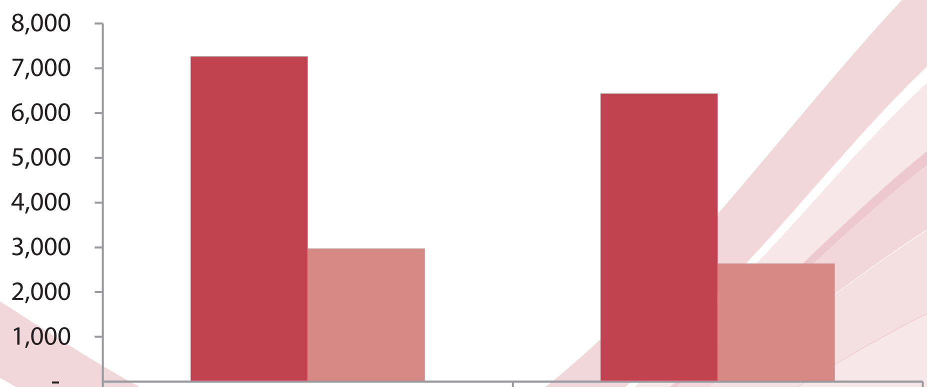


	2015	2016
Power consumption (kWh)	768,300	719,782
Carbon emission (kg)	599,274	561,430

WATER CONSUMPTION CONTROL

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

Water consumption and corresponding carbon emission



	2015	2016
Water consumption (tonnes)	7,262	6,438
Carbon emission (kg)	2,977	2,640

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.

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.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

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 2016, the Group donated a total of RMB320,000 to students and poor families.

The Group also actively participated in community activities, such as grave sweeping during the Ching Ming Festival, visiting elderly homes during the Chung Yeung Festival and visiting welfare institutions.

FUTURE DIRECTION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

To the shareholders of Jujiang Construction Group Co., Ltd.
(Established in 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 53 to 112, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 *Code of Ethics for Professional Accountants* (the "Code") issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

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

Recoverability of receivables

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

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

Our audit procedures included, among others, the assessment of the Group's controls over the receivables collection process and assessment of provision for impairment at each year end. On a sample basis, we confirmed the receivable balances with the related counterparties in writing. We assessed the aging of selected receivables by checking to the related supporting documentations. We assessed management's judgment and estimates in assessing the recoverability of the receivables, taking into account the historical cash collection patterns, our knowledge of the business environment and industry benchmarks, especially for those aged and overdue receivables. We checked the post year-end payments up to the date of completing our audit procedures. We further focused on the Group's disclosures in this area, such as the degree of estimation involved in arriving at the provision and the aged analysis of the receivables.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the 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 Company 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 solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	6	**4,032,168**	4,424,646
Cost of sales		**(3,807,471)**	(4,191,490)
Gross profit		**224,697**	233,156
Other income and gains	6	**20,218**	9,186
Administrative expenses		**(73,332)**	(73,173)
Other expenses		**(4,823)**	9,025
Finance costs	7	**(42,741)**	(43,802)
PROFIT BEFORE TAX	8	**124,019**	134,392
Income tax expense	10	**(33,785)**	(35,868)
PROFIT FOR THE YEAR		**90,234**	98,524
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**90,234**	98,524
Profit attributable to:			
Owners of the parent		**89,684**	98,517
Non-controlling interests		**550**	7
		90,234	98,524
Total comprehensive income attributable to			
Owners of the parent		**89,684**	98,517
Non-controlling interests		**550**	7
		90,234	98,524
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted (expressed in RMB per share)	11	**0.17**	0.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**135,336**	122,684
Prepaid land lease payments	13	**9,288**	9,579
Intangible assets	14	**2,102**	1,435
Available-for-sale investment	15	**3,600**	3,600
Deferred tax assets	16	**15,891**	17,850
Trade and bills receivables	19	**26,648**	14,421
Prepayments, deposits and other receivables	20	**47,707**	34,604
Other non-current assets		**116**	437
Total non-current assets		**240,688**	204,610
CURRENT ASSETS			
Prepaid land lease payments	13	**291**	291
Inventories	17	**7,612**	2,863
Trade and bills receivables	19	**647,359**	395,434
Prepayments, deposits and other receivables	20	**488,918**	722,251
Amounts due from contract customers	18	**2,998,346**	2,720,263
Pledged deposits	21	**18,110**	10,640
Cash and cash equivalents	21	**65,013**	49,218
Total current assets		**4,225,649**	3,900,960
CURRENT LIABILITIES			
Trade and bills payables	22	**2,330,523**	2,168,474
Other payables, advances from customers and accruals	23	**216,549**	245,285
Amounts due to contract customers	18	**113,970**	87,976
Interest-bearing bank and other borrowings	24	**644,491**	699,060
Tax payable		**130,544**	106,404
Total current liabilities		**3,436,077**	3,307,199
NET CURRENT ASSETS		**789,572**	593,761
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,030,260**	798,371
NON-CURRENT LIABILITIES			
Other payables and accruals	23	**24,804**	24,402
Total non-current liabilities		**24,804**	24,402
Net assets		**1,005,456**	773,969

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	533,360	400,000
Reserves	26	466,682	369,105
		1,000,042	769,105
Non-controlling interests		5,414	4,864
Total equity		1,005,456	773,969

Lv Yaoneng
Director

Lv Dazhong
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Attributable to owners of the parent							
	Notes	Share capital	Capital reserve*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015		400,000	180,587	–	9,868	80,133	670,588	4,857	675,445
Profit for the year		–	–	–	–	98,517	98,517	7	98,524
Total comprehensive income for the year		–	–	–	–	98,517	98,517	7	98,524
Appropriation to statutory surplus reserve		–	–	–	10,312	(10,312)	–	–	–
Transfer to special reserve	(i)	–	–	93,116	–	(93,116)	–	–	–
Utilisation of special reserve	(i)	–	–	(93,116)	–	93,116	–	–	–
As at 31 December 2015 and 1 January 2016		400,000	180,587	–	20,180	168,338	769,105	4,864	773,969
Profit for the year		–	–	–	–	89,684	89,684	550	90,234
Total comprehensive income for the year		–	–	–	–	89,684	89,684	550	90,234
Appropriation to statutory surplus reserve		–	–	–	9,747	(9,747)	–	–	–
Issue of shares		133,360	19,046	–	–	–	152,406	–	152,406
Share issue expenses		–	(11,153)	–	–	–	(11,153)	–	(11,153)
Transfer to special reserve	(i)	–	–	87,046	–	(87,046)	–	–	–
Utilisation of special reserve	(i)	–	–	(87,046)	–	87,046	–	–	–
As at 31 December 2016		**533,360**	**188,480**	**–**	**29,927**	**248,275**	**1,000,042**	**5,414**	**1,005,456**

* As at 31 December 2016, these reserve accounts comprise the consolidated reserves of RMB466,682,000, in the consolidated statement of financial position.

Notes:

(i) In preparation of the financial statements, the Group has appropriated certain amount of retained profits to a special reserve fund for each of the two years ended 31 December 2016 and 2015, for safety production expense purpose as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained profits until such special reserve was fully utilised.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**124,019**	134,392
Adjustments for:			
Finance costs	7	**42,741**	43,802
Dividend income from unlisted equity investment		**(3,600)**	–
Interest income	6	**(381)**	(796)
Exchange difference, net		**416**	–
Depreciation of items of property, plant and equipment	8	**7,497**	8,456
Amortisation of intangible assets	8	**266**	225
Amortisation of prepaid land lease payments	8	**291**	292
Reversal of impairment of trade receivables	8	**(71)**	(434)
Impairment/(reversal of impairment) of deposits and other receivables	8	**2,254**	(8,746)
Loss on disposal of intangible assets, net		**31**	6
Gain on disposal of items of property, plant and equipment, net		**(1,451)**	–
		172,012	177,197
(Increase)/decrease in inventories		**(4,749)**	6,519
Increase in amounts due from/to contract customers		**(252,089)**	(159,606)
(Increase)/decrease in trade and bills receivables		**(264,081)**	96,872
Decrease/(increase) in prepayments, deposits and other receivables		**218,748**	(25,797)
(Increase)/decrease in pledged deposits		**(7,470)**	31,400
Increase/(decrease) in trade and bills payables		**165,648**	(446,741)
(Decrease)/increase in other payables, advances from customers and accruals		**(20,427)**	86,624
Cash flows used in operations		**7,592**	(233,532)
Interest received		**381**	796
Income tax paid		**(7,686)**	(16,700)
Net cash flows from/(used in) operating activities		**287**	(249,436)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of items of property, plant and equipment	12	**(25,744)**	(849)
Payments for acquisition of intangible assets	14	**(964)**	(289)
Proceeds from disposal of items of property, plant and equipment		**1,546**	114
Net cash flows used in investing activities		**(25,162)**	(1,024)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(42,741)**	(43,802)
New bank loans		**976,391**	886,990
Repayment of bank loans		**(1,030,960)**	(823,310)
Borrowings and repayments of loans to related parties		**(310,380)**	(867,805)
Borrowings and repayments of loans from related parties		**310,380**	1,136,058
Borrowings and repayments of loans to others		**(1,500)**	(15,708)
Borrowings and repayments of loans from others		**1,500**	3,287
Proceeds from issue of shares		**141,702**	–
Share issue expenses		**(3,306)**	(2,678)
Net cash flows from financing activities		**41,086**	273,032
NET INCREASE IN CASH AND CASH EQUIVALENTS		**16,211**	22,572
Effect of foreign exchange rate changes		**(416)**	–
Cash and cash equivalents at beginning of year		**49,218**	26,646
CASH AND CASH EQUIVALENTS AT END OF YEAR		**65,013**	49,218
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**65,013**	49,218
Cash and cash equivalents as stated in the statement of financial position		**65,013**	49,218
Cash and cash equivalents as stated in the statement of cash flows		**65,013**	49,218

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

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 share 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 2016, 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* (浙江巨匠控股集團有限公司), a company with limited liability established in the PRC.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Note	Place and date of incorporation/ registration and business	Share capital	Percentage of equity attributable to the Company Direct	Principal activities
Zhejiang Jujiang Construction Surveying and Design Co., Ltd. (「浙江巨匠建築勘察設計有限公司」)	(a)	The PRC/Mainland China September 1985	RMB3,000,000	100%	Surveying, designing, engineering exploration
Tongxiang City Jujiang Lifting Equipment Installation Co., Ltd. (「桐鄉市巨匠起重設備安裝有限公司」)	(a)	The PRC/Mainland China May 2006	RMB1,600,000	100%	Installation, disassembly, rent of construction lifting equipment
Zhejiang Jujiang Municipal Landscaping Engineering Co., Ltd. (「浙江巨匠市政园林綠化工程有限公司」)	(a)	The PRC/Mainland China October 2007	RMB50,000,000	100%	Municipal public, sports facilities construction, landscaping
Zhejiang Kepuao Building Materials Trading Co., Ltd. (「浙江科普奧建材貿易有限公司」)	(a)	The PRC/Mainland China February 2013	RMB30,000,000	100%	Sales of building materials, machinery, metal materials
Tongxiang City Jujiang Curtain Wall Installation Engineering Co., Ltd. (「桐鄉市巨匠建築幕牆安裝工程有限公司」)	(a)	The PRC/Mainland China March 2009	RMB5,000,000	85%	Installation of architecture wall
Jiaxing Jujiang Defense Equipment Co., Ltd. (「嘉興巨匠防護設備有限公司」)	(a)	The PRC/Mainland China April 2013	RMB10,000,000	70%	Civil defense products manufacturing business

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

Note:

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

2 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. 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 and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

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 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

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

3.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10, and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvements 2014-2016 cycle	Amendments to a number of IFRSs

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

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

The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarized as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

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

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

(b) Impairment *(Continued)*

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 standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

The Group's principal activities consist of the manufacture and sale of electronic products, the manufacture and sale of machinery, property investment and the provision of property management services. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

(a) Variable consideration on the sale of electronic products

The Group provides a right of return, trade discounts or volume rebates for some of the sales contracts of electronic products with customers. Currently, the Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, revenue recognition is deferred until the uncertainty is resolved. Under IFRS 15, a transaction price is considered variable if a customer is provided with a right of return, trade discounts or volume rebates. The Group is required to estimate the amount of consideration to which it will be entitled in the sales of its electronic products and the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group expects that the constraint on recognition of variable consideration may result in more revenue being deferred.

(b) Sale of machinery with installation services

The Group provides installation services for the sale of machinery. Currently, when installation services are bundled together with the sale of machinery, revenue from the sale of machinery is recognised after the installation services are completed. Upon the adoption of IFRS 15, revenue from the sale of machinery will be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group has preliminarily assessed that the installation services bundled together with the sale of machinery are distinct and are considered as separate performance obligations under IFRS 15. The Group further assessed that the services are satisfied over time given that the customers simultaneously receive and consume the benefits provided by the Group. Revenue allocated to the installation services will be recognised over the period that the services are provided upon the adoption of IFRS 15.

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

IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases - Incentives* and SIC-Int 17 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. 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. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

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

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

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

Fair value measurement

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

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

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

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

Impairment of non-financial assets

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

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)*

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

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

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

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

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

Derecognition of financial assets

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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 carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

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

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

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

Contracts for services

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

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

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

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

Construction contracts

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

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

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

Borrowing costs

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

Dividends

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

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.

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 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Estimation uncertainty

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

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Percentage of completion of construction and service works

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

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

Total budgeted costs for construction contracting and contract 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 contract for service, management refers to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation on material costs, labour costs and other costs.

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As at 31 December 2016

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

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognised as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

Impairment of trade receivables

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

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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As at 31 December 2016

5. OPERATING SEGMENT INFORMATION *(Continued)*

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

Year ended 31 December 2016	Construction contracting RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	3,999,061	33,107	–	4,032,168
Intersegment sales	–	1,232	(1,232)	–
Total revenue	3,999,061	34,339	(1,232)	4,032,168
Segment results	127,315	(3,296)	–	124,019
Income tax expense	(32,596)	(1,189)	–	(33,785)
Profit/(loss) for the year	94,719	(4,485)	–	90,234
Segment assets	4,559,333	108,838	(201,834)	4,466,337
Segment liabilities	3,500,377	66,489	(105,985)	3,460,881
Other segment information:				
Interest income	336	45	–	381
Finance costs	38,237	4,504	–	42,741
Depreciation	6,640	857	–	7,497
Amortisation	531	26	–	557
Impairment/(reversal of impairment) of trade receivables, deposits and other receivables	2,236	(53)	–	2,183
Capital expenditure*	20,725	483	–	21,208

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2015

	Construction contracting RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	4,400,931	23,715	–	4,424,646
Intersegment sales	198	840	(1,038)	–
Total revenue	4,401,129	24,555	(1,038)	4,424,646
Segment results	135,513	(1,121)	–	134,392
Income tax expense	(35,173)	(695)	–	(35,868)
Profit/(loss) for the year	100,340	(1,816)	–	98,524
Segment assets	4,135,533	104,426	(134,389)	4,105,570
Segment liabilities	3,312,548	57,590	(38,537)	3,331,601
Other segment information:				
Interest income	786	10	–	796
Finance costs	40,113	3,689	–	43,802
Depreciation	7,514	942	–	8,456
Amortisation	494	23	–	517
Reversal of impairment of trade receivables, deposits and other receivables	(9,096)	(84)	–	(9,180)
Capital expenditure*	873	58	–	931

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

6. REVENUE, OTHER INCOME AND GAINS

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

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

	2016 RMB'000	2015 RMB'000
Revenue		
Construction contracting	**3,999,061**	4,400,931
Others	**33,107**	23,715
	4,032,168	4,424,646
Other income and gains		
Interest income	**381**	796
Government grant*	**13,193**	5,540
Dividend income from investment	**3,600**	–
Others	**3,044**	2,850
	20,218	9,186

Note:

* Government grant mainly consists of the Tongxiang Government fund due to the Group listed in Hong Kong.

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank loans and other borrowings wholly repayable within one year	**41,876**	43,377
Interest on discounted bills receivable	**865**	425
	42,741	43,802

8. PROFIT BEFORE TAX

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

	Notes	2016 RMB'000	2015 RMB'000
Cost of construction contracting (including depreciation)		**3,780,595**	4,174,392
Cost of others		**26,876**	17,098
Total cost of sales		**3,807,471**	4,191,490
Depreciation of items of property, plant and equipment (note (a))	12	**7,497**	8,456
Amortisation of prepaid land lease payments	13	**291**	292
Amortisation of intangible assets	14	**266**	225
Total depreciation and amortisation		**8,054**	8,973
Reversal of impairment of trade receivables	19	**(71)**	(434)
Impairment/(reversal of impairment) of deposits and other receivables	20	**2,254**	(8,746)
Total impairment losses/(reversal of impairment), net		**2,183**	(9,180)
Minimum lease payments under operating leases of land and buildings (note (b))		**994**	1,023
Auditors' remuneration		**2,369**	2,563
Employee benefit expenses (including Directors' and Supervisors' remuneration) (note (c)):		**37,609**	33,369
– Wages, salaries and allowances		**28,942**	24,344
– Social insurance		**6,241**	7,290
– Welfare and other expenses		**2,426**	1,735
Interest income		**(381)**	(796)
Gain on disposal of items of property, plant and equipment, net		**(1,451)**	–

8. PROFIT BEFORE TAX *(Continued)*

(a) Depreciation of approximately RMB4,196,000 and approximately RMB5,626,000 are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for years ended 31 December 2016 and 2015 respectively.

(b) Minimum lease payments of approximately RMB543,000 and approximately RMB571,000 are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for years ended 31 December 2016 and 2015 respectively.

(c) Employee benefit expenses of approximately RMB37,609,000 and approximately RMB33,369,000 are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015 respectively.

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

(a) Directors' and supervisors' remuneration

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

	2016 **RMB'000**	2015 RMB'000
Fees	**–**	–
Others emoluments:		
– Salaries, allowances and benefits in kind	**1,576**	1,220
– Performance-related bonuses	**382**	186
– Pension schemes	**24**	47
	1,982	1,453

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

Note:

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

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

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

Year ended 31 December 2015	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension schemes	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Lv Yaoneng (呂耀能)	–	287	–	9	296
Mr. Lv Dazhong (呂達忠)	–	204	60	7	271
Mr. Li Jinyan (李錦燕)	–	234	60	7	301
Mr. Lu Zhicheng (陸志城)	–	19	–	4	23
Mr. Shen Haiquan (沈海泉)	–	19	–	7	26
Mr. Zheng Gang (鄭剛)	–	238	60	7	305
	–	1,001	180	41	1,222
Independent Non-executive Directors					
Mr. Xu Guoqiang (徐國强)	–	–	–	–	–
Mr. Lin Tao (林濤)	–	–	–	–	–
Mr. Wong Ka Wai (王加威)	–	–	–	–	–
	–	–	–	–	–
Supervisors					
Mr. Zou Jingtao (鄒江滔)	–	173	6	6	185
Mr. Shen Bingkun (沈炳坤)	–	46	–	–	46
Mr. Lv Zili (呂自力)	–	–	–	–	–
Mr. Chen Xiangjiang (陳祥江)	–	–	–	–	–
	–	219	6	6	231
	–	1,220	186	47	1,453

Note:

* Mr. Xu Guoqiang, Mr. Lin Tao and Mr. Wong Ka Wai were appointed as independent Directors, effective from 19 August 2015. Mr. Lv Julong resigned as supervisor and Mr. Lv Zili and Mr. Chen Xiangjiang were appointed as supervisors, effective from 19 August 2015.

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:

	2016	2015
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:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	432	437
Performance-related bonuses	120	120
Pension schemes	7	13
	559	570

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

	2016	2015
Nil to RMB1,000,000	2	2
RMB1,000,000 to RMB1,500,000	–	–
RMB1,500,000 to RMB2,000,000	–	–

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

10. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current income tax – Mainland China		
Charge for the year	**31,826**	35,420
Under provision in prior years	**–**	228
Deferred income tax (note 16)	**1,959**	220
Tax charge for the year	**33,785**	35,868

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the years ended 31 December 2016 and 2015 is as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	**124,019**	134,392
Income tax charge at the statutory income tax rate	**31,005**	33,598
Expenses not deductible for tax purposes	**1,544**	1,344
Tax losses not recognised	**1,236**	926
Tax charge for the year at the effective rate	**33,785**	35,868

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year ended 31 December 2016.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December2016 and 2015.

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

	2016 RMB'000	2015 RMB'000
Earnings:		
Profit for the year attributable to owners of the parent, used in the basic earnings per share calculation	**89,684**	98,517

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

	2016	2015
	'000	'000
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	528,988	400,000

12. PROPERTY, PLANT AND EQUIPMENT

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

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As at 31 December 2016

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

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
at 1 January 2015:						
Cost	110,240	28,969	16,898	9,725	2,646	168,478
Accumulated depreciation	(10,241)	(9,249)	(13,263)	(5,320)	–	(38,073)
Net carrying amount	99,999	19,720	3,635	4,405	2,646	130,405
At 1 January 2015, net of accumulated depreciation	99,999	19,720	3,635	4,405	2,646	130,405
Additions	7	245	–	429	168	849
Transfers	2,814	–	–	–	(2,814)	–
Disposals	–	–	–	(114)	–	(114)
Depreciation provided during the year	(3,311)	(2,646)	(1,164)	(1,335)	–	(8,456)
At 31 December 2015, net of accumulated depreciation	99,509	17,319	2,471	3,385	–	122,684
At 31 December 2015:						
Cost	113,061	29,214	16,898	10,016	–	169,189
Accumulated depreciation	(13,552)	(11,895)	(14,427)	(6,631)	–	(46,505)
Net carrying amount	99,509	17,319	2,471	3,385	–	122,684

Certain of the Group's buildings with net carrying amounts of approximately RMB 98,215,000 and approximately RMB 99,397,000 as at 31 December 2016 and 2015 respectively, were pledged to secure general banking facilities granted to the Group (note 24).

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13. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at beginning of the year	**9,870**	10,162
Amortisation for the year	**(291)**	(292)
Carrying amount at end of year	**9,579**	9,870
Portion classified as current assets	**(291)**	(291)
Non-current portion	**9,288**	9,579

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

14. INTANGIBLE ASSETS

	2016 RMB'000	2015 RMB'000
At beginning of the year:		
Cost	**2,061**	1,979
Accumulated amortisation for the year	**(626)**	(604)
Net carrying amount	**1,435**	1,375
Cost at beginning of the year:		
net of accumulated amortisation	**1,435**	1,375
Additions	**964**	289
Disposed during the year	**(31)**	(4)
Accumulated amortisation for the year	**(266)**	(225)
At end of the year	**2,102**	1,435
At end of the year:		
Cost	**2,972**	2,061
Accumulated amortisation for the year	**(870)**	(626)
Net carrying amount	**2,102**	1,435

15. AVAILABLE-FOR-SALE INVESTMENT

	2016 RMB'000	2015 RMB'000
Unlisted equity investment, at cost	**3,600**	3,600

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

16. DEFERRED TAX ASSETS

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

	2016 RMB'000	2015 RMB'000
Deferred tax assets:		
At beginning of the year	**17,850**	18,070
Deferred tax debited to profit or loss during the year (note 10)	**(1,959)**	(220)
At end of the year	**15,891**	17,850

The deferred tax assets are attributed to the following items:

	2016 RMB'000	2015 RMB'000
Deferred tax assets:		
Provision for impairment of receivables	**4,811**	4,829
Provision for impairment of other receivables	**8,360**	7,796
Accrued but not paid salaries, wages and benefits	**2,247**	2,267
Accrued but not paid provision and expenses	**300**	2,264
Amortisation difference of intangible assets between accounting and tax	**3**	4
Accumulated losses	**170**	690
	15,891	17,850

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16. DEFERRED TAX ASSETS *(Continued)*

As at 31 December 2016, deferred tax assets amounting to approximately RMB1,236,000 were not recognised. 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.

As at 31 December 2015, deferred tax assets amounting to approximately RMB926,000 were not recognised. 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

	2016 RMB'000	2015 RMB'000
Raw materials	2,810	1,252
Goods in process	27	576
Finished goods	4,757	976
Spare parts and consumables	18	59
	7,612	2,863

18. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Construction contracts

	2016 RMB'000	2015 RMB'000
Amount due from contract customers	2,998,346	2,720,263
Amount due to contract customers	(113,970)	(87,976)
	2,884,376	2,632,287

	2016 RMB'000	2015 RMB'000
Accumulated contract costs incurred plus recognised profits less recognised losses to date	27,429,443	25,210,988
Less: Accumulated progress billings received and receivable	(24,545,067)	(22,578,701)
	2,884,376	2,632,287

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.

	2016 RMB'000	2015 RMB'000
Trade receivables	662,703	374,813
Provision for impairment	(19,245)	(19,316)
Trade receivables, net	643,458	355,497
Bills receivable	30,549	54,358
	674,007	409,855
Portion classified as non-current assets [(1)]	(26,648)	(14,421)
Current portion	647,359	395,434

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

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

	2016 RMB'000	2015 RMB'000
Retentions in trade receivables	28,293	26,807
Provision for impairment	(74)	(30)
Retentions in trade receivables, net	28,219	26,777
Portion classified as non-current assets	(26,648)	(14,421)
Current portion	1,571	12,356

19. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2016 RMB'000	2015 RMB'000
Within 3 months	**237,915**	201,907
3 months to 6 months	**28,571**	36,304
6 months to 1 year	**283,482**	51,306
1 to 2 years	**49,524**	37,217
2 to 3 years	**21,101**	22,256
3 to 4 years	**18,410**	5,546
4 to 5 years	**3,817**	479
Over 5 years	**638**	482
	643,458	355,497

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

	2016 RMB'000	2015 RMB'000
At beginning of the year	**19,316**	19,750
Impairment losses recognised	**830**	400
Impairment losses reversed	**(901)**	(834)
At end of the year	**19,245**	19,316

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of approximately RMB10,090,000 and approximately RMB11,090,000 with aggregate carrying amounts before provision of approximately RMB10,090,000 and approximately RMB11,090,000 as at 31 December 2016 and 2015 respectively.

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

19. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**265,433**	227,438
Past due within 1 year but not impaired	**310,444**	86,000
	575,877	313,438

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

Transferred financial assets that are not derecognised in their entirety

The Group endorsed and discounted certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with carrying amounts of approximately RMB27,852,000 and approximately RMB50,576,000 as at 31 December 2016 and 2015 respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse were approximately RMB27,852,000 and approximately RMB50,576,000 as at 31 December 2016 and 2015 respectively.

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 carrying amounts in aggregate of approximately RMB121,066,000 and approximately RMB73,663,000 as at 31 December 2016 and 2015, respectively. The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Deposits and other receivables	**258,514**	355,007
Provision for impairment of deposits and other receivables	**(33,439)**	(31,185)
	225,075	323,822
Prepayment to suppliers	**311,550**	433,033
	536,625	756,855
Portion classified as non-current assets [(1)]	**(47,707)**	(34,604)
Current portion	**488,918**	722,251

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

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

	2016 RMB'000	2015 RMB'000
At beginning of the year	**31,185**	39,931
Impairment losses recognised	**3,317**	4,017
Impairment losses reversed	**(1,063)**	(12,763)
At the end of the year	**33,439**	31,185

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of approximately RMB22,983,000 and approximately RMB22,983,000 with aggregate carrying amounts before provision of approximately RMB22,983,000 and approximately RMB22,983,000 as at 31 December 2016 and 2015, respectively.

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

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

	2016	2015
	RMB'000	RMB'000
Neither past due nor impaired	**185,530**	268,112
Past due within 1 year but not impaired	**39,098**	49,883
	224,628	317,995

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

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016	2015
	RMB'000	RMB'000
Cash and bank balances	**41,640**	49,218
Time deposits	**41,483**	10,640
	83,123	59,858
Less: Pledged time deposits:		
Pledged bank balances for bank notes and letters of credit	**(18,110)**	(10,640)
Cash and cash equivalents	**65,013**	49,218

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

22. TRADE AND BILLS PAYABLES

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

	2016 RMB'000	2015 RMB'000
Within 6 months	**267.491**	1,849,404
6 months to 1 year	**1,472,885**	225,707
1 to 2 years	**531,766**	65,628
2 to 3 years	**41,773**	18,521
Over 3 years	**16,608**	9,214
	2,330,523	2,168,474

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

23. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Advances from customers	**6,417**	61,962
Accrued salaries, wages and benefits	**9,289**	9,066
Other taxes payable	**160,563**	127,641
Other payables	**65,084**	71,018
	241,353	269,687
Portion classified as non-current liabilities (1)	**(24,804)**	(24,402)
Current portion	**216,549**	245,285

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – mortgaged	**4.35-9.5**	**2017**	**507,607**	4.8-9.5	2016	524,200
Bank loans – guaranteed	**4.68-21.6**	**2017**	**136,884**	5.1-21.6	2016	174,860
			644,491			699,060

	2016	2015
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**644,491**	699,060

Notes:

(a) Certain of the Group's buildings with net carrying amounts of approximately RMB98,215,000 and approximately RMB 99,397,000 as at 31 December 2016 and 2015, respectively, were pledged to secure general banking facilities granted to the Group.

(b) As set out in note 31(b), as at 31 December 2016 and 2015, the Group's interest-bearing bank loans and other borrowings of approximately RMB621,941,000 and approximately RMB602,310,000, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group, free of charge.

25. SHARE CAPITAL

	2016	2015
	RMB'000	RMB'000
Share capital	**533,360**	400,000

The movements in share capital are as follows:

		Share capital	
		2016	2015
	Notes	**RMB'000**	RMB'000
At beginning of the year		**400,000**	400,000
Public offer of H shares	(i)	**133,360**	–
At end of the year		**533,360**	400,000

(i) On 12 January 2016, the Group's H share were listed on the Main Board of Stock Exchange. The Group issued 133,360,000 shares with the par value of RMB 1 each.

26. RESERVES

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

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 **RMB'000**	2015 RMB'000
Depreciation of property, plant and equipment, amortisation of intangible assets and prepaid land lease payments	**8,054**	8,973
Impairment/(reversal of impairment) of receivables	**2,183**	(9,180)

28. PLEDGE OF ASSETS

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

29. OPERATING LEASE ARRANGEMENTS

As lessee

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

	2016 **RMB'000**	2015 RMB'000
Within one year	**632**	989
In the second to fifth years, inclusive	**1,265**	–
After five years	**–**	–
	1,897	989

30. COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

31. RELATED PARTY TRANSACTIONS

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

	2016 RMB'000	2015 RMB'000
Construction contracting services provided to:		
Fellow subsidiaries	**104,138**	198,726
Associate of fellow subsidiaries	**206,881**	193,564
Design, survey and consultancy services provided to:		
Fellow subsidiaries	**68**	3
Sales of goods:		
Fellow subsidiaries	**–**	1,254
Purchases of raw materials:		
A company of which the controlling shareholder of the Company is a director	**6,367**	32,517
Receipts of labour services:		
Fellow subsidiaries	**–**	535,670
Borrowings and repayments of loans provided to:		
Holding company	**203,300**	–
Fellow subsidiaries	**98,080**	867,805
Borrowings and repayments of loans received from:		
Holding company	**203,300**	19,900
Fellow subsidiaries	**98,080**	1,116,154

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 RMB621,941,000 and RMB602,310,000 as at 31 December 2016 and 2015, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group, as set out in note 24(b).

31. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties:

	2016 RMB'000	2015 RMB'000
Accounts receivable:		
Fellow subsidiaries	**44,325**	18,970
Associate of fellow subsidiaries	**20,861**	4,458
Accounts payable:		
Fellow subsidiaries	**–**	16,830
A company of which the controlling shareholder of the Company is a director	**33,896**	56,912
Advances from customers:		
Associate of fellow subsidiaries	**–**	5,500
Prepayment to suppliers:		
Fellow subsidiaries	**–**	42,389
Other receivables:		
Fellow subsidiaries	**473**	115,920
Associate of fellow subsidiaries	**25,020**	25,020
Key management person of the holding company	**950**	954
Other payables:		
Fellow subsidiaries	**–**	50
Amounts due from contract customers:		
Fellow subsidiaries	**63,041**	104,049
Associate of fellow subsidiaries	**151,299**	141,223
Amounts due to contract customers:		
Fellow subsidiaries	**11,115**	592
Associate of fellow subsidiaries	**5,691**	4,249

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2016 RMB'000	2015 RMB'000
Financial assets		
Available-for-sale financial investment:		
Available-for-sale investment	3,600	3,600
Loans and receivables:		
Trade and bills receivables	674,007	409,855
Financial assets included in deposits and other receivables	225,075	323,822
Pledged deposits	18,110	10,640
Cash and bank balances	65,013	49,218
	985,805	797,135
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	2,330,523	2,168,474
Financial liabilities included in other payables, advances from customers and accruals	65,084	71,018
Interest-bearing bank and other borrowings	644,491	699,060
	3,040,098	2,938,552

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts	
	2016	2015
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables, non-current portion	**26,648**	14,421
Financial assets included in deposits and other receivables, non-current portion	**47,707**	34,604
	74,355	49,025
Financial liabilities		
Financial liabilities at amortised cost:		
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	**24,804**	24,402
	24,804	24,402

	Fair value	
	2016	2015
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables, non-current portion	**26,648**	14,421
Financial assets included in deposits and other receivables, non-current portion	**45,006**	32,646
	71,654	47,067
Financial liabilities		
Financial liabilities at amortised cost:		
Financial liabilities included in other payables, advances from customers and accruals, non-current portion	**23,400**	23,020
	23,400	23,020

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

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

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

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

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

Interest rate risk *(Continued)*

	Group	
	Increase/(decrease) in basis points	**Increase/(decrease) in profit before tax**
	RMB'000	RMB'000
2016		
The benchmark Deposit and Lending Rate of RMB	**100**	**(6,548)**
The benchmark Deposit and Lending Rate of RMB	**(100)**	**6,548**
2015		
The benchmark Deposit and Lending Rate of RMB	100	(6,293)
The benchmark Deposit and Lending Rate of RMB	(100)	6,293

Credit risk

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

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

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

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

Liquidity risk

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

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

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

	2015			
	Within 1 year RMB'000	**1 to 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Trade and bills payables	2,168,474	–	–	2,168,474
Financial liabilities included in other payables, advances from customers and accruals	245,285	24,402	–	269,687
Interest-bearing bank and other borrowings	718,741	–	–	718,741
Total	3,132,500	24,402	–	3,156,902

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

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

Capital management *(Continued)*

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

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

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

	2016 RMB'000	2015 RMB'000
Interest-bearing bank and other borrowings	644,491	699,060
Cash and bank balances (note 21)	(65,013)	(49,218)
Pledged deposits (note 21)	(18,110)	(10,640)
Net debt	561,368	639,202
Total equity	1,005,456	773,969
Gearing ratio	56%	83%

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

35. 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:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	128,929	120,220
Prepaid land lease payments	9,288	9,579
Intangible assets	1,992	1,331
Investments in subsidiaries	95,850	95,850
Available-for-sale investment	3,600	3,600
Deferred tax assets	14,896	16,220
Trade receivables	26,648	14,421
Prepayments, deposits and other receivables	38,447	27,722
Total non-current assets	319,650	288,943
CURRENT ASSETS		
Prepaid land lease payments	291	291
Trade and bills receivables	633,795	339,389
Prepayments, deposits and other receivables	425,296	652,066
Amounts due from contract customers	2,776,992	2,532,140
Pledged deposits	15,992	9,640
Cash and bank balances	32,697	16,022
Total current assets	3,885,063	3,549,548
CURRENT LIABILITIES		
Trade and bills payables	2,152,756	2,009,108
Other payables, advances from customers and accruals	252,163	257,668
Amounts due to contract customers	106,947	82,439
Interest-bearing bank and other borrowings	554,119	611,060
Tax payable	129,247	104,605
Total current liabilities	3,195,232	3,064,880
NET CURRENT ASSETS	689,831	484,668
TOTAL ASSETS LESS CURRENT LIABILITIES	1,009,481	773,611

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

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

	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES		
Other payables and accruals	**19,592**	18,658
Total non-current liabilities	**19,592**	18,658
Net assets	**989,889**	754,953
EQUITY		
Share capital	**533,360**	400,000
Reserves	**456,529**	354,953
Total equity	**989,889**	754,953

Lv Yaoneng
Director

Lv Dazhong
Director

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2016

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

Note:

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

	Capital reserve	Statutory surplus reserve	Special reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	180,587	8,480	–	76,319	265,386
Profit for the year	–	–	–	89,567	89,567
Total comprehensive income	–	–	–	89,567	89,567
Appropriation to statutory surplus reserve	–	8,957	–	(8,957)	–
Transfer to special reserve	–	–	(89,182)	89,182	–
Utilisation of special reserve	–	–	89,182	(89,182)	–
As at 31 December 2015 and 1 January 2016	180,587	17,437	–	156,929	354,953
Profit for the year	–	–	–	93,683	93,683
Total comprehensive income	–	–	–	93,683	93,683
Appropriation to statutory surplus reserve	–	9,369	–	(9,369)	–
Issue of shares	19,046	–	–	–	19,046
Share issue expenses	(11,153)	–	–	–	(11,153)
Transfer to special reserve	–	–	(83,659)	83,659	–
Utilisation of special reserve	–	–	83,659	(83,659)	–
As at 31 December 2016	**188,480**	**26,806**	**–**	**241,243**	**456,529**

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2017.