滄海控股有限公司
Chanhigh Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2017

2020

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Wang Sufen

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Peng Yonghui
Mr. Tong Tai Alex

COMPANY SECRETARY

Mr. Tong Tai Alex

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

CORPORATE HEADQUARTERS

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Cang Hai Industry Building
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Zhejiang Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Futura Plaza
111 How Ming Street
Kwun Tong
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China,
Ningbo Branch
No. 218 Zhongshan Xi Road
Haishu District
Ningbo City
Zhejiang Province
China

Bank of China, Ningbo Branch
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Haishu District
Ningbo City
Zhejiang Province
China

STOCK CODE

02017

COMPANY'S WEBSITE

www.chanhigh.com.hk

FINANCIAL HIGHLIGHTS

RESULTS

	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Revenue	1,551,858	1,144,539	733,430	1,356,089	**1,594,568**
Gross profit	194,626	182,047	83,540	147,161	**137,288**
Profit before tax	150,486	119,851	27,811	60,679	**29,697**
Profit for the year	108,004	80,328	17,064	41,404	**22,597**
Profit attributable to owners of the Company	108,004	80,328	17,046	41,262	**23,030**

ASSETS AND LIABILITIES

	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Cash and cash equivalents	108,065	371,703	272,198	161,903	**281,483**
Total assets	1,528,439	1,953,205	1,865,848	2,030,637	**2,221,143**
Total liabilities	1,267,852	1,149,437	1,047,342	1,170,759	**1,338,668**
Total equity	260,587	803,768	818,506	859,878	**882,475**
Equity attributable to owners of the Company	260,587	803,768	811,382	852,612	**875,642**

KEY FINANCIAL RATIOS

	2016	2017	2018	2019	**2020**
Gross margin (%)	12.5%	15.9%	11.4%	10.9%	**8.6%**
Net profit margin (%)	7.0%	7.0%	2.3%	3.1%	**1.4%**
Gearing ratio	0.23	0.14	0.47	0.68	**0.78**

Dear Shareholders,

On behalf of the Board of Chanhigh Holdings Limited, I present the audited annual results of the Group for the year ended 31 December 2020.

2020 was the most discouraging and difficult year since we entered the 21st century as COVID-19 raged around the world and the global economy suffered a major recession. 2020 was also the year in which China built a moderately prosperous society in an all-round manner and the closing year of the "13th Five-Year Plan". Under the impact of the pandemic, the digital economy became a "booster" for economic development. The Central Government intensively deployed a series of new measures to further clarify the scope of the "new infrastructure", and hence, the economic performance throughout the year gradually improved.

In 2020, in the face of tough challenges posed by the external environment, under the proper leadership of the Board of Directors and the operational management, vast number of our staff members grasped the window period of macroeconomic development in respect of the "new infrastructure, new urbanization and major projects (兩新一重)" (namely, the construction of new infrastructure, new urbanization initiatives, transportation, water conservancy and other major projects). On the one hand, with the focus on epidemic prevention and resumption of production and on the basis of ensuring the health and safety of all employees, various tasks for the year were accelerated; on the other hand, by adjusting development ideas, reforming the development model, optimizing the corporate structure and strengthening internal control, the scale of the Company grew steadily with all tasks being completed on schedule.

For the Year, even though the Group made some achievements in respect of business development, the pressure of economic downturn still caused negative impact on the Group's overall business results. As impacted by the pressure of economic downturn, the Group's management concluded that recoverability of certain long aged account receivables became uncertain, and full/partial impairment provision was therefore made in respect of such receivables for the sake of prudence. As compared with that of last year, impairment loss on trade and other receivables and contract assets for the Year increased by RMB31.8 million.

In 2021, the Group will strengthen the management capabilities of internal and external resources, adjust the business structure in management, tap the development potential during the adjustment process, and improve the operating results and operation quality when tapping the potential. The Group will strive for better operating performance and continue to enhance its value to reward society and our shareholders.

Peng Tianbin
Chairman and Executive Director
30 March 2021

INDUSTRY REVIEW

In 2020, China experienced challenges posed by COVID-19 and unprecedented pressure on the economy, as such, the development of the construction industry presented new characteristics, which mainly reflected in:

I. Since the third quarter, the growth rate of the total output value of the construction industry has turned from negative to positive, and the operation of the industry has stabilized.

According to the data of the National Bureau of Statistics, in the first nine months of 2020, China's construction industry achieved a total output value of RMB16,792.7 billion, a year-on-year increase of 3.4%. Although the growth rate was still 3.3 percentage points lower than the same period last year, the growth rate turned from negative to positive for the first time since the COVID-19 pandemic in 2020. In general, the construction industry had overcome tough challenges posed by the COVID-19 pandemic in 2020 and maintained steady growth.

II. There were obvious differences in different fields. The performance of infrastructure construction and housing construction was relatively stable, but the growth rate of housing construction showed a greater decline.

There are many sub-sectors in the construction industry. According to the main business types of listed companies, they can be divided into infrastructure works, housing construction, decoration, landscape works, chemical works, steel structure, international works, etc. In the first three quarters of 2020, although the operating income of the housing construction sub-sector increased by 10.3% year-on-year, the annual revenue and profit growth rate showed a downward trend compared with 2019, such trend was related to the adjustment made to the real estate industry.

III. Top enterprises always maintained strong capabilities, and as the market concentration continued to increase, private enterprises were facing severe market challenges.

The development of the construction industry had entered a mature period, and market competition had become increasingly fierce. Under the impact of the COVID-19 pandemic, with the elimination of backward production capacity, the market share of leading enterprises continued to increase. In 2020, the value of newly signed contracts of the top eight central enterprises accounted for 36.8% of the value of newly signed contracts in the construction industry, an increase of 4.3 percentage points from 2019, setting a record high, hence, private enterprises were facing severe market pressure.

The analysis of the industry policies in 2020 showed that such policies mainly guided the high-quality development of the construction industry in three aspects.

Firstly, the reform of the organization model of project construction was promoted. Based on the Management Measures for EPC Projects and the Guiding Opinions on Full-process Engineering Consultation issued in 2019, through the improvement of the technical standards of the full-process engineering consultation service, the model text of the EPC project contracts and other supporting documents in 2020, EPC projects and the full-process consultation were further promoted. Meanwhile, an architect responsibility system was also piloted in some key cities.

Secondly, the reform of qualification management was promoted. Through vigorously streamlining the types of enterprise qualifications, merging level settings, simplifying qualification standards and optimizing approval methods, market access restrictions were further relaxed and full competition was encouraged, thereby stimulating the vitality of market players, promoting the survival of the fittest and the optimization and adjustment of industrial structure.

Thirdly, the direction of transformation and upgrading of the construction industry was clarified. While the comprehensive transformation and upgrading of the construction industry was driven by the industrialization of new-type buildings, technological innovation was strengthened and the level of informatization was enhanced in a bid to cultivate the industrial system and actively promote green construction and intelligent construction, thereby creating an internationally competitive "China's construction" brand.

BUSINESS REVIEW

In 2020, the annual revenue of the Group was approximately RMB1,594.6 million, representing an increase of approximately 17.6% over 2019. The revenue was mainly generated from: i) landscape construction, ii) municipal works construction, iii) building works, and iv) others, and accounted for 22.2%, 34.7%, 39.5% and 3.6%, respectively.

In 2020, both the scale and number of bids won for infrastructure projects hit new highs in recent years, and the overall competitive edges of the principal business gradually increased. The scope of business expanded from Ningbo to various cities in the province, and continued to deepen the markets outside the province such as Shandong, Anhui, Sichuan, and Jiangxi. Successfully won the bid for the construction of "Yichuang Anshan" Beautiful Village Complex (Phase I) ("藝創鞍山"美麗鄉村綜合體建設(一期)) in Jiangbei District, Ningbo, the Company achieved a breakthrough in the design business. On the basis of the traditional construction general contracting business, the Group continued to expand the EPC project market, and the scale of winning bids had a certain degree of increase compared with last year.

In respect of corporate honors, the Group had successively won more than 10 awards, including Leading Construction Enterprise in Ningbo, National High-tech Enterprise, Top 100 Service Industry Enterprises in Ningbo, Survey and Design Integrity Unit in Ningbo and Zhejiang Province Excellent Landscape Management Award.

In respect of project honors, the Group had won numerous national, provincial and municipal awards regarding its projects, for instance, the project of Zhoushan Science Park (North) (Phase I) Green Landscape Project (舟山科技公園(北面)一期工程－綠化景觀工程) won the Science and Technology Award (Landscape Works Award) of Chinese Society of Landscape Architecture (中國風景園林學會科學技術獎(園林工程獎)); the Road Landscape Greening Construction Project of Yidaohe Road (Sanshilihe Hangying Road) in Fuyang City (阜陽市一道河路(三十里河－航潁路)道路景觀綠化施工工程) won the "Huangshan Cup" Award of Anhui Province Construction Project (安徽省建設工程"黃山杯"獎), which is another provincial-level highest construction project quality award obtained by the Company following the "Qianjiang Cup (錢江杯)" and the "Yangtze Cup (揚子杯)". The Group's projects also won eight awards, including "Excellent Landscape Project (優秀園林工程)" in Zhejiang Province and "Camellia Cup (茶花杯)" in Ningbo.

In respect of patent construction methods, four invention patents and six utility model patents were authorized. Two QC (Quality Control (品質控制)) results won the First Prize of Anhui Construction Quality Management Group (安徽省工程建設質量管理小組一等獎), and one piece won the First Prize of Excellent Quality Management Group of Ningbo Municipal Industry Association (寧波市市政行業協會優秀質量管理小組一等獎). The Group also participated in the compilation of provincial construction standards and group standards and successfully released the same.

For the Year, even though the Group made some achievements in respect of business development, the pressure of economic downturn still caused negative impact on the Group's overall business results. As impacted by the pressure of economic downturn, the Group's management concluded that recoverability of certain long aged account receivables became uncertain, and full/partial impairment provision was therefore made in respect of such receivables for the sake of prudence. As compared with that of last year, impairment loss on trade and other receivables and contract assets for the Year increased by RMB31.8 million.

RISK MANAGEMENT

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

IMPORTANT RELATIONSHIP

Our Employees

The Group had a total of 525 employees as at 31 December 2020. For the Year, staff costs were RMB30.4 million. Set forth below is a breakdown of the number of our employees by functions as at 31 December 2020:

Function	Number of employees
Administrative and human resources	60
Engineering	65
Finance and internal audit	30
Operational management	35
Procurement	8
Project management and technical team	286
Quality and safety	34
Senior management	7
Total	525

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

During the Year, we did not experience any material labour disputes, strikes or other material labour conflicts, receive any complaints, notices or orders from relevant government authorities or third parties, or receive any claims from our employees relating to social insurance or housing provident funds that could materially impaired our business operation or reputation. We made contributions to social insurance and housing provident funds in accordance with the applicable laws and regulations. The details in relation to retirement benefit scheme are disclosed in notes 4(r) and 13 to the consolidated financial statements.

Our Suppliers

For the Year, we made procurement from 2,259 suppliers across the PRC. Our suppliers are corporate entities or sole proprietors who are principally engaged in the supply or trading of plants and saplings and/or construction materials and/or leasing of equipment and machineries in the PRC. It is our policy to maintain multiple suppliers and seek quotations from at least three suppliers for purchase of major raw materials to avoid over-reliance on any single supplier. In addition, to minimize cost and delivery time and given that certain standardised construction materials such as cements and steels are readily available in the PRC, we tend to make procurement from local suppliers which are in close proximity to the project sites whenever practicable. Our procurement department maintains a list of qualified suppliers. Such list of qualified suppliers are selected based on criteria such as price, quality, record of timely delivery, proximity to the project site, supply capacity and customer service. During the preparation of budget for each project, potential price fluctuations of raw materials are accounted for and any anticipated increase in costs will be taken into consideration and could be passed to our customers, to the extent feasible.

Our Customers

Our customers comprise state-invested enterprises, local governments, property owners and developers in private sector, entities that manage or operate construction projects and construction companies who act as the main contractor of the project and sub-contract a pre-defined section of the project to us. For the Year, we had 253 customers, of which 178 were state-invested enterprises or local governments, and the remaining customers were private enterprises. As we secure projects from major customers mainly through tendering and we are awarded contracts mostly on a one-off basis, the composition of our five largest customers varied from period-to-period.

PROSPECTS

2021 is a year of special importance in China's modernization process and is the first year of the "14th Five-year Plan". Under the influence of economic recovery, base effect and other factors, China's economic growth is likely to fluctuate significantly in 2021, showing a trend of "starting high and ending low". It is expected that the annual GDP growth in 2021 will be about 8.8%, and real estate investment will increase by 6% while infrastructure investment will increase by 5% in 2021.

At the Central Economic Work Conference just concluded in December 2020, Premier Li Keqiang made specific arrangements for economic work in 2021.

The conference specified the key tasks for next year, which were to increase investment in new infrastructure, carry out urban renewal actions and promote the transformation of old communities in cities and towns. Other key tasks included thoroughly implementing the three-year reform of state-owned enterprises, optimizing the environment for the private economy development and improving the modern enterprise system, with a view to improving corporate governance and stimulating the vitality of various market players.

The conference emphasized that continuing to stimulate the vitality of market players, improving the tax and fee reduction policies, strengthening inclusive financial services, making greater efforts to promote reform and innovation, and relying on innovation to enhance the development of the real economy were necessary. In addition, fully tapping the potential of the domestic market, expanding effective investment to improve people's livelihood, perfecting the mechanisms and policies that supported social capital participation, paying more attention to infrastructure concerning people's livelihood to improve weaknesses, and promoting new urbanization and coordinated regional development were also essential.

As 2021 marks the 20th anniversary of the Group's establishment, the Group shall firmly seize the bonus of the national policies by setting business assessment goals that focus on "corporate benefits" and shall pay close attention to the implementation of work tasks. On the basis of the infrastructure industry and with the support of "technological innovation and project development" as well as the reliance on the "two important platforms" (i.e. enterprise qualification platform and listed capital platform), the Group shall make use of the resource advantages of cooperation with large state-owned enterprises to build an enterprise development ecology and realize leap-forward development in respect of industrial scale.

In 2021, the Group will focus on the four aspects of "projects, capital, talents, and management and control".

Under the guidance of the goal of "One Hundred in Three Aspects (三個一百)" (i.e. 10 billion output value, 10 billion market value, and to be a centennial enterprise), in 2021, the Group will be driven by the mission of increasing its output value, therefore, it will continue to strengthen and expand its principal business by increasing investment in technological research and development projects, adjusting the business structure of financial and trade projects in a bid to further revitalize the operational efficiency of corporate assets.

Capital is an important guarantee for the operation and business development of an enterprise. In this regard, the Group further innovated financing methods, broadened funding channels, adjusted capital structure, and reduced capital cost. At the same time, the Group reasonably arranges daily capital, and conducts the factoring and arbitrage business properly, so as to ensure the Group's operating capital needs are satisfied.

Talent is a key factor for the sustainable and healthy development of the Group. In 2021, the Group will continue to strengthen the work of attracting and cultivating talents, optimize the corporate environment for using and retaining talents, with a view to truly building a team of staff members with excellent work style, business proficiency, pragmatism and accountability.

In light of the global economic recession and increasing financial risks, the Group has to strengthen its basic management, while comprehensively inspects the risks existing in the operation process and plugs the loopholes in a timely manner, such that its risk-resisting capability can be continuously enhanced.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 17.6% or RMB238.5 million from RMB1,356.1 million for last year to RMB1,594.6 million for the Year. This is mainly due to the fact that for the Year the increase in revenue of municipal works construction segment and building works segment offset the decrease in revenue of landscape construction segment and led to the increase in the Group's total revenue.

The revenue recognised during the Year for projects completed during the Year and in progress as at 31 December 2020 as compared with that of last year is tabulated as follows:

Business segments	2020 Revenue RMB'000	2020 No. of projects completed during the year	2020 No. of projects in progress as at the year end	2019 Revenue RMB'000	2019 No. of projects completed during the year	2019 No. of projects in progress as at the year end
Landscape construction	354,759	27	59	482,171	34	82
Municipal works construction	552,746	31	89	488,029	35	90
Building works	629,647	8	22	339,629	12	28
Others	57,416	12	22	46,260	9	23
Total	1,594,568	78	192	1,356,089	90	223

As compared with that of last year, the revenue for the Year increased by 17.6% while the overall number of projects for the Year decreased by 13.7%. The is mainly due to the fact that the Group gradually penetrated into building works segment for projects with higher contract value after integrated the First-Grade General Contractor for Housing Construction Projects Qualification (建築工程施工總承包壹級資質) in October 2019. This resulted in increase in revenue even though the overall number of projects decreased.

Landscape construction

The Group recorded a decrease in revenue from the landscape construction segment, from RMB482.2 million for last year to RMB354.8 million for the Year, representing a decrease of 26.4% or RMB127.4 million. The decrease was mainly due to the decrease in overall number of landscape construction projects for the Year as compared with that of last year.

Municipal works construction

The Group recorded an increase in revenue from the municipal works construction segment, from RMB488.0 million for last year to RMB552.8 million for the Year, representing an increase of 13.3% or RMB64.8 million. The increase was mainly due to the increase in average contract value of municipal works construction projects for the Year as compared with that of last year.

Building works

The Group recorded an increase in revenue from the building works segment, from RMB339.6 million for last year to RMB629.6 million for the Year, representing an increase of 85.4% or RMB290.0 million. The increase was mainly due to the increase in average contract value of building works projects for the Year as compared with that of last year as a result of integration of the First-Grade General Contractor for Housing Construction Projects Qualification by the Group in October 2019.

Others

The Group recorded an increase in revenue from the others segment, from RMB46.3 million for last year to RMB57.4 million for the Year, representing an increase of 24.1% or RMB11.1 million. The increase was mainly due to the increase in revenue of decoration projects and maintenance projects for the Year as compared with that of last year.

Cost of services rendered

Cost of service rendered increased by 20.5% or RMB246.2 million from RMB1,202.5 million for last year to RMB1,448.7 million for the Year. Generally, the increase in cost of service rendered was in line with the increase in revenue for the Year.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 6.7% or RMB9.9 million from RMB147.2 million for last year to RMB137.3 million for the Year. Gross profit margin of the Group decreased from 10.9% for last year to 8.6% for the Year because of the increase in proportion of revenue contributed by building works segment which is in general with higher contract value but lower gross profit margin as compared with other business segment. The decrease in gross profit was mainly due to the decrease in gross profit margin for the Year as compared with that of last year.

Other income and gains

Other income and gains increased by 36.7% or RMB3.6 million from RMB9.8 million for last year to RMB13.4 million for the Year. The increase was mainly due to a compensation income of RMB5.2 million received from the government for expropriation of a piece of land.

Administrative and other operating expenses

The Group's administrative expenses decreased by 4.5% or RMB2.9 million from RMB65.1 million for last year to RMB62.2 million for the Year, which was mainly due to the cost saving measures imposed.

Finance costs

The Group's finance costs decreased by 13.9% or RMB4.2 million from RMB30.3 million for last year to RMB26.1 million for the Year, which was mainly due to the fact that finance costs amounting to RMB6.5 million was capitalised as internally generated concession rights for the Year as compared with RMB0.6 million for last year even though average monthly balance of bank borrowing increased for the Year.

Income tax expense

The Group's income tax expense decreased by 63.2% or RMB12.2 million from RMB19.3 million for last year to RMB7.1 million for the Year, which was mainly due to the overall effect of the decrease in taxable profit and the decrease in income tax rate of Chanhigh Construction from 25% to 15%.

Net Current Assets

The table below sets forth selected information for current assets and current liabilities as at 31 December 2020 and 2019, respectively:

	2020 RMB'000	2019 RMB'000
Current Assets		
Trade and other receivables	**810,121**	798,975
Contract assets	**954,564**	887,376
Bank and cash balances	**302,983**	206,964
	2,067,668	1,893,315
Current Liabilities		
Trade payables	**324,268**	331,622
Accruals and other payables	**142,793**	103,297
Contract liabilities	**69,958**	42,501
Lease liabilities	**1,591**	334
Borrowings	**566,483**	470,619
Current tax liabilities	**118,051**	116,903
	1,223,144	1,065,276
Net current assets	**844,524**	828,039

The Group's net current assets increased by 2.0% or RMB16.5 million from RMB828.0 million as at 31 December 2019 to RMB844.5 million as at 31 December 2020. The increase was primarily due to growth of business during the Year.

Trade and other receivables

The following table sets forth an analysis of trade and other receivables as at 31 December 2020 and 2019 indicated:

	2020 RMB'000	2019 RMB'000
Trade and bills receivables		
Trade receivables	491,898	489,317
Allowance for bad and doubtful debts	(33,515)	(13,561)
	458,383	475,756
Bills receivables	6,000	7,010
Allowance for bad and doubtful debts	(6)	(8)
	5,994	7,002
	464,377	482,758
Other receivables		
Construction contracts performance guarantees and deposit for tender	56,840	67,202
Retentions receivables	52,746	76,038
Receivables for demolition expenses paid in advance	29,070	25,626
Others	11,626	9,828
	150,282	178,694
Allowance for bad and doubtful debts	(798)	(1,288)
	149,484	177,406
Prepayments and deposits		
Other deposits	5,000	5,250
Advance of suppliers	189,960	130,930
Administrative and operating expenses	1,300	2,631
	196,260	138,811
	810,121	798,975

The trade and other receivables increased by 1.4% or RMB11.1 million from RMB799.0 million as at 31 December 2019 to RMB810.1 million as at 31 December 2020. The increase was primarily due to growth of business during the Year.

The following table sets forth the ageing analysis of trade and bills receivables, based on the contract terms for the work certified, net of allowance for bad and doubtful debts, as at 31 December 2020 and 2019:

	2020 RMB'000	2019 RMB'000
0 to 90 days	224,064	178,937
91 to 180 days	38,895	48,497
181 to 365 days	49,685	71,556
Over 1 year but less than 2 years	73,774	58,089
Over 2 years but less than 3 years	22,046	67,999
Over 3 years	55,913	57,680
	464,377	482,758

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

	2020	2019
Average turnover days of trade and bills receivables (1)	108.4	125.4

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

The average turnover days of trade and bills receivables decreased from 125.4 days in last year to 108.4 days in the Year, mainly due to management put move effort to collect these receivables during the Year.

Contract assets/liabilities

The following table sets forth an analysis of contract assets/contract liabilities as at 31 December 2020 and 2019.

	2020 RMB'000	2019 RMB'000
Contract assets	954,564	887,376
Contract liabilities	(69,958)	(42,501)
	884,606	844,875

As compared with that as at 31 December 2019, contract assets, net as at 31 December 2020 increased because of increase in construction volume of projects under construction as compared to that of last year.

Trade payables

The table below sets forth, as at 31 December 2020 and 2019, the ageing analysis of trade payables based on the date of receipt of goods:

	2020 RMB'000	2019 RMB'000
0 to 90 days	139,836	107,388
91 to 180 days	55,010	30,234
181 to 365 days	31,519	26,477
Over 1 year but less than 2 years	28,257	21,557
Over 2 years but less than 3 years	13,597	63,588
Over 3 years	56,049	82,378
	324,268	331,622

The trade payables decreased by 2.2% or RMB7.3 million from RMB331.6 million as at 31 December 2019 to RMB324.3 million as at 31 December 2020. The decreased was primarily due to faster payment of payables in order to facilitate business growth.

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

	2020	2019
Average turnover days of trade payables(1)	82.6	112.6

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

The average turnover days of trade payables decreased from 112.6 days in last year to 82.6 days in the Year, mainly due to abovementioned faster payment of paybles.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

For the Year, the Group incurred capital expenditures totalling RMB23.5 million in relation to property, plant and equipment and intangible assets.

Capital commitments

As at 31 December 2020, the Group had no significant capital commitments.

INDEBTEDNESS

Borrowings

The following table sets forth total debts as at 31 December 2020 and 2019:

	2020 RMB'000	2019 RMB'000
Bank borrowings	654,443	531,000
Factoring loan with recourse	25,483	45,102
	679,926	576,102

The average interest rates for bank loans and factoring loan with recourse as at 31 December 2020 were 4.69% and 5.94% per annum respectively. As at 31 December 2020, all borrowings were denominated in RMB.

Except as disclosed above and the lease liabilities of RMB3.7 million, as at 31 December 2020, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

KEY FINANCIAL RATIOS

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

	For the year ended 31 December	
	2020	2019
Gross profit margin (%) (1)	8.6	10.9
Net profit margin (%) (2)	1.4	3.1
Return on equity (%) (3)	2.6	4.8
Return on total assets (%) (4)	1.0	2.0

	As at 31 December	
	2020	2019
Current ratio (5)	1.7	1.8
Gearing ratio (6)	0.8	0.7
Net debt to equity ratio (7)	0.5	0.5

Notes:

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

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

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

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

(5) Current ratio was calculated based on the total current assets as at the respective year end divided by the total current liabilities as at the respective year end.

(6) Gearing ratio was calculated based on the total borrowings as at the respective year end divided by total equity as at the respective year.

(7) Net debt to equity ratio was calculated based on net borrowings (being total borrowings net of cash and cash equivalents) as at the respective year end divided by total equity as at the respective year end.

Return on equity

The return on equity decreased from 4.8% for last year to 2.6% for the Year, primarily due to the fact that increase in impairment loss provision for accounts receivables by RMB31.8 million led to decrease in profit for the year.

Return on total assets

The return on total assets decreased from 2.0% for last year to 1.0% for the Year, primarily due to the fact that increase in impairment loss provision for accounts receivables by RMB31.8 million led to decrease in profit for the year.

Current ratio

The Group's current ratio was 1.7 for the Year, substantially the same as 1.8 as at 31 December 2019.

Gearing ratio

The Group's gearing ratio changed from 0.7 as at 31 December 2019 to 0.8 as at 31 December 2020, primarily due to the increase in borrowings for operations.

Net debt to equity ratio

The Group's net debt to equity ratio remained at 0.5 as compared to that as at 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

For the Year, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the part headed "USE OF NET PROCEEDS FROM THE LISTING" in the section headed "Report of the Directors", the Group had no future plan for material investments or capital assets as at 31 December 2020.

CHARGES ON GROUP ASSETS

As disclosed in note 29 to the consolidated financial statements of the Group for the Year, the trade receivables of RMB0.2 million were pledged with lenders as security of borrowings as at 31 December 2020.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of financial risks including credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Given the Group's operation is mainly in the PRC and the functional currency is RMB, the exchange rate risk is insignificant.

Credit risk

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

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

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

Liquidity risk

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

Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition. Given the base interest rate of The People's Bank of China is expected to remain stable in the foreseeable future, the relevant risk is considered insignificant.

EXECUTIVE DIRECTORS

Mr. Peng Tianbin (彭天斌), aged 40, is an executive Director and Chairman of the Company. He was appointed as a Director on 1 April 2016 and then was redesignated as an executive Director on 15 March 2017. Mr. Peng TB was the vice general manager of Chanhigh Construction from 2001 to 2005, and was appointed as the chairman of CHHG in 2005. Mr. Peng TB is responsible for overall management, corporate policy making and strategic planning of the Group's business operations. He is currently the general manager, director and legal representative of CHHG.

Mr. Peng TB obtained a diploma in computer application* (計算機應用) in July 2000. He joined the Group in 2001, and has since then obtained over 19 years of experience in the landscape and public work construction industry.

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

Mr. Peng Yonghui (彭永輝), aged 39, is an executive Director and chief executive officer of the Company. He was appointed as a Director on 1 April 2016 and was redesignated as an executive Director on 15 March 2017. He is responsible for overall management, financial operation and internal management of the Group. Mr. Peng YH manages the Group's administrative, human resources and financial departments. He is also in charge of bank financing and other related matters of the Group.

Mr. Peng YH obtained a diploma in highways and urban roads engineering from Changsha University of Science and Technology* (長沙理工大學) in June 2004, and a degree in civil engineering from Wuhan University of Technology* (武漢理工大學) in June 2006 through an online course. Mr. Peng YH obtained an Executive Master of Business Administration from Tsinghua University in June 2017, and was appointed by Tsinghua University School of Economics and Management as an alumni entrepreneur mentor in August 2018. He has the qualifications of senior economist and senior engineer. Mr. Peng YH joined the Group in April 2004.

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

Mr. Peng Daosheng (彭道生), aged 65, is the founder of the Group and an executive Director. He was appointed as a Director on 1 April 2016, and then was redesignated as an executive Director on 15 March 2017. Since the Group was established, Mr. Peng DS was responsible for its business development and quality control. As Mr. Peng TB and Mr. Peng YH joined the Group, they gradually took over the day-to-day business operations. Mr. Peng DS is now mainly responsible for setting the Group's business directions and focus. He is currently the director and legal representative of Chanhigh Construction.

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

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

NON-EXECUTIVE DIRECTOR

Ms. Wang Sufen (王素芬), aged 59, was appointed as a Director on 1 April 2016 and was then redesignated as a non-executive Director on 15 March 2017. Ms. Wang SF is responsible for providing objective advice and judgment to the Board in relation to major business decisions.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan Rong (范榮), aged 57, was appointed as an independent non-executive Director on 15 March 2017. He is a member of the Chinese Institute of Certified Public Accountants since 1995. In 1996, Mr. Fan was qualified as a certified public tax collector. Since October 2010, Mr. Fan has been working as a partner of Da Hua Certified Public Accountants* (大華會計師事務所).

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

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

Mr. Shi Weixing (施衛星), aged 58, was appointed as an independent non-executive Director on 15 March 2017.

Mr. Shi graduated from Tongji University* (同濟大學) with a bachelor's degree in architecture (structural engineering) in July 1984. He obtained a master's degree in structural engineering from Tongji University in May 1987, and a doctorate degree in engineering from Tongji University in September 1990. Mr. Shi is currently a professor at Tongji University.

Mr. Yang Zhongkai (楊仲凱), aged 46, was appointed as an independent non-executive Director on 15 March 2017. He is currently the Chairman of partners conference (合夥人會議主席) of King & Ray Law Firm (天津君輝律師事務所).

Mr. Yang studied in Nankai University. In October 2009, Mr. Yang obtained a Master of Arts (International Relations in Economy and Trade) from Flinders University through one of its offshore programs. Mr. Yang obtained an Executive Master of Business Administration from Tsinghua University in June 2017.

Mr. Yang has been serving as the Chairman of partners conference of King & Ray Law Firm since December 2018.

SENIOR MANAGEMENT

Mr. Tong Tai Alex (湯泰), aged 47, is the chief financial officer and the company secretary of the Company. Mr. Tong joined the Group in December 2015 and is in charge of the finance department. He is responsible for overseeing financial management and regulatory compliance, as well as reporting obligations of the Group. Prior to joining the Group, Mr. Tong worked in an international CPA firm for approximately 15 years. Mr. Tong is a member of Hong Kong Institute of Certified Public Accountants. He is also a member of the Chinese Institute of Certified Public Accountant.

Mr. Ge Weilong (葛偉龍), aged 60, the general manager of Ningbo Hong Yuan Construction Limited. He has worked for the Water Resources and Hydropower Corporation of Ninghai Water Conservancy Bureau* (寧海水利局水利水電總公司), Ninghai Gemdale Real Estate Development Co., Ltd.*(寧海金地房地產開發有限公司), Nanjing Zhongzhao Real Estate Investment Co., Ltd.*(南京中兆置業投資有限公司) and Raw Water Group Ningbo Baixi Real Estate Development Co., Ltd.*(原水集團寧波白溪房地產開發有限公司). He holds a diploma in civil engineering from Wenzhou Architecture School* (溫州建築學校) and a diploma in law from School of Humanities, Peking University as well as an engineer certificate. Mr. Ge joined the Group in October 2017.

Mr. Jiang Libo (蔣立波), aged 48, is the general manager of Chanhigh Construction. Mr. Jiang graduated from Jiangnan University* (江南大學) majored in engineering management, and the professional technical titles of senior engineer and senior economist. He joined Chanhigh Construction since September 2007. He is also the vice chairman of Ningbo Safe Production Association* (寧波市安全生產協會), the tutor of master postgraduate students in Ningbo University* (寧波大學), the vice chairman of Ningbo Civil Construction Entrepreneurs Association* (寧波市民建企業家協會), the vice chairman of Ningbo Landscape Architecture Association* (寧波市風景園林協會), the executive vice chairman of Ningbo Technological Innovation Association* (寧波市科技創新協會) and the executive director of Ningbo Entrepreneurs Association* (寧波市企業家協會), having been awarded the Excellent Project Manager of Chinese Society of Landscape Architecture* (中國風景園林學會優秀項目經理), the Advanced Worker of Zhejiang Landscape Architecture* (浙江省風景園林學會先進工作者), the Excellent Professional Manager of Ningbo Municipal Industry* (寧波市市政行業優秀職業經理), the Most Influential Entrepreneur of Ningbo Construction Industry* (寧波市建築業最具影響力企業家), the Excellent Entrepreneur of 17th Session in Ningbo (寧波市十七屆優秀企業家) and the Excellent Construction Entrepreneur in Yinzhou District* (鄞州區優秀建築業企業家).

Mr. Yang Jiannan (楊建南), aged 52, is the head of quality control department of the Group. Mr. Yang is responsible for overseeing the quality of production and construction safety of the Group. Mr. Yang graduated from Zhejiang Agricultural University* (浙江農業大學) (predecessor of Zhejiang University) with a bachelor's degree in engineering. Mr. Yang worked in Ningbo Rongshan Sports Ground Engineering Limited* (寧波榮山運動場包房工程有限公司) before joining the Group in August 2010.

Mr. Wang Yuexi (王日喜), aged 40, is the vice chairman of the Company and in charge of the administrative department. Prior to joining the Group, Mr. Wang worked for Ningbo Huasheng Industrial Group (寧波華晟輕工集團) and Yinyi Group (銀億集團). He graduated from Zhejiang University majored in economics, and has a master degree in industrial engineering from Zhejiang University and the qualification of senior economist. He joined the Group in February 2019.

COMPANY SECRETARY

Mr. Tong Tai Alex (湯泰), aged 47, was appointed as the company secretary of the Group on 25 June 2016. For further details about Mr. Tong's biography, please refer to the sub-section headed "Senior Management" above.

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND RESULTS

A review of the business of the Group is provided in “Management Discussion and Analysis” on pages 6 to 20 and “Chairman’s Statement” on page 5. A discussion on the Group’s future business development is provided in the sub-section headed “Prospect” of section headed “Management Discussion and Analysis” on pages 9 to 10 of this annual report. An analysis of the Group’s performance using financial key performance indicators is provided in the “Financial Highlights” on page 4 of this annual report.

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 70 of this annual report.

FINAL DIVIDENDS

The Board does not recommend a dividend for the Year.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on 31 March 2017.

In line with the change in use of net proceeds from the Listing as described in the Company's announcement dated 8 December 2017, the following table sets forth the Group's use of net proceeds up to the date of this report:

	Adjusted allocation of use of proceeds *(HK$ million)*	Utilised amount up to the date of this report *(HK$ million)*	Remaining amount as at the date of this report *(HK$ million)*
Acquisition of construction companies possessing first-grade qualification and certificates in municipal projects, including but not limited to highway projects and water projects	195.8	120.2 *(Note 1)*	75.6
Acquisition of or strategic investment in architectural design firm(s) in the Yangtze River Delta possessing first-grade qualification in architectural design	91.4	7.5 *(Note 2)*	83.9
Acquisition or establishment of a new inspection centre accredited with the qualification(s) to carry out inspection, analysis and testing on the incoming materials to be used for construction, and/or inspection and supervision of construction works	7.9	—	7.9
General working capital	20.2	20.2	—
Total	**315.3**	**147.9**	**167.4**

Notes:

1. The Group acquired several construction licenses including a First-Grade General Contractor for Water Works and Hydropower Projects Qualification, a Second-Grade General Contractor for Highway Construction Projects Qualification along with a Second-Grade General Contractor for Water Works and Hydropower Projects Qualification and a First-Grade General Contractor for Housing Construction Projects Qualification in the PRC at a consideration of RMB76,000,000, RMB13,600,000 and RMB13,500,000 respectively, totaling RMB103.1 million (HK$120.2 million).

2. The Group acquired an A-Grade Landscape Construction Design Qualification at a consideration of RMB6.7 million (HK$7.5 million).

The remaining net proceeds of approximately HK$167.4 million are currently held in bank deposits and it is intended to apply in the manner consistent with the proposed allocation in the Company's announcement dated 8 December 2017. These remaining net proceeds are expected to be utilised by the end of 2022.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the Group's purchases from the largest supplier accounted for 2.5% of its total procurements, and purchases from five largest suppliers accounted for 15.4% of its total procurements.

For the Year, the Group's revenue contributed by the largest customer accounted for 15.2% of its total revenue, and revenue contributed by the five largest customers accounted for 32.4% of its total revenue.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Details of the major subsidiaries of the Company as at 31 December 2020 are set out in note 19 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report. This summary does not form part of consolidated financial statements.

SHARE CAPITAL

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

RESERVES

Details of movements in the reserves of the Group during the Year are set out on page 72 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of Cayman Islands Companies Law and the Articles of Association, amounted to RMB425,362,000.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in note 29 to the consolidated financial statements.

DIRECTORS

The Directors for the Year and up to the date of this report were:

Executive Directors:

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

Non-executive Director:

Ms. Wang Sufen

Independent non-executive Directors:

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

In accordance with Article 84 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 21 to 23 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company on 31 March 2020 for a term of three years. For the executive Directors and the non-executive Director, the service contracts, may be terminated by not less than three months' notice in writing served by either party to the other. For the independent non-executive Directors, the service contracts may be terminated by not less than one month's notice in writing served by either party to the other.

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in note 35 to the consolidated financial statements, no Director or entity connected with a Director or the Controlling Shareholders had a material interest in, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

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

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2020, the Group had 525 full-time employees. The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. The emolument policy of the Group would also make reference to the comparable market practices with reference to the qualifications of the employees.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

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

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

Long positions in ordinary Shares

Name of Director	Nature of interest	Number of Shares	Approximate shareholding percentage (%)
Mr. Peng YH	Trustee of the PYH Family Trust and the PTB Family Trust *(Note 1)*	451,170,000	72.95%
	Interests of spouse *(Note 2)*	1,610,000	0.26%
	Beneficial owner *(Note 3)*	214,000	0.03%
Mr. Peng TB	Interests under section 317 *(Note 4)*	452,994,000	73.24%
Mr. Peng DS	Interests under section 317 *(Note 4)*	452,994,000	73.24%
Ms. Wang SF	Interests under section 317 *(Note 4)*	452,994,000	73.24%

Notes:

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

(2) 1,610,000 Shares are held by the spouse of Mr. Peng YH.

(3) 214,000 Shares are held by Mr. Peng YH in his own capacity.

(4) Pursuant to the Acting-in-Concert Confirmation, each of Mr. Peng DS, Ms. Wang SF and Mr. Peng TB is deemed to be interested in all the Shares in which Mr.Peng YH is interested, by virtue of section 317 of the SFO.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Year and up to the date of this report were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

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

Long position in the ordinary Shares

Name of substantial Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding (%)
Vast Base	Beneficial interest *(Note 1)*	226,170,000	36.57%
TEUR	Beneficial interest *(Note 1)*	225,000,000	36.38%
Zhejiang Yongchuang Industrial Co., Ltd.	Beneficial interest *(Note 2)*	35,944,000	5.81%
Mr. Lou Zhangliang	Interest in controlled corporation *(Note 2)*	35,944,000	5.81%

Notes:

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

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

Save as disclosed above, and as at the date of this annual report, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the Year, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in notes 21 and 35 to the consolidated financial statements. These related party transactions were not regarded as connected transactions or were exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

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

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 Shares.

NON-COMPETITION UNDERTAKINGS

Each of the Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings that he/she/it provided to the Company on 15 March 2017 pursuant to the Non-competition Deed. The independent non-executive Directors have reviewed the status of compliance and confirmed that all of these non-competition undertakings have been complied with by the Controlling Shareholders during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIPS WITH STAKEHOLDERS

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces certain risks and uncertainties in its operation which, if material, may affect the financial results of the Group.

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

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

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

With respect to the environmental protection in the process of engineering and construction contracting, according to such laws and regulations as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Environmental Impact Evaluation Law of the PRC (《中華人民共和國環境影響評價法》), the Law of the PRC on the Prevention of the Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) and the Regulations on the Administration of the Final Acceptance of the Environmental Protection Facilities of Construction Projects (《建設項目環境保護設施竣工驗收管理規定》), the construction of any project that causes pollution to the environment must comply with the PRC government's regulations on environment protection relating to the construction projects. The PRC government has implemented a mechanism for the evaluation of environmental impact of construction projects. A construction enterprise shall adopt measures to control environmental pollutions and damages caused by dust, waste gas, sewages, solid waste, noises and vibrations at the construction site in accordance with the environmental protection and work safety laws and regulations. For details of the Company's environmental policies and performance, please refer to the Environmental, Social and Governance Report on pages 44 to 63 of this annual report. For the Year, the Company has complied with the relevant environmental laws and regulations that have a significant impact on the Company.

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

CHARITABLE DONATIONS

For the Year, the Group made charitable and other donations approximating RMB110,000.

SUBSEQUENT EVENTS

The material subsequent events are disclosed in note 36 to the consolidated financial statements in this annual report.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

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

AUDIT COMMITTEE

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

The annual results for the Year of the Company have been reviewed by the Audit Committee.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, the Directors have complied with the required standard set out in the Model Code during the Year and up to the date of this report.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 34 to 43 of this report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

RSM Hong Kong has acted as auditor of the Company for the Year.

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

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

On behalf of the Board

Peng Tianbin
Chairman and Executive Director

Ningbo, the PRC
30 March 2021

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that effective corporate governance and disclosure practices are not only crucial to the enhancement of the Company's accountability and transparency and investors' confidence, but also critical to the Group's long-term success. The Company has adopted the CG Code as its own code on corporate governance.

The Company has complied with the code provisions set out in the CG Code for the Year, except that the Director, Mr. Peng Tianbin (chairman of the Board and chairman of the Strategy Committee), did not attend the annual general meeting on 22 June 2020 due to unexpected business engagements.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties with its written terms of reference as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

THE BOARD

Responsibilities

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

Board Composition

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

Executive Directors

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

Non-executive Director

Ms. Wang Sufen

Independent Non-executive Directors

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

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

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

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

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

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

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

All Directors, including independent non-executive Directors and non-executive Director, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Independent non-executive Directors and non-executive Director have the same duties of care and skill and fiduciary duties as the executive Directors. They are expressly identified as such in all corporate communications that disclose the names of the Directors.

Through active participation at Board meetings and taking the lead in managing issues involving potential conflict of interests, non-executive Director makes various contributions to the effective direction of the Company.

Independent non-executive Directors are experienced professionals with expertise in respective areas of construction industry and related technical know-how, accounting and finance. With their professional knowledge and experience, independent non-executive Directors advise the Company on its operation and management; provide independent opinion on the Company's connected transactions; and participate in various committees' meetings of the Board; and provide adequate checks and balance to protect the interests of the Group and the Shareholders as a whole, and to promote the development of the Group. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee.

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

Induction and Continuous Professional Development

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

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

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

For the Year, according to the records of the Company, all Directors received the training in the form of written materials and briefing/seminars, in respect of updates on corporate governance, laws, rules and regulations, and industry specific.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the organization structure of the Company, Mr. Peng TB and Mr. Peng YH perform Chairman of the Board and the chief executive officer respectively. The chairman focuses on the Group's strategic planning while the chief executive officer has overall executive responsibility for the Group's development and management. This is in compliance with the abovementioned code provision.

The chairman has a clear responsibility to ensure that the Board works effectively and discharges its responsibilities in the best interests of the Company and all key and appropriate issues are discussed by the Board in a timely manner. He takes responsibility for ensuring that the Board receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable.

The chairman is also responsible for ensuring that good corporate practices and procedures are established and encourages all Directors to make a full and active contribution to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus. A culture of openness and debate is promoted to facilitate the effective contribution relations between the independent non-executives Directors and the non-executive Director. The chairman holds, at least annually, meetings with the independent non-executive Directors in the absence of the Executive Directors.

Appointment and Re-election of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has signed a service contract with the Company for a term of three years commencing from 31 March 2020 subject to termination as provided in the service contract.

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

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

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

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

Board Meetings

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

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

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

All Directors have access to the advice and services of the Company secretary with a view to ensure the Board procedures and all applicable law, rules and regulations, are followed.

For the Year, four Board meetings were held. The attendance record of each Director for Board meetings, Board Committees meetings, AGM and a conference between the Chairman and independent non-executive Directors is set out in the table below:

	Board meetings	Audit Committee meetings	Nomination Committee meeting	Remuneration Committee meeting	Strategic Committee meetings	AGM	Conference between the Chairman and independent non-executive Directors
Executive Director:							
Mr. Peng Tianbin	4/4	N/A	N/A	1/1	2/2	0/1	1/1
Mr. Peng Yonghui	4/4	N/A	1/1	N/A	2/2	1/1	N/A
Mr. Peng Daosheng	4/4	N/A	N/A	N/A	N/A	1/1	N/A
Non-executive Director:							
Ms. Wang Sufen	4/4	N/A	N/A	N/A	N/A	1/1	N/A
Independent Non-executive Director:							
Mr. Fan Rong	4/4	2/2	N/A	N/A	2/2	1/1	1/1
Mr. Shi Weixing	4/4	2/2	1/1	1/1	N/A	1/1	1/1
Mr. Yang Zhongkai	4/4	2/2	1/1	1/1	N/A	1/1	1/1

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding the Directors' securities transactions.

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

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

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

Delegation by the Board

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

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

Remuneration of Directors and Senior Management

The remuneration of Directors and senior management by band for the Year is set out below:

Remuneration bands (HK$)	Number of persons
0 – 1,000,000	12

Further particulars regarding Directors' and chief executive' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 14 and 13 to the consolidated financial statements respectively.

BOARD COMMITTEES

Audit Committee

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

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

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

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

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

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

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

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

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

For the Year, two Audit Committee meetings were held. At the meetings, the Audit Committee reviewed the annual report for last year with external auditors, the interim results for the Year, the activities of the Group's internal control and risk management functions and the effectiveness of the Company's internal audit functions, and also reviewed and approved the arrangement of the annual audit work and then proposed the recommendations to the Board.

Remuneration Committee

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

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

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

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

3. to consult with the Chairman and/or chief executive officer of the Company about the Remuneration Committee's proposals for other executive Directors;

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

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

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

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

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

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

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

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

For the Year, one Remuneration Committee meeting was held. At the meeting, the Remuneration Committee reviewed and determined remuneration packages of the Directors and senior management, and thought that the remunerations of whom were reasonable and appropriate. The Remuneration Committee also assessed the performance of executive Directors and approved the terms of executive Directors' service contracts.

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

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

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

5. to review the Board diversity policy.

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

The Board adopted a board diversity policy which recognises and embraces the benefits of having a diverse and inclusive Board, and aims to enhance diversity at Board level continuously, in order to achieve and maintain good corporate governance, a sustainable growth and a competitive edge. Board diversity is considered from a range of diversity perspectives, including but not limited to educational background, professional expertise, industry experience, management function and length of service. These aspects are considered in determining the optimum composition of the Board. The Board believes a diversified board improves effectiveness and enables better decisions to be made due to the lowered risk of bias. The Nomination Committee continues to take these measurable objectives into account when making recommendation of candidates for appointment to the Board.

For the Year, one Nomination Committee meeting was held. All the members of the Nomination Committee attended the meeting. At the meeting, the Nomination Committee reviewed the board diversity policy, the procedure for the selection, appointment and reappointment of directors, the structure, size and composition of the Board, the independence of independent non-executive directors and considered the qualifications of the retiring Directors standing for re-election at the AGM. The Nomination Committee is of the view that the current composition and structure of the Board comply with the applicable regulations and the Board is experienced and have diversified perspectives and views.

Strategy Committee

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

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

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

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

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

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

For the Year, two Strategy Committee meetings were held. At the meetings, the Strategy Committee reviewed and advised the Group's business strategies, and monitored the use of the net proceeds from the Global Offering.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

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

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

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

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the "Independent Auditor's Report" on pages 64 to 69 of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board oversees the risk management and internal control systems of the Group and review its effectiveness on an annual basis. The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control and risk management system to safeguard Shareholder investments and Company assets. The Board has ensured the adequacy of resources, staff qualification and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The Group's internal audit department plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the financial condition and internal control of the Company, as well as identifying, evaluating and managing significant risks of the Company and conducting comprehensive audits of all significant subsidiaries of the Company on a regular basis.

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

AUDITOR'S REMUNERATION

The remuneration for the audit services in respect of the consolidated financial statements of the Group for the Year, and non-audit services in respect of the review of the condensed consolidated financial statements for the six months ended 30 June 2020, provided by the Auditor to the Group during the Year amounted to RMB0.90 million and RMB0.33 million respectively.

COMPANY SECRETARY

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

Mr. Tong took not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the Year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

DIVIDEND POLICY

The Company currently does not have any dividend policy in place and the Board does not expect to formulate any specific dividend policy in the near future. The declaration of dividends is subject to the discretion of the Board and the approval of the Shareholders. The Directors may recommend a payment of dividends in the future after taking into account operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Company's constitutional documents and the Cayman Islands Companies Law, including the approval of the Shareholders. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

SHAREHOLDERS' RIGHTS

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

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

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

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

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

ENQUIRIES TO THE BOARD

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

For the Year, there were no changes made in the Company's constitutional documents.

ABOUT THIS REPORT

The Company is delighted to publish ESG Report for the Year to summarise the Group's policies, measures and performance on the key ESG issues.

REPORTING PERIOD

The ESG Report illustrates the Group's policies and performance regarding the environmental and social aspects during the reporting period from 1 January 2020 to 31 December 2020.

REPORTING SCOPE AND BOUNDARY

The ESG Report covers the Group's core and material business namely provision of services of municipal work and landscape construction and the related services in Zhejiang Province, the PRC and Hong Kong, including:

- Chanhigh Hong Kong Limited
- Zhejiang Chanhigh Construction Limited
- Ningbo Hongyuan Construction Limited
- Zhejiang Zhanhai Industrial Limited

Compared with the previous ESG report, Zhejiang Chanhigh Industrial Investment Co., Ltd. was no longer in the scope as its office in Zhejiang was not operating during the Year. If the scope and boundary of specific content varies, it is noted in the relevant section of the ESG Report.

REPORTING BASIS AND PRINCIPLES

The ESG Report is prepared in accordance with the ESG Guide to summarise the ESG performance of the Group. The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Guide. The ESG Report was prepared on the basis of the four reporting principles – materiality, quantitative, balance and consistency:

- "Materiality" Principle: The Group determines material ESG issues by stakeholder engagement and materiality assessment.
- "Quantitative" Principle: Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.
- "Balance" Principle: The ESG Report identifies the achievements and changelings faced by the Group.
- "Consistency" Principle: The ESG Report uses consistent methodologies for meaningful comparisons in the following years unless improvements in methodology are identified.

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's relevant policies. The ESG Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the English version shall prevail.

REVIEW AND APPROVAL

The Board acknowledges its responsibility for ensuring the integrity of the ESG report and to the best of their knowledge, the ESG report addresses all relevant material issues and fairly presents the ESG performance of the Company. The Board confirms that it has reviewed and approved the report. The ESG Report was reviewed and approved by 30 March 2021.

FEEDBACKS

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

ABOUT THE GROUP

The Group principally provides landscape and municipal works construction and maintenance services to its customers. In addition, the Group undertakes building works and renovation works, and provides other services such as the provision of maintenance and heritage building restoration services.

The Group's subsidiaries have attained various qualifications and certifications, the details are as follows:

Chanhigh Construction

- the First-Grade General Contractor for Municipal Public Works (市政公用工程施工總承包壹級)
- the First-Grade General Contractor for Housing Construction Projects (建築工程施工總承包壹級)
- A-Grade Landscape Construction Design (風景園林工程設計專項甲級)
- the First-Grade Professional Contractor for Building Renovation Projects (建築裝修裝飾工程專業承包壹級)
- the First-Grade Professional Contractor for Historic Building Projects (古建築工程專業承包壹級)
- the First-Grade Professional Contractor for Urban and Street Lighting Projects (城市及道路照明工程專業承包壹級)
- the Second-Grade General Contractor for Highway Projects (公路工程施工總承包貳級)
- the Second-Grade General Contractor for Water Works and Hydropower Projects (水利水電工程施工總承包貳級)
- the Third-Grade Professional Contractor for Environmental Construction Projects (環保工程專業承包叁級)
- the Third-Grade General Contractor for Mechanical and Electrical Engineering Projects (機電工程施工總承包叁級)
- the Third-Grade Professional Contractor for Foundation Construction Projects (地基基礎工程專業承包叁級)
- the First-Grade National Qualification in Cleaning and Cleansing Industry in China (中國清潔清洗行業等級資質國家壹級)
- the Third-Grade Professional Contractor for Steel Structure Construction Projects (鋼結構工程專業承包叁級)

Hongyuan Construction

- the First-Grade General Contractor for Water Works and Hydropower Projects (水利水電工程施工總承包壹級)
- the Second-Grade General Contractor for Housing Construction Projects (建築工程施工總承包貳級)
- the Second-Grade Professional Contractor for Building Renovation Projects (建築裝修裝飾工程專業承包貳級)
- the Third-Grade General Contractor for Municipal Public Works (市政公用工程施工總承包叁級)

ESG GOVERNANCE STRUCTURE

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

The Board has delegated the day-to-day responsibility of the implementation to the senior management and core members from different departments of the Group and is responsible for facilitating the adoption of ESG strategies and policies throughout the Group. Then, they report to the Board on the implementation of ESG initiatives and the corresponding performance.

The Board regularly reviews the Group's ESG performance, and examines and approves the Group's annual ESG report.

STAKEHOLDER ENGAGEMENT

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

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

Stakeholder	Issues of concern	Engagement Channels
Government	• To comply with laws • Proper tax payment • Promote regional economic development and employment	• Corporate events • Annual, quarterly and interim reports and other published information

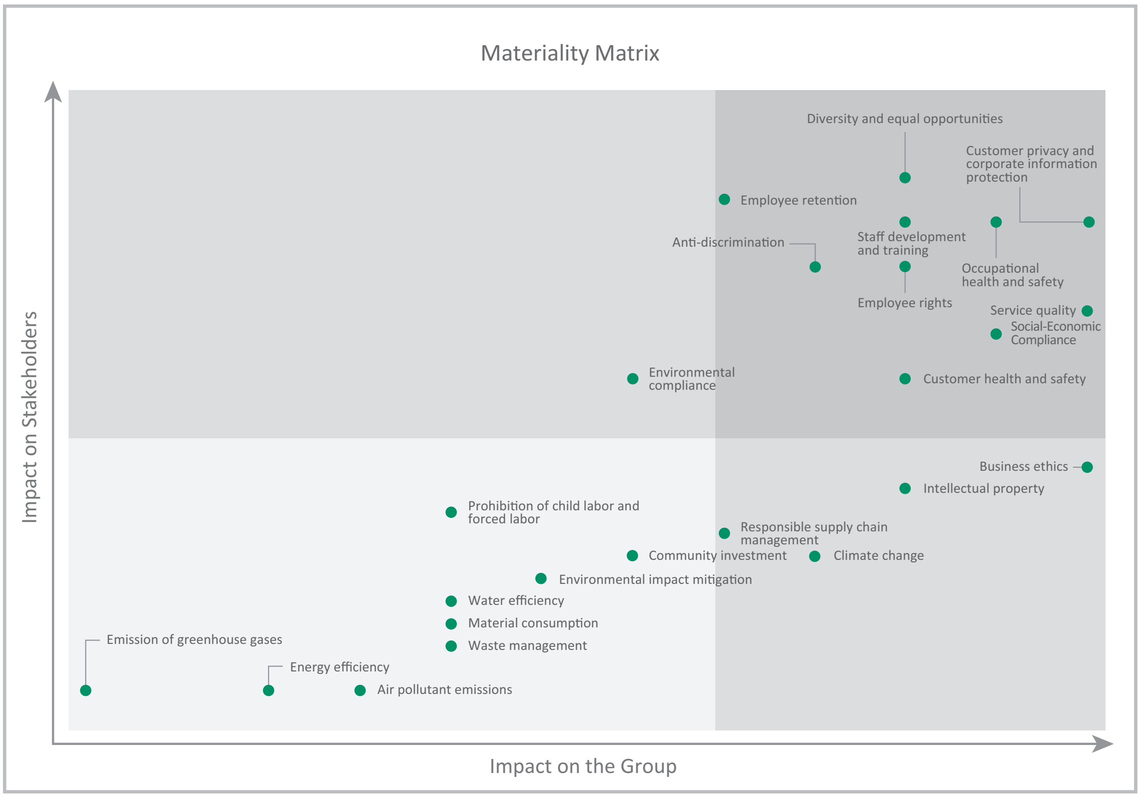
Stakeholder	Issues of concern	Engagement Channels
Shareholders and Investors	• Low risk • Return on investment • Information disclosure and transparency • Protection of interests and fair treatment of shareholders	• Corporate events • Annual general meeting and other shareholder meetings • Annual, quarterly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

MATERIALITY ASSESSMENT

The Group has conducted an internal and external materiality assessment to determine the materiality of ESG issues in the ESG Report. The Group's management has surveyed with the identified key stakeholders. They have expressed their opinions and recommendations on the related issues related to the Group's operations.

Consolidating the results from internal and external materiality assessment, the Group has prioritised the issues based on the importance of the issue to the business and the importance to stakeholders (refer to the chart below). The Group determines the extent of disclosure for specific issues in the ESG Report by reference to the corresponding materiality. Based on the materiality matrix, the Group believes the most pertinent issues in the Year include the following:

- Employee rights
- Employee retention
- Diversity and equal opportunities
- Anti-discrimination
- Occupational health and safety
- Staff development and training
- Social-Economic Compliance
- Customer privacy and corporate information protection
- Customer health and safety
- Service quality



ENVIRONMENTAL SUSTAINABILITY

The Group has been accredited with ISO14001:2015 Environmental Management System (in respect of the construction of municipal engineering and the construction conservation of landscaping and correlative management activity). The Group is also committed to complying with requirements stipulated in local environmental laws and regulations, including but not limited to the Law of the PRC on Environmental Protection, the Law of the PRC on Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Atmospheric Pollution and the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste. In the Year, the Group was not aware of any material non-compliance with the relevant environmental laws and regulations.

The Group always focuses on municipal and urban landscape projects and offers its customers sophisticated construction services. The most significant environmental aspects of the Group's operations are wastes, noise, spillage of chemicals and fossil fuels and uses of resources. The Group has developed corresponding control procedures including:

- Environmental management plan (環境管理方案)
- Wastes management procedure (廢棄物控制程序)
- Noise control procedure (噪聲控制)
- Material management system (物資管理制度)

Management approaches on various environmental impacts are explained in the following sections.

A1 Emissions

The Group's operations generate emissions to air, water and land, which have impacts on the environment. The Group has developed a set of policies and measures to minimise environmental impacts from the construction works undertaken by subcontractors. For instance, the Group has adopted new technology and environmental-friendly process, recycled used water and construction wastes.

Air Emissions

In general, dusts are generated from construction activities and material transportation. Volatile organic compounds (VOCs) are generated from the spraying process. Inorganic compounds, such as nitrogen oxides (NO_x) and sulphur oxides (SO_x) are generated from the uses of mobile vehicles. These emissions are unorganised, and their environmental impacts are regarded as insignificant. Nevertheless, the Group has adopted different measures on the construction sites to mitigate the generation of dust and particulate matters (e.g. applying protective cover on the site, water spraying and plantation.). To quantify the impact of air pollutants emissions, the Group has been disclosing air pollutant emissions from the Group's mobile vehicles in the Group's annual ESG reports. Moving forward, the Group will refine data collection system and continue to monitor if any significant impact on air quality from the Group's operations.

Air Pollutants[1]	Unit	2020[2]	2019
Nitrogen oxides (NO_x)	kg	16.54	17.14
Sulphur oxides (SO_x)	kg	0.89	10.93
Particulate Matter (PM)	kg	1.84	3.02

1 The emissions amount was estimated with reference to "Technical Guidelines for Air Pollutants Emission Inventory of Road Vehicles (Trial)" (道路機動車大氣污染物排放清單編製技術指南(試行)).

2 Data for the Year was estimated based on the following assumptions: (1) all mobile vehicles are passenger cars with seating capacity of 9 or less; (2) the emission standard is National V; and (3) the average fuel consumption per 100 km is 14.5 litres.

Greenhouse Gas (GHG) Emissions

Regarding the Group's operations, GHG emissions were mainly generated from fuel consumption of mobile vehicles and purchased electricity in offices and projects. The Group has developed procedures to control GHG emissions from energy consumption. The details can be referred to the section headed "Use of Resources".

Greenhouse Gas Emission[3]	Unit	2020[4]	2019
Scope 1[5]	tonnes CO_2-equivalent	140.86	322.71
Scope 2[6]	tonnes CO_2-equivalent	273.51	246.00
Total	tonnes CO_2-equivalent	414.36	568.71
Intensity	tonnes CO_2-equivalent/m^2	0.07	0.10

During the Year, fuel combustion of mobile vehicles (Scope 1) and purchased electricity (Scope 2) remained the major source of GHG emissions from operations. The GHG emissions per square meter of operations decreased by 30%.

Moving forward, the Group will continue to keep track of the GHG emissions incurred by business activities and refine data collection methods. The Group encourages its employees to communicate through telephone and wireless communications in the ordinary course of business to minimise GHG emissions that may be produced during their business trips by vehicle and plane. Besides, the Group encourages the use of environmental-friendly machines and equipment and disposal of the equipment which does not comply with the emission standards.

Wastes Management

The Group's operations may generate hazardous wastes including chemicals, glass cloth, lacquer, industrial cotton and office waste (e.g. wastepaper, cartridges, ribbons, waste batteries, fluorescent lamps, etc.), and may also generate non-hazardous wastes including domestic wastes, construction wastes, etc.. Inappropriate wastes management or handling may contaminate the water bodies and soils. The Group's "Wastes Management Procedure" guides collection, storage and handling of wastes. In general, recycling is a priority. For wastes that cannot be recycled, the Group collects and stores at a designated location for further handling by external parties. Moving forward, the Group will improve and enhance the existing data collection system to monitor wastes disposal. In 2020, the Group was not aware of any significant amount of wastes generated in operations.

A2 Use of Resources

The Group has always attached great importance to the efficient use of resources, to protect the environment and to improve operational efficiency. The Group generally uses resources such as electricity, fossil fuel, water and paper. The Group has provided certain guidelines regarding the efficient use of resources in the employee manual and required its employees to enhance their cost-consciousness and to use office supplies, water and electricity in an efficient manner. The Group does not consume any packaging materials in the ordinary course of business as the Group is not a consumer goods manufacturer. To reduce raw material consumption, the Group's construction team makes use of materials available at the project site to build the landscapes there. For instance, dirt dug out from the construction site will be used to create the rockery.

3 The greenhouse gas emission was estimated with reference to "The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard", "2011-2012 Regional Power Grid Average CO2 Emission Factors in China" guideline published by the National Development and Reform Commission of the PRC and latest sustainability report published by The Hong Kong Electric Investments. Emissions from construction projects, which are borne by subcontractors, are not included as they are not accessible by the Group.

4 During the Year, the corresponding total area of operations slightly increased from 5,757m^2 of last year to 5,925m^2.

5 Scope 1 refers to direct emissions from motor vehicles that are owned or controlled by the Group.

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

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

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

Energy Consumption[7]	**Unit**	**2020**[8]	**2019**
Direct Energy Consumption	kWh	645,254.51	1,345,825.58
Indirect Energy Consumption	kWh	339,926.89	349,627.25
Total	kWh	985,181.40	1,695,452.83
Intensity	kWh/m^2	166.28	294.50

The direct energy consumption refers to the fuel consumed by mobile vehicles, which was still the major contributor to the total energy consumption during the Year. It constituted 65% of the total energy consumption during the Year. The indirect energy consumption refers to electricity consumption. The energy consumption per unit of operating area decreased by 44%. Moving forward, the Group will continue to monitor energy consumption.

Water Consumption[9]

The main source of water consumption is domestic uses in the office area. The water is supplied by the property management company. Therefore, there is no issue in sourcing water. The Group places "Saving water" label in the office area and construction sites to raise the awareness of the employee in water-saving and recycling. The performance indicator related to water consumption is as follows:

	Unit	**2020**	**2019**
Water Consumption	m^3	1,666.68	1,785.35
Intensity	m^3/employee	3.17	3.67

During the Year, water consumption decreased by 7% and the water consumption for each employee decreased by 14%. Moving forward, the Group will continue to keep track of the water consumption and implement water-saving measures.

7 It includes the data from office operations only. Data for projects were not available.

8 During the Year, the corresponding total area of operation slightly increased from 5,757m^2 of last year to 5,925m^2.

9 It includes offices in Zhejiang Province only. No data is available on the office in Hong Kong.

A3 The Environment and Natural Resources

The Group has insisted on operating its business in an environmentally friendly manner at all times and implemented various measures to minimise the impact of its production and operation on the environment. In the procurement and selection of materials used in its projects, such as paint, the Group considers chemical components of the products and whether they meet the safety and environmental protection requirements. The Group also assigns its specialists to the construction site to supervise the compliance of environmental protection requirements by the construction teams of its subcontractors. The Group mainly undertakes construction projects on landscape improvement and living environment improvement, which may have a certain impact on the surroundings and people living around the area during their construction. However, its external subcontractors will take active measures to minimise the impact by all means. For example, the construction team adopts the following approaches to reduce its impact on the environment and its consumption of natural resources:

- applying noise-reduction machines in noisy conditions and adopt automated and hermetic technologies to reduce mechanical noise

- filling landscape ponds with rainwater and irrigating landscape plants with an approved natural water source nearby as much as possible in the course of construction

- transplanting existing trees in the construction sites to specific locations and replanting them when the project is almost completed

SOCIAL SUSTAINABILITY

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

EMPLOYMENT AND LABOUR PRACTICES

B1 Employment

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

Remuneration, Compensation and Dismissal

The employee remuneration policies were determined with reference to factors such as salary information available in local markets, overall salary standards in the industry, inflation level, operational efficiency of the Group and the employees' qualification, position, length of service and performance. Employee remuneration package comprises basic salary, allowance, bonus and other compensation. The dismissal of employee follows the procedure as set out in the "Labour Contract Management Policy".

Recruitment and Promotion

The Group recruits talents through graduate programmes and experienced hiring. Departments propose annual recruitment plan based on their needs. The Group conducts regular performance appraisals for employees.

Working Hours and Rest Periods

The Group implements five-day workweek in the Company's headquarters. Specific position works non-standard hours. The Group's statutory holidays are implemented in accordance with national regulations, including sick leave, marriage leave, maternity leave, nursing leave, bereavement leave, lactation leave, work-related injury leave, etc.

Equal Opportunity, Diversity and Antidiscrimination

As stated in the Group's Employee Handbook, it ensures that employees are treated fairly in matters including hiring and promotion, regardless of their gender and age.

Employee Benefits and Welfare

The Group participates in social insurance and housing provident fund for applicable employees according to the national laws and regulations. Related social insurance includes pension insurance, medical insurance, maternity insurance, unemployment insurance and work injury insurance. Moreover, the Group provides monetary rewards on major holidays such as the Mid-Autumn Festival and birthdays. The Group also communicates with the employee through different channels, e.g. corporate email, instant message mobile applications such as WeChat, employee gathering, labour union and team exploration activities.

During the Year, the Group participated in the medical support activities organised by Ningbo General Labour Union（寧波市總工會）, medical insurance plans were bought for each staff in the Group to provide security against health risks.

The Group organised various activities to cater for different employees' needs. For instance, tree planting, community services, workshop related to psychological health, celebration activities for Lantern Festival, Dragon Boat Festival and Mid-Autumn Festival.

Employee Activities in the Year

To contain the outbreak of the COVID-19 pandemic, the Group cancelled the 2020 Year End Conference according to the guidance of the government. Nevertheless, employees with outstanding performance were still awarded, although not in the conference as the Group's tradition, as a recognition for their hardship and commitment for the Group. In June 2020, the Group organised a festival event ("濃情滄海，歡渡端午") to share the joy with the Group's employees during Dragon Boat Festival. In addition, the Group held two employee birthday parties in first and second half of the Year respectively to express the Group's gratitude for employees' contribution to the Group.

The performance indicators related to employment are as follows:

Employee Profile as at 31 December	**2020**	**2019**
By Gender		
Male	349	372
Female	176	181
By Age Group		
Below 30	106	82
30-39	196	237
40-49	156	143
50 or above	67	91
By Employment Type		
Full time	523	551
Part time	2	2
By Geographical Region		
Hong Kong	1	1
The PRC	524	552
Total	**525**	**553**

Employee Turnover Rate[10]	**2020**	**2019**
By Gender		
Male	26%	30%
Female	22%	31%
By Age Group		
Below 30	39%	56%
30-39	16%	25%
40-49	31%	20%
50 or above	13%	38%
By Geographical Region		
Hong Kong	0%	0%
The PRC	25%	30%
Overall	**25%**	**30%**

10 Turnover Rate = Number of employee left during the Year / Number of employee at the end of the year.

B2 Health and Safety

The Group has been in strict compliance with relevant laws and regulations, including but not limited to Work Safety Law of the PRC, Protection Law of the PRC, Emergency Response Law of the PRC and the Regulation on Work-Related Injury Insurances. The Group has established a management system which has been accredited with ISO45001:2008 Occupational Health and Safety Management System (in respect of the construction of municipal engineering and the construction conservation of landscaping). In 2020, the Group was not aware of any material non-compliance with the health and safety laws and regulations and there was no case of work-related injury or fatality.

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

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

Work safety management system

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

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

Safety training

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

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

B3 Development and Training

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

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

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

Training Activities

During the Year, the Group organised a wide range of training to staff that cover all working levels to attend for professional and personal development. It covered various area as follows:

- Learn to improve business management mechanisms
- Established communication opportunities for staff between subsidiaries
- Construction laws and case studies

Corporate Team Building Programme for the Year

In November 2020, the Group arranged a two-day team building programme in Linhai City. Around 40 employees from middle and senior management participated in the programme. This experience helped participants to understand the importance of teamwork and information sharing, which enhanced cooperation in the workplace.

The performance indicators related to employee training are as follows:

Percentage of Trained Employees[11]	2020	2019
By Gender		
Male	46%	61%
Female	45%	67%
By Employment Categories		
Assistant General Manager or above	100%	83%
Senior Manager	45%	90%
Manager	41%	56%
Assistant Manager	42%	72%
General Staff	39%	63%
Operational Staff	0%	0%
Overall	**46%**	**63%**

Average Training Hours Completed Per Employee[12]	2020	2019
By Gender		
Male	1.86	7.08
Female	1.80	10.36
By Employment Categories		
Assistant General Manager or above	4.00	23.33
Senior Manager	1.59	13.80
Manager	1.82	9.49
Assistant Manager	1.67	16.11
General Staff	1.57	7.10
Operational Staff	0.00	0.00
Overall	**1.84**	**8.16**

B4 Labour Standards

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

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

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

11 Percentage of trained employees = Number of trained employees/Number of employees at the end of the year.

12 Average training hours = Total training hours/Total number of employees at the end of the year.

OPERATING PRACTICES

B5 Supply Chain Management

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

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

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

The suppliers mainly provide raw materials, including soil and rock, machinery, seedlings, steel, tubes and bitumen. During the Year, there were 2,259 suppliers in total, of which 1,631 being new suppliers. The number of suppliers by geographical locations is as follows:

Geographical Location	2020	2019
Zhejiang Province, the PRC	1,768	1,050
Other Provinces, the PRC[13]	491	245
Total	**2,259**	**1,295**

B6 Product Responsibility

The Group is committed to providing high-quality services and guarantees that the quality of its projects is in line with quality standards and sustainability requirements. It also pursues to meet higher criteria all the time. The Group strictly abides by the laws and regulations related to health and safety and project quality, for instance, Construction Law of the PRC, Construction Project Quality Control Regulation, Product Safety Law of the PRC, and the Administrative Regulations on the Work Safety of Construction Projects. In 2020, the Group was not aware of any material non-compliance with relevant laws and regulations. As the Group does not produce physical goods, issues relating to advertising and labelling have no significant impact on the Group's operations. The Group has formulated related procedures and measures relating to quality management, complaint handling, intellectual property and customer data protection and privacy matters. The details are illustrated in the following sections. The details of workplace health and safety are mentioned in the section "B2 Health and Safety".

13 It includes Anhui Province, Beijing, Chongqing, Fujian Province, Guangdong Province, Hainan Province, Hebei Province, Henan Province, Hubei Province, Inner Mongolia, Jiangsu Province, Jiangxi Province, Shandong Province, Shanghai, Shenzhen and Sichuan Province

Quality Management

The Group has always been focusing on quality control in project construction since its incorporation. In respect to human resources, it has a team of project managers with rich experience in undertaking various landscape and municipal works construction projects. In respect of systems, the Group owns a comprehensive quality management system and is accredited with ISO9001:2015 Quality Management System and GB/T 50430-2017 Code for Quality Management of Engineering Construction Enterprises. In respect of the management of technology, operations, human resource and file management, a complete and constantly effective management policy has been established.

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

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

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

- Training: Staff are provided with training to ensure their understanding of, and compliance with, the Group's quality standards. In addition, a daily meeting is held with staff working on-site to review construction safety measures and precautions;

- Standardised construction: Standardised construction methods and technique are implemented in the construction projects to facilitate the implementation of such methods and technique by workers on-site;

- On-site inspections and rectification: Periodic inspections and spot checks are conducted on the construction projects, and the Group's personnel are required to implement immediate rectification measures if any quality control issues are identified. Upon rectification, the quality control issues will be inspected again to ensure that such issues have been resolved. Independent construction supervisor appointed by the customers will conduct periodic inspections and spot inspections of the construction projects; and

- Quality control review: After completion of each project and at the end of each quarter, a comprehensive review and analysis of any quality control issues is conducted.

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

Our Project Quality

During the Year, Chanhigh Construction received the Letter of Commendation for Outstanding Contribution to High Quality Economic Development in Yinzhou District for 2020 (2020年鄞州區經濟高質量發展杰出貢獻表彰函) for its outstanding performance on quality management and generation of economic and social benefits. In addition, the Fuyang City Yidaohe Road Landscaping Engineering Project (阜陽市一道河路道路景觀工程項目) won Anhui "Huangshan Cup" for Construction Award (安徽省建設工程"黃山杯"獎), which was one of the highest level of recognitions of Chanhigh Construction's construction projects, for its outstanding quality and fine skills implementation. Please refer to the section headed "Awards and Recognitions" for the full list of awards and recognitions obtained in 2020.

Complaint Handling

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

Intellectual Property Management

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

Customer Information Protection and Privacy

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

B7 Anti-corruption

The Group rigorously complies with regulations regarding anti-corruption and anti-money laundering, including but not limited to the Criminal Law of the PRC and the Anti-Money Laundering Law of the PRC. The Group has a series of practices and employees' code of conduct against corruption and money laundering in effect.

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

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

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

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

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

COMMUNITY

B8 Community Investment

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

During the Year, Chanhigh Party-Labour Union (滄海黨工聯建) conducted a volunteer programme, namely "Assistance to Autumn Harvest" (秋收助農幫扶) to assist harvest of sweet potatoes of an ecological farm in Linhai City where is lack of sophisticated transport. The Group also motivated employees to carry out preventive measures to fight the COVID-19 epidemic in the community and in the construction sites. Shuttle buses were arranged to fetch workers and staff directly to their working place to lower the risk of COVID-19 infection during their commute. The Group's efforts were recognised by Zhejiang Construction Industry Association (浙江省建築行業協會) and Ningbo Yinzhou District Housing and Urban Rural Development Bureau (寧波市鄞區住房和城鄉建設局).

Apart from participating in various community services, in order to support anti-epidemic work, the Group made a total of RMB110,000 donations to the following organisations:

- Ningbo Charity Federation (寧波市慈善總會)
- Ningbo Yinzhou District Charity Federation Headquarter (寧波市鄞州區慈善基金總會)

Our Contribution	Unit	2020	2019
Donation	RMB'000	110	152

AWARDS AND RECOGNITIONS

The Group's efforts have been recognised by a number of awards during the reporting period. The details are as follows:

Award and Recognition	Issuing Organisation
Ningbo "Camellia Cup" Gold Prize for Landscape Maintenance Award (寧波市園林綠化養護"茶花杯"獎金獎)	Ningbo Landscape Architecture Association (寧波市風景園林協會)
Anhui "Huangshan Cup" for Construction Award (安徽省建設工程"黃山杯"獎)	Department of Housing and Urban-Rural Development of Anhui Province (安徽省住房和城鄉建設廳)
Fuyang "Yingzhou Cup" for Construction Award (Municipal Premium Construction) (阜陽市建設工程"潁州杯"獎(市優質工程))	Fuyang Urban-Rural Construction Bureau (阜陽市城鄉建設局)
Ningbo "Camellia Cup" for Landscape Maintenance Award (寧波市園林綠化養護"茶花杯")	Ningbo Landscape Architecture Association (寧波市風景園林協會)
Zhejiang "Outstanding Landscaping Construction" Prize (浙江省"優秀園林工程"獎)	Zhejiang Society of Landscape Architecture (浙江省風景園林學會)
"Landscaping Construction" Gold Prize for Chinese Landscape Architecture Society Science Technology Award (中國風景園林學會科學技術獎"園林工程獎"金獎)	Chinese Landscape Architecture Society (中國風景園林學會)
First Prize for Anhui Construction QC Team Activities (安徽省工程建設品質管制小組活動成果一等獎)	Anhui Construction Industry Quality and Safety Association (安徽省建設行業品質與安全協會)
First Prize for Ningbo Municipal Industry Outstanding Quality Management Award (寧波市市政行業優秀品質管制小組成果一等獎)	Ningbo Municipal Industry Association (寧波市市政行業協會)
Outstanding Prize for Zhejiang Landscape Architecture Society Management Award (浙江省風景園林學會優秀管理獎)	Zhejiang Society of Landscape Architecture (浙江省風景園林學會)
Outstanding QC Team of Zhoushan Construction (舟山市工程建設優秀品質管制小組)	Zhoushan Construction Industry Association (舟山市建築業行業協會)
Standardized Construction Site of Zhoushan Landscaping Construction Safety Standards (舟山市園林綠化工程安全文明施工標準化工地)	Zhoushan Municipal and Garden Industry Association (舟山市市政與園林行業協會)

Award and Recognition	Issuing Organisation
Outstanding Management Team of Ningbo Municipal Industry (寧波市市政行業優秀管理小組)	Ningbo Municipal Industry Association (寧波市市政行業協會)
Letter of Commendation for Outstanding Contribution to High Quality Economic Development in Yinzhou District for 2020 (2020年鄞州區經濟高品質發展傑出貢獻表彰函)	Ningbo Yinzhou District Committee of the CPC (中共寧波市鄞州區委)
Outstanding Enterprise of Zhejiang Construction Industry for Covid-19 Control Work (浙江省建築業新冠肺炎疫情防控工作先進單位)	Zhejiang Construction Industry Association (浙江省建築業行業協會)
Outstanding Performance Enterprise in Yinzhou District, Ningbo for Covid-19 Control Work (寧波市鄞州區疫情防控工作表現突出企業)	Ningbo Yinzhou District Housing and Urban-Rural Construction Bureau (寧波市鄞州區住房和城鄉建設局)
Top Enterprise of Ningbo Construction Industry 2018-2019 (2018-2019年度寧波市建築業龍頭企業)	Ningbo Housing and Urban-Rural Construction Bureau (寧波市住房和城鄉建設局)
Ranked No.47 of Top 100 Servicing Enterprises in Ningbo 2020 (2020寧波市服務業百強企業第47位)	Ningbo Enterprise Federation, Ningbo Entrepreneurs Association, Ningbo Industrial Economic Federation (寧波市企業聯合會、寧波市企業家協會、寧波市工業經濟聯合會)

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

OPINION

We have audited the consolidated financial statements of Chanhigh Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 136, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment of trade and bills receivables and contract assets

2. Revenue from construction contracts and contract assets/contract liabilities

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Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment of trade and bills receivables and contract assets *Refer to notes 5(b), 6(b), 21 and 22 to the consolidated financial statements* The Group has trade and bills receivables and contract assets with aggregate values of RMB497,898,000 and RMB960,576,000 before the loss allowance for trade and bills receivables of RMB33,521,000 and contract assets of RMB6,012,000 respectively as at 31 December 2020. No specific credit period was granted to its customers. As at 31 December 2020, trade and bills receivables (net of provision for impairment losses of RMB32,434,000) aged over 1 year amounted to RMB151,733,000. During the year, impairment loss on trade and bills receivables and contract assets based on management's estimate of the expected credit losses of RMB28,162,000 and RMB5,040,000 charged to profit or loss respectively. The loss allowance is estimated by taking into account the credit loss experience, aging of trade receivables, customers' repayment history and financial position and an assessment of both the current and forecast general economic conditions as a result of the COVID-19 pandemic, all of which involve a significant degree of management judgement. Management concluded that there is adequate loss allowance in respect of the trade and bills receivables and contract assets. This conclusion required significant management judgement in assessing the recoverability of trade and bills receivables and contract assets and estimating the amount of expected credit losses.	Our procedures included: – Assessing the grouping of trade and bills receivables and contract assets by considering the nature of the debtors and their credit risk characteristics; – Testing the accuracy and completeness of the data used by management on a sample basis to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; – Assessing the appropriateness of the impairment loss methodology, testing the calculation of the historical loss rates on a sample basis and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions with the assistance of our internal valuation experts; – Testing the ageing of trade and bills receivables on a sample basis; and – Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade and bills receivables and contract assets outstanding at the reporting date.

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Key Audit Matter	How our audit addressed the Key Audit Matter
2. Revenue from construction contracts and contract assets/contract liabilities	
Refer to notes 5(a), 6(b) and 22 to the consolidated financial statements The Group provides construction service for municipal work and landscape construction and related services. The Group recognised contract revenue and gross profit of RMB1,594,568,000 and RMB137,288,000 respectively for the year ended 31 December 2020. As at 31 December 2020, the Group recorded contract assets and contract liabilities for construction contracts of RMB954,564,000 and RMB69,958,000 respectively. Revenue from the construction contracts is recognised progressively over time. The Group measures progress towards satisfaction of its performance obligation using an input method based on the proportion of the actual costs incurred relative to the estimated total contract costs. In the early stages of a contract, the Group is generally not able to measure the outcome of its performance obligation but expects to recover the contract costs incurred. Revenue is recognised to the extent of those costs until such time that the Group can reliably measure the outcome of the performance obligation. The determination of contract revenues requires significant management judgement and estimation.	Our procedures included: – Evaluating the estimation of revenue and profit recognised on construction contracts, on a sample basis, by: • agreeing the contract sum to signed contracts; • understanding from management and project managers about how the percentage of completion was determined; • agreeing total budgeted costs to approved budgets; • obtaining an understanding from management and project managers how the approved budgets were determined; • challenging the reasonableness of key management judgements in preparing the budgets; and • challenging management's assessment of the Group's ability to deliver contracts within budgeted timescales and any penalty for late delivery of contract works by comparing the progress of the contracts against the terms stipulated in the contracts. – Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis; and – Checking the calculation of the contract assets/contract liabilities.

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OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

- 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.

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

- 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, actions taken to eliminate threats or safeguards applied.

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 Mr. Chan Kong Wang.

RSM Hong Kong
Certified Public Accountants
Hong Kong

30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	7	**1,594,568**	1,356,089
Cost of services rendered		**(1,448,696)**	(1,202,545)
Sales related tax and auxiliary charges		**(8,584)**	(6,383)
Gross profit		**137,288**	147,161
Other income and gains	8	**13,440**	9,805
Administrative and other operating expenses		**(62,238)**	(65,073)
Impairment loss on trade and other receivables and contract assets, net		**(32,712)**	(900)
Profit from operations		**55,778**	90,993
Finance costs	10	**(26,081)**	(30,314)
Profit before tax		**29,697**	60,679
Income tax expense	11	**(7,100)**	(19,275)
Profit for the year	12	**22,597**	41,404
Other comprehensive income for the year, net of tax		—	—
Total comprehensive income for the year		**22,597**	41,404
Profit/(loss) for the year and total comprehensive income for the year attributable to:			
Owners of the company		**23,030**	41,262
Non-controlling interests		**(433)**	142
		22,597	41,404
Earnings per share			
Basic and diluted (RMB cents per share)	16	**3.7**	6.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	27,094	21,787
Intangible assets	18	123,758	115,198
Right-of-use assets	20	2,623	337
Total non-current assets		153,475	137,322
Current assets			
Trade and other receivables	21	810,121	798,975
Contract assets	22	954,564	887,376
Bank and cash balances	23	302,983	206,964
Total current assets		2,067,668	1,893,315
TOTAL ASSETS		2,221,143	2,030,637
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	5,487	5,487
Reserves	26	870,155	847,125
		875,642	852,612
Non-controlling interests		6,833	7,266
Total equity		882,475	859,878
LIABILITIES			
Non-current liabilities			
Lease liabilities	30	2,081	—
Borrowings	29	113,443	105,483
Total non-current liabilities		115,524	105,483
Current liabilities			
Trade payables	27	324,268	331,622
Accruals and other payables	28	142,793	103,297
Contract liabilities	22	69,958	42,501
Lease liabilities	30	1,591	334
Borrowings	29	566,483	470,619
Current tax liabilities		118,051	116,903
Total current liabilities		1,223,144	1,065,276
TOTAL EQUITY AND LIABILITIES		2,221,143	2,030,637

Approved by the Board of Directors on 30 March 2021 and are signed on its behalf by:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	5,487	457,366	(7,370)	44,389	311,510	811,382	7,124	818,506
Adjustments on initial application of – IFRS 16	—	—	—	—	(32)	(32)	—	(32)
Restated balance at 1 January 2019	5,487	457,366	(7,370)	44,389	311,478	811,350	7,124	818,474
Total comprehensive income for the year	—	—	—	—	41,262	41,262	142	41,404
Transfer from retained earnings	—	—	—	5,322	(5,322)	—	—	—
Changes in equity for the year	—	—	—	5,322	35,940	41,262	142	41,404
At 31 December 2019	5,487	457,366	(7,370)	49,711	347,418	852,612	7,266	859,878
At 1 January 2020	**5,487**	**457,366**	**(7,370)**	**49,711**	**347,418**	**852,612**	**7,266**	**859,878**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**23,030**	**23,030**	**(433)**	**22,597**
Transfer from retained earnings	**—**	**—**	**—**	**4,019**	**(4,019)**	**—**	**—**	**—**
Changes in equity for the year	**—**	**—**	**—**	**4,019**	**19,011**	**23,030**	**(433)**	**22,597**
At 31 December 2020	**5,487**	**457,366**	**(7,370)**	**53,730**	**366,429**	**875,642**	**6,833**	**882,475**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	29,697	60,679
Adjustments for:		
Impairment loss on trade and other receivables and contract assets, net	32,712	900
Depreciation of property, plant and equipment	3,342	2,865
Depreciation of right-of-use assets	760	798
Amortisation of intangible assets	4,404	4,134
Loss on disposals of property, plant and equipment	404	473
Interest income	(5,936)	(4,274)
Finance costs	26,081	30,314
Operating profit before working capital changes	91,464	95,889
Increase in contract assets	(67,668)	(61,247)
Increase in trade and bills receivables	(9,781)	(37,175)
Increase in prepayments, deposits and other receivables	(28,537)	(111,973)
Increase/(decrease) in contract liabilities	27,457	(19,845)
Decrease in trade payables	(7,354)	(78,504)
Increase in accruals and other payables	39,496	14,861
Cash generated from/(used in) operations	45,077	(197,994)
Income taxes paid	(5,952)	(6,619)
Interest on lease liabilities	(223)	(31)
Interest paid	(32,373)	(30,882)
Net cash generated from/(used in) operating activities	6,529	(235,526)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(12,498)	(18,963)
Purchases of intangible assets	(11,009)	(18,900)
Proceeds from disposals of property, plant and equipment	3,445	2,911
Decrease/(increase) in fixed deposits	23,561	(37,173)
Interest received	5,936	4,274
Net cash generated from/(used in) investing activities	9,435	(67,851)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	574,443	735,900
Repayment of borrowings	(470,619)	(541,985)
Principal elements of lease payments	(208)	(795)
Net cash generated from financing activities	103,616	193,120
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	119,580	(110,257)
Effect of foreign exchange rate changes	—	(38)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	161,903	272,198
CASH AND CASH EQUIVALENTS AT END OF YEAR	281,483	161,903
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances (note 23)	281,483	161,903

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 17th and 18th Floors, Cang Hai Industry Building, No. 3388 Cang Hai Road, Yinzhou District, Ningbo City, Zhejiang Province, China. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

In the opinion of the directors, as at 31 December 2020, Mr. Peng Daosheng, Ms. Wang Sufen, Mr. Peng Yonghui and Mr. Peng Tianbin (the "Peng Family") are the ultimate controlling parties (the "Controlling Shareholders") of the Company.

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

(a) Application of new and revised IFRSs *(continued)*

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to IFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The application of the amendments had no impact on the consolidated financial statements as the Group had no acquisitions.

Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group as the Group's designated hedged items/assessment of hedge effectiveness is not affected by the interest rate benchmark reform.

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

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

The Group has not applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, COVID-19-Related Rent Concessions	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

(b) Foreign currency translation

(i) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Foreign currency translation *(continued)*

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Property, plant and equipment

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Leases *(continued)*

(i) The Group as a lessee (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Intangible assets

The Group's intangible assets include construction licenses, copyrights and concession rights.

(i) Intangible assets acquired separately – Construction licenses

Construction licenses are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 25 years.

(ii) Copyrights

Copyrights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(iii) Concession rights

The Group engages in a service concession arrangement in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority according to their arrangement nature.

If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognises revenue at the same time in the "concession rights" under intangible assets included in the consolidated statement of financial position. Once the underlying infrastructure of the concession arrangements has been completed, the concession rights will be amortised on a straight-line basis over the term of concession granted by the granting authority.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(w) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Concession right

As mentioned in note 4(e)(iii), the assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority according to their arrangement nature. The Group recognises revenue and a contract asset or a financial asset to the extent that it has an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts.

(g) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets or land under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Construction contracts *(continued)*

The Group becomes entitled to invoice customers for construction work based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less. A significant financing component in construction contracts with customers is recognised if the period between the recognition of revenue under the cost-to-cost method and the milestone payment is more than one year.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified at amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(l) Financial liabilities and equity instruments

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

(m) Borrowings

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

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

(n) Trade and other payables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue and other income

Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Construction and maintenance service

Revenue from construction contracts is recognised in accordance with the policy set out in note 4(g) above.

Maintenance service income is recognised over the period that the service is rendered.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue and other income *(continued)*

Other income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

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

(q) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employee benefits *(continued)*

(iii) Termination benefits

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

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as 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 eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(t) Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Taxation *(continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(v) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets and contracts assets

The Group recognises a loss allowance for expected credit losses on trade and other receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For trade receivables and contract assets that contain a significant financing component, the Group recognises ECL by the general approach.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets and contracts assets *(continued)*

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets and contracts assets *(continued)*

Significant increase in credit risk (continued)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets and contracts assets *(continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Impairment of financial assets and contracts assets *(continued)*

Measurement and recognition of ECL (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(x) Provisions and contingent liabilities

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

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

(y) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

As explained in note 4(w), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

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

(a) Revenue and profit recognition

As explained in notes 4(g), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 22 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

During the year, approximately RMB1.6 billion (2019: RMB1.4 billion) of revenue from construction contracts was recognised.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(b) Impairment of trade and bills receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade and bills receivables and contract assets based on the credit risk of trade and bills receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates and lower recoverability of the trade debtors. The information about the ECL and the Group's trade receivables and contract assets are disclosed in note 6(b).

As at 31 December 2020, the carrying amount of trade and bills receivables and contract assets is RMB464,377,000 and RMB954,564,000 (net of allowance for doubtful debts of RMB33,521,000 and RMB6,012,000) (2019: RMB482,758,000 and RMB887,376,000 (net of allowance for doubtful debts of RMB13,569,000 and RMB972,000)) respectively.

(c) Impairment of intangible asset

Determining whether the intangible asset is impaired requires an estimation of the value in use of the cash-generating unit to which intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations.

As at 31 December 2020, the carrying amount of intangible assets were RMB123,758,000 at the end of the reporting period (2019: RMB115,198,000). No impairment loss was recognised during the year.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

At 31 December 2020, if the Hong Kong dollar had weakened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB1,000 (2019: RMB23,000) lower, arising mainly as a result of the foreign exchange loss on bank and cash balances denominated in Hong Kong dollar. If the Hong Kong dollar had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB1,000 (2019: RMB23,000) higher, arising mainly as a result of the foreign exchange gain on bank and cash balances denominated in Hong Kong dollar.

At 31 December 2020, if the US$ had weakened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB304,000 (2019: RMB465,000) lower, arising mainly as a result of the net foreign exchange loss on bank and cash balances denominated in US$. If the US$ had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB304,000 (2019: RMB465,000) higher, arising mainly as a result of the net foreign exchange gain on bank and cash balances denominated in US$.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and bills receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade and bills receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group's trading terms with its customers are mainly based on the contract terms. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade and bills receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. For trade and bills receivables and contract assets that contain a significant financing component, the Group measures 12-month ECLs under the general approach. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables and contract assets as at 31 December 2020:

	2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Contract assets:			
0 – 90 days past due	0.63%	960,576	(6,012)
Trade and bills receivables:			
0 – 90 days past due	0.26%	224,658	(594)
91 – 180 days past due	0.47%	39,078	(183)
181 – 365 days past due	0.62%	49,995	(310)
Over 1 year but less than 2 years past due	3.94%	76,799	(3,025)
Over 2 years but less than 3 years past due	5.50%	23,328	(1,282)
Over 3 years past due	33.47%	84,040	(28,127)
		497,898	(33,521)

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade and bills receivables and contract assets (continued)

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Contract assets:			
0 – 90 days past due	0.11%	888,348	(972)
Trade and bills receivables:			
0 – 90 days past due	0.11%	179,128	(191)
91 – 180 days past due	0.11%	48,549	(52)
181 – 365 days past due	0.11%	71,632	(76)
Over 1 year but less than 2 years past due	0.11%	58,152	(63)
Over 2 years but less than 3 years past due	0.11%	68,073	(74)
Over 3 years past due	18.52%	70,793	(13,113)
		496,327	(13,569)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. In addition, certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis. This has resulted in a charge of RMB27,983,000 for impairment provisions recognised in profit and loss in the current year.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade and bills receivables and contract assets (continued)

Movements in the loss allowance account in respect of trade and bills receivables and contract assets during the year are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**14,541**	12,525
Impairment losses recognised for the year	**41,395**	5,963
Reversals for the year	**(8,193)**	(3,947)
Written off for the year	**(8,210)**	—
At 31 December	**39,533**	14,541

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during 2020:

– origination of new trade and bills receivables and contract assets net of those settled resulted in an increase in loss allowance of RMB5,219,000; and

– increase in amount of trade receivables over past due over 5 years resulted in an increase in loss allowance of RMB27,983,000.

Other receivables

All of the Group's other receivables are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected losses, except for the credit impaired other receivables of RMB338,000 that were not expected to be recovered lifetime ECL of RMB338,000 were provided. These other receivables are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Other receivables (continued)

Movements in the loss allowance account in respect of other receivables during the year are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	1,288	2,404
Impairment losses recognised for the year	550	1,141
Reversals for the year	(1,040)	(2,257)
At 31 December	798	1,288

(c) Liquidity risk

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020					
Trade payables	324,268	—	—	—	324,268
Accruals and other payables	99,982	—	—	—	99,982
Bank loans	563,228	33,172	95,943	—	692,343
Factoring loan with recourse	27,018	—	—	—	27,018
Lease liabilities	1,970	2,285	—	—	4,255
At 31 December 2019					
Trade payables	331,622	—	—	—	331,622
Accruals and other payables	95,480	—	—	—	95,480
Bank loans	470,494	45,238	46,162	—	561,894
Factoring loan with recourse	26,087	27,535	—	—	53,622
Lease liabilities	338	—	—	—	338

6. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

	2020 RMB'000	2019 RMB'000
100 basis points	**(2,797)**	(2,670)
(100) basis points	**2,797**	2,670

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

(e) Categories of financial instruments at 31 December

	2020 RMB'000	2019 RMB'000
Financial assets:		
Financial assets measured at amortised cost	**921,844**	872,378
Financial liabilities:		
Financial liabilities at amortised cost	**1,107,848**	1,003,538

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(g) Transfers of financial assets that are not derecognised in their entirety

At 31 December 2020, the Group entered into a factoring loan agreement (the "Agreement") and transferred certain trade and bills receivables (the "Transferred Trade Receivables") to an independent financing company for financing. Under the Agreement, the financing company has recourse right and the Group has the obligation to reimburse the financing company for loss of receivables if the specified customer has default payment. As the Group has not transferred the significant risks relating to these trade and bills receivables, it continues to recognise in full the carrying amount of the trade and bills receivables and has recognised the cash received on the transfer as secured borrowings (note 29). The original carrying value of the trade and bills receivables transferred under the Agreement that has not been settled as at 31 December 2020 amounted to RMB171,000 (2019: RMB5,771,000). Accordingly, the carrying amount of the assets that the Group continued to recognise as at 31 December 2020 amounted to RMB171,000 (2019: RMB5,771,000) and that of the associated liabilities as at 31 December 2020 amounted to RMB25,483,000 (2019: RMB45,102,000) was recorded as borrowings under note 29.

7. REVENUE

The Group's revenue represents the revenue derives from construction contracts and maintenance services over time and agency income at a point of time for the year.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service line for the year is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major service lines		
– Revenue from construction contracts	**1,570,101**	1,337,634
– Maintenance services	**20,407**	15,165
– Agency income	**4,060**	3,290
	1,594,568	1,356,089

7. REVENUE *(continued)*

(a) Disaggregation of revenue *(continued)*

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
Services transferred over time	**1,590,508**	1,352,799
Services transferred at a point in time	**4,060**	3,290
	1,594,568	1,356,089

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue as follows:

	Construction contracts		Maintenance services	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Within one year	**2,050,439**	1,276,420	**6,847**	8,589
More than one year but not more than two years	**657,304**	503,608	**222**	2,863
More than two years	**643,401**	487,213	**222**	2,863
	3,351,144	2,267,241	**7,291**	14,315

8. OTHER INCOME AND GAINS

	2020 RMB'000	2019 RMB'000
Interest income on bank deposits	498	1,182
Interest income arising from contract revenue (note (a))	5,438	3,092
Total interest income	5,936	4,274
Bad debt recovery	—	631
Compensation income	5,200	—
Government incentives and awards (note (b))	1,717	3,282
Waiver of other payables	—	667
Exchange gain	—	347
Others	587	604
	13,440	9,805

Note:

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

(b) Government incentives and awards mainly related to the incentive and awards received from the local Chinese government authority for the achievement of the Group.

9. SEGMENT INFORMATION

The Group has four operating segments as follows:

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

9. SEGMENT INFORMATION *(continued)*

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

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

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

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

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

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

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

	Landscape construction RMB'000	Municipal works construction RMB'000	Building works RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2020					
External revenue	354,759	552,746	629,647	57,416	1,594,568
Segment results	34,400	64,757	27,036	11,095	137,288
At 31 December 2020					
Segment assets	519,088	453,014	414,849	31,990	1,418,941
Segment liabilities	(26,111)	(14,640)	(28,320)	(887)	(69,958)

	Landscape construction RMB'000	Municipal works construction RMB'000	Building works RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2019					
External revenue	482,171	488,029	339,629	46,260	1,356,089
Segment results	46,069	77,867	7,812	15,413	147,161
At 31 December 2019					
Segment assets	581,686	422,957	257,267	108,224	1,370,134
Segment liabilities	(15,048)	(23,792)	(3,661)	—	(42,501)

9. SEGMENT INFORMATION *(continued)*

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

	2020 RMB'000	2019 RMB'000
Revenue		
Total revenue of reportable segments	1,594,568	1,356,089
Elimination of intersegment revenue	—	—
Consolidated revenue	1,594,568	1,356,089
Profit and loss		
Total profits of reportable segments	137,288	147,161
Elimination of intersegment profits	—	—
Unallocated amounts:		
Interest income	5,936	4,274
Government subsidy, incentives and awards	1,717	3,282
Depreciation of property, plant and equipment	(3,342)	(2,865)
Depreciation of right-of-use assets	(760)	(798)
Amortisation of intangible assets	(4,404)	(4,134)
Finance costs	(26,081)	(30,314)
Operating lease charges	(2,716)	(2,708)
Net exchange (loss)/gain	(731)	347
Unallocated staff costs	(30,392)	(33,682)
Research and development expenditure	(2,745)	(1,559)
Impairment loss on trade and other receivables and contracts assets, net	(32,712)	(900)
Others	(11,361)	(17,425)
Consolidated profit before tax	29,697	60,679

9. SEGMENT INFORMATION *(continued)*

(iii) Reconciliation of segment assets and liabilities

	2020 RMB'000	2019 RMB'000
Assets		
Total assets of reportable segments	1,418,941	1,370,134
Bank and cash balances	302,983	206,964
Prepayments, deposits and other receivables	345,744	316,217
Intangible assets	123,758	115,198
Others	29,717	22,124
Consolidated total assets	2,221,143	2,030,637
Liabilities		
Total liabilities of reportable segments	69,958	42,501
Trade payables	324,268	331,622
Accruals and other payables	142,793	103,297
Lease liabilities	3,672	334
Borrowings	679,926	576,102
Current tax liabilities	118,051	116,903
Consolidated total liabilities	1,338,668	1,170,759

(iv) Geographical information

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

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

	2020 RMB'000	2019 RMB'000
Hong Kong	449	903
PRC except Hong Kong	153,026	136,419
Consolidated total	153,475	137,322

9. SEGMENT INFORMATION *(continued)*

(v) Revenue from major customers

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

	2020 RMB'000	2019 RMB'000
Building work customer A	242,590	N/A

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

10. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank borrowings	28,301	25,275
Interest on factoring loan	4,072	5,607
Interest expenses on lease liabilities (note 20)	223	31
Total borrowing costs	32,596	30,913
Amount capitalised	(6,515)	(599)
	26,081	30,314

11. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax – PRC		
Provision for the year	7,100	19,275

PRC Enterprise Income Tax ("PRC EIT") has been provided at a rate of 25% (2019: 25%).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2019: NIL).

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

For the year ended 31 December 2020, one of the subsidiaries of the Company, 浙江展海實業有限公司 (Zhejiang Zhanhai Industrial Company Limited) ("Zhejiang Zhanhai"), is qualified as a small and low-profit enterprise in the PRC. Zhejiang Zhanhai is assessed the PRC EIT on the following basis: if its annual taxable income is less than RMB1,000,000, the applicable enterprise income tax rate determined by the relevant authority is 5% (2019: 5%); if its annual taxable income is more than RMB1,000,000 but less than RMB3,000,000, the applicable enterprise income tax rate is 20% with preferential concession by 50%.

For the year ended 31 December 2020, one of the subsidiaries of the Company incorporated in the PRC, Zhejiang Chanhigh Construction Limited (浙江滄海建設有限公司) ("Chanhigh Construction") had obtained the qualification of High and New Technology Enterprise with a validation period of three years starting from 2020. The applicable income tax rate for Chanhigh Construction was 15% for the year ended 31 December 2020 (2019: 25%).

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

11. INCOME TAX EXPENSE *(continued)*

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

	2020 RMB'000	2019 RMB'000
Profit before tax	29,697	60,679
Tax at the PRC EIT rate of 25% (2019: 25%)	7,424	15,169
Tax effect of different tax rates	(4,491)	—
Tax effect of income that is not taxable	(50)	(175)
Tax effect of expenses that are not deductible	4,604	4,743
Tax effect of using deemed profit method	(387)	(462)
Income tax expense	7,100	19,275

As at 31 December 2020, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB22,722,000 (2019: RMB20,844,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing for reversal of the temporary differences and it is probable that such differences will not reverse in foreseeable future.

12. PROFIT FOR THE YEAR

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

	2020 RMB'000	2019 RMB'000
Auditors' remuneration	1,239	1,325
Amortisation of intangible assets	4,404	4,134
Cost of services rendered	1,448,696	1,202,545
Depreciation of property, plant and equipment	3,342	2,865
Depreciation of right-of-use assets	760	798
Loss on disposal of property, plant and equipment	404	473
Research and development expenditure	2,745	1,559
Net exchange loss/(gain)	731	(347)
Impairment loss on trade and other receivables and contract assets, net	32,712	900
Operating lease charges – land and buildings	2,716	2,708

Cost of services rendered includes staff costs and depreciation of approximately RMB11,623,000 (2019: RMB11,996,000) for the year ended 31 December 2020 which are included in the amounts disclosed separately.

13. EMPLOYEE BENEFITS EXPENSE

	2020 RMB'000	2019 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	36,701	35,949
Retirement benefit scheme contributions	5,439	9,005
	42,140	44,954

The five highest paid individuals in the Group during the year included one director (2019: one) and whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining four (2019: four) individuals are set out below:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	1,122	2,518
Retirement benefit scheme contributions	130	195
	1,252	2,713

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	4	3
HK$1,000,001 to HK$1,500,000	—	1
	4	4

14. BENEFITS AND INTERESTS OF DIRECTORS

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

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2020					
Executive directors					
Peng DaoSheng	—	—	—	—	—
Peng Tianbin	—	—	—	—	—
Peng Yonghui	—	324	—	48	372
Non-executive director					
Wang Sufen	—	70	—	—	70
Independent non-executive director					
Fan Rong	—	70	—	—	70
Shi Weixing	—	70	—	—	70
Yang Zhongkai	—	70	—	—	70
	—	604	—	48	652

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2019					
Executive directors					
Peng DaoSheng	—	—	—	—	—
Peng Tianbin	—	—	—	—	—
Peng Yonghui	—	1,796	—	51	1,847
Non-executive director					
Wang Sufen	—	70	—	—	70
Independent non-executive director					
Fan Rong	—	70	—	—	70
Shi Weixing	—	70	—	—	70
Yang Zhongkai	—	70	—	—	70
	—	2,076	—	51	2,127

Note:

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year (2019: Nil).

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

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

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

15. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

16. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	23,030	41,262
Number of shares		
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation (thousand shares)	618,502	618,502

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same. As at 31 December 2020, the Company had no dilutive potential ordinary shares (2019: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2019	2,942	272	12,751	3,117	4,259	23,341
Additions	13,387	4,864	7	705	—	18,963
Disposals	(2,942)	—	—	(244)	(560)	(3,746)
At 31 December 2019 and 1 January 2020	13,387	5,136	12,758	3,578	3,699	38,558
Additions	—	469	3,172	44	8,813	12,498
Disposals	—	(823)	(3,172)	(174)	(624)	(4,793)
At 31 December 2020	13,387	4,782	12,758	3,448	11,888	46,263
Accumulated depreciation						
At 1 January 2019	112	127	11,971	1,324	734	14,268
Charge for the year	150	1,395	198	551	571	2,865
Disposals	(177)	—	—	(52)	(133)	(362)
At 31 December 2019 and 1 January 2020	85	1,522	12,169	1,823	1,172	16,771
Charge for the year	509	1,531	166	532	604	3,342
Disposals	—	(571)	(126)	(82)	(165)	(944)
At 31 December 2020	594	2,482	12,209	2,273	1,611	19,169
Carrying amount						
At 31 December 2020	12,793	2,300	549	1,175	10,277	27,094
At 31 December 2019	13,302	3,614	589	1,755	2,527	21,787

18. INTANGIBLE ASSETS

	Construction licenses (purchased) RMB'000	Copyrights (purchased) RMB'000	Concession rights under service concession arrangement RMB'000	Total RMB'000
Cost				
At 1 January 2019	103,100	—	—	103,100
Additions	6,626	150	12,723	19,499
At 31 December 2019 and 1 January 2020	109,726	150	12,723	122,599
Additions	—	—	12,964	12,964
At 31 December 2020	**109,726**	**150**	**25,687**	**135,563**
Accumulated amortisation				
At 1 January 2019	3,267	—	—	3,267
Amortisation for the year	4,124	10	—	4,134
At 31 December 2019 and 1 January 2020	7,391	10	—	7,401
Amortisation for the year	4,389	15	—	4,404
At 31 December 2020	**11,780**	**25**	—	**11,805**
Carrying amount				
At 31 December 2020	**97,946**	**125**	**25,687**	**123,758**
At 31 December 2019	102,335	140	12,723	115,198

As at 31 December 2020, the construction licenses included a First-Grade General Contractor for Water Works and Hydropower Project qualification (水利水電工程施工總承包壹級資質), a Second-Grade General Contractor for Highway Construction Projects qualification (公路工程施工總承包貳級) along with a Second-Grade General Contractor for Water Supply and Drainage and Electrical Projects qualification (水利水電工程施工總承包貳級) and a First-Grade General Contractor for Housing Construction Projects qualification (建築工程施工總承包壹級) in the PRC at a cost of RMB76,000,000, RMB13,600,000 and RMB13,500,000 respectively.

The construction licenses and the copyrights were amortised on straight-line basis over an estimated useful life of 25 years and 10 years respectively. The average remaining amortisation period of the construction licenses and copyrights are 23 years (2019: 24 years) and 8 years respectively (2019: 9 years).

18. INTANGIBLE ASSETS *(continued)*

The service concession rights are related to a service concession arrangement with Public and Private Partnership Project Services Centre of Fuyang, Hangzhou (杭州市富陽區政府和社會資本合作項目服務中心), in which the Group carries out construction work for the granting authority and receives, in exchange, a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority for a period of 10 years. As the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets. The carrying amount is measured by the construction and other cost incurred by the Group plus estimated profit margin. During the year, RMB12,964,000 of construction cost (2019: RMB12,723,000) was capitalised as concession rights. Once the underlying infrastructure of the concession arrangements has been completed, the concession rights will be amortised on a straight-line basis over the 10-year period of operation granted by the granting authority.

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2020 are as follows:

Name	Place of incorporation/ establishment	Particular of issued share capital	Equity interests attributable to the Group		Principal Activities
			Direct	Indirect	
Chanhigh Investments Limited ("Chanhigh Investments")	British Virgin Islands	United States Dollar 2	100%	—	Investment holding
Chanhigh Hong Kong Limited ("Chanhigh HK")	Hong Kong	HK$1	—	100%	Investment holding
Zhejiang Chanhigh Construction Limited ("Chanhigh Construction")#*	The PRC	RMB182,264,000	—	100%	Provision of services of municipal work and landscape construction and the related services
Zhejiang Chanhigh Industrial Investment Co., Ltd#*	The PRC	HK$235,000,000	—	100%	Investment holding
寧波滄海小鎮投資管理有限責任公司 (Ningbo Chanhigh Small Town Investment Management Limited)#	The PRC	RMB10,000,000	—	100%	Investment holding
寧波鄞州展海企業管理有限公司#	The PRC	RMB25,000,000	—	100%	Investment holding
浙江海穗新茂建設管理有限公司#	The PRC	RMB69,800,000	—	89.8%	Provision of construction and related services
浙江展海實業有限公司#	The PRC	N/A	—	100%	Provision of Agency services
寧波弘源建設有限公司#	The PRC	RMB1,500,000	—	100%	Provision of construction and related services

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

The above list contains the particulars of subsidiaries which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

As at 31 December 2020, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to RMB293,525,000 (2019: RMB193,946,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

\# These subsidiaries are registered in the PRC with limited liability.

* These subsidiaries are wholly foreign-owned enterprise.

20. RIGHT-OF-USE ASSETS

	Leased properties		Leased machineries		Total	
	31/12/2020 RMB'000	31/12/2019 RMB'000	31/12/2020 RMB'000	31/12/2019 RMB'000	31/12/2020 RMB'000	31/12/2019 RMB'000
At 1 January	337	1,130	—	—	337	1,130
Addition	—	—	3,046	—	3,046	—
Depreciation	(337)	(798)	(423)	—	(760)	(798)
Exchange difference	—	5	—	—	—	5
At 31 December	—	337	2,623	—	2,623	337

The following are the amounts recognised in profit or loss:

	2020 RMB'000	2019 RMB'000
Depreciation expenses on right-of-use assets	760	798
Interest expense on lease liabilities (included in finance costs)	223	31
Expenses relating to short-term lease (included in cost of goods sold and administrative)	2,716	2,708

Details of total cash outflow for leases is set out in note 31(b).

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 year. The leases of machineries were accounted for as finance leases and carried interest of 12.98% during the year ended 31 December 2020. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

21. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade and bills receivables		
Trade receivables	491,898	489,317
Allowance for bad and doubtful debts	(33,515)	(13,561)
	458,383	475,756
Bills receivables	6,000	7,010
Allowance for bad and doubtful debts	(6)	(8)
	5,994	7,002
	464,377	482,758
Other receivables		
Construction contracts performance guarantees and deposits for tender	56,840	67,202
Retention receivables (note)	52,746	76,038
Receivables for demolition expenses paid in advance	29,070	25,626
Others	11,626	9,828
	150,282	178,694
Allowance for bad and doubtful debts	(798)	(1,288)
	149,484	177,406
Prepayments and deposits		
Other deposits	5,000	5,250
Advance to suppliers	189,960	130,930
Administrative and operating expenses	1,300	2,631
	196,260	138,811
	810,121	798,975

Included in the trade receivables was amount due from 湖州滄湖建設投資有限公司 (Huzhou Canghu Construction Investment Company Limited) ("Huzhou Canghu"), a related company of the Group, of approximately RMB171,000 (2019: RMB5,771,000) as at 31 December 2020.

21. TRADE AND OTHER RECEIVABLES *(continued)*

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

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

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

	2020 RMB'000	2019 RMB'000
0 to 90 days	224,064	178,937
91 to 180 days	38,895	48,497
181 to 365 days	49,685	71,556
Over 1 year but less than 2 years	73,774	58,089
Over 2 years but less than 3 years	22,046	67,999
Over 3 years	55,913	57,680
	464,377	482,758

Note:

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

	2020 RMB'000	2019 RMB'000
Within 1 year	2,702	2,991
Over 1 year but less than 2 years	8,207	14,330
Over 2 years but less than 3 years	2,366	3,740
	13,275	21,061

As at 31 December 2020, retention receivables, net of allowance, included in other receivables are RMB52,083,000 (2019: RMB75,962,000), in which RMB39,471,000 (2019: RMB54,977,000) is expected to be recovered after more than twelve months.

22. CONTRACT ASSETS/CONTRACT LIABILITIES

Contract assets

	2020 RMB'000	2019 RMB'000
Arising from performance under		
– construction contracts	960,041	887,768
– maintenance services	535	580
	960,576	888,348
Allowance for impairment loss	(6,012)	(972)
	954,564	887,376
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables"	490,770	516,922

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. Payment for maintenance services is not due from the customer until the maintenance services are complete and therefore a contract asset is recognised over the period in which the maintenance services are performed to represent the entity's right to consideration for the services transferred to date.

The significant changes in the contract assets balances are because of increase in construction volume of projects under construction during the reporting period.

No revenue is recognised during the year from performance obligations satisfied (or partially satisfied) in previous period.

The amount of contract assets that is expected to be recovered after more than one year is about RMB57.4 million (2019: RMB52.4 million).

22. CONTRACT ASSETS/CONTRACT LIABILITIES *(continued)*

Contract liabilities

	2020 RMB'000	2019 RMB'000
Billings in advance of performance obligation – construction contracts	69,958	42,501

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

The significant changes in the contract liabilities balances are because of increase in construction volume of projects under construction during the reporting period.

Movements in contract liabilities:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	42,501	62,346
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(32,974)	(59,849)
Increase in contract liabilities as a result of billing in advance of construction activities/maintenance services	60,431	40,004
Balance at 31 December	69,958	42,501

No billings in advance of performance received that is expected to be recognised as income after more than one year (2019: NIL).

23. BANK AND CASH BALANCES

	2020 RMB'000	2019 RMB'000
Cash at banks and on hand	281,483	161,903
Deposits with initial term of over three months	21,500	45,061
	302,983	206,964

The interest rates on deposits with initial terms over three months were 2.8% to 2.9% (2019: 0.3% to 1.7%) per annum for the year ended 31 December 2020.

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

	2020 RMB'000	2019 RMB'000
RMB	293,525	193,946
HK$	27	591
US$	9,431	12,427
	302,983	206,964

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

24. SHARE CAPITAL

	The Company		
	No. of shares	Amount	
	'000	HK$'000	RMB'000
Authorised:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,000,000	20,000	17,733
Issued and fully paid:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	618,502	6,185	5,487

24. SHARE CAPITAL *(continued)*

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

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

The Group monitors its capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total equity attributable to owners of the Company. The gearing ratios as at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Total borrowings	679,926	576,102
Total equity attributable to owners of the Company	875,642	852,612
Gearing ratio	0.78	0.68

The Group overall strategy of gearing remains unchanged during the year.

The increase in gearing ratio during 2020 resulted primarily from the increase of bank borrowings for operation.

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

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2020, 27.1% of the shares were in public hands.

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

(a) Statement of financial position of the Company

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	—	—
Total non-current assets		—	—
Current assets			
Amounts due from subsidiaries		422,212	422,791
Bank and cash balances		9,656	12,918
Total current assets		431,868	435,709
TOTAL ASSETS		431,868	435,709
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	5,487	5,487
Reserves	25(b)	425,362	429,174
Total equity		430,849	434,661
LIABILITIES			
Current liabilities			
Accruals and other payables		1,019	1,048
Total current liabilities		1,019	1,048
TOTAL EQUITY AND LIABILITIES		431,868	435,709

Approved by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Peng Yonghui
Director

Peng Tianbin
Director

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

(b) Reserve movement of the Company

	Share premium RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2019	457,366	(24,745)	432,621
Total comprehensive income for the year	—	(3,447)	(3,447)
At 31 December 2019	457,366	(28,192)	429,174
At 1 January 2020	457,366	(28,192)	429,174
Total comprehensive income for the year	—	(3,812)	(3,812)
At 31 December 2020	457,366	(32,004)	425,362

26. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

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

26. RESERVES *(continued)*

(b) Nature and purpose of reserves *(continued)*

(ii) Other reserve

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

(iii) Statutory surplus reserve

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

27. TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	324,268	331,622

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

	2020 RMB'000	2019 RMB'000
0 to 90 days	139,836	107,388
91 to 180 days	55,010	30,234
181 to 365 days	31,519	26,477
Over 1 year but less than 2 years	28,257	21,557
Over 2 year but less than 3 years	13,597	63,588
Over 3 years	56,049	82,378
	324,268	331,622

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

28. ACCRUALS AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Accrued staff costs	26,633	26,036
Accrued expenses	1,113	4,578
Accrued interest	577	1,043
Other tax payables	69,464	62,233
Deposits from suppliers	42,811	7,817
Others	2,195	1,590
	142,793	103,297

29. BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank loans	654,443	531,000
Factoring loan with recourse	25,483	45,102
	679,926	576,102
The borrowings are repayable as follows:		
Within one year	566,483	470,619
More than one year, but not exceeding two years	27,000	62,483
More than two years, but not more than five years	86,443	43,000
	679,926	576,102
Less: Amount due for settlement within 12 months (shown under current liabilities)	(566,483)	(470,619)
Amount due for settlement after 12 months	113,443	105,483

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

29. BORROWINGS *(continued)*

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

	2020 %	2019 %
Bank loans	4.69%	5.21%
Factoring loan with recourse	5.94%	5.94%

As at 31 December 2020, the Group's bank loans of RMB654,443,000 (2019: RMB531,000,000) were arranged at floating rates and expose the Group to cash flow interest rate risk. Bank loans of RMB451,000,000 (2019: RMB400,000,000) were secured by a corporate guarantee from a related company, 滄海控股集團有限公司 (Chanhigh Holdings Group Limited ("CHHG")) of RMB600 million (2019: RMB600 million), bank loans of RMB30,000,000 was secured by directors of the Group and bank loans of RMB123,443,000 (2019: RMB80,000,000) was secured by a corporate guarantee from Chanhigh Construction of RMB254 million (2019: RMB254 million) while remaining bank loans of RMB50,000,000 (2019: RMB51,000,000) were unsecured.

As at 31 December 2020, a factoring loan with recourse of RMB25,483,000 (2019: RMB45,102,000) was arranged at fixed rate and expose the Group to fair value interest rate risk. Such loan was secured by the trade receivables of the Group of RMB171,000 (2019: RMB5,771,000) and the corporate guarantee from CHHG.

30. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Within one year	1,970	338	1,591	334
1 – 2 years	2,285	—	2,081	—
	4,255	338	3,672	334
Less: Future finance charges	(583)	(4)	N/A	N/A
Present value of lease obligations	3,672	334	3,672	334
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,591)	(334)
Amount due for settlement after 12 months			2,081	—

The weighted average incremental borrowing rates applied to lease liabilities was 3.96% – 12.98% (2019: 3.96%).

All finance lease payables are denominated in RMB.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a) Reconciliation of liabilities arising from financing activities

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

	1 January 2020 RMB'000	Addition RMB'000	Cash flows RMB'000	Interest expenses RMB'000	31 December 2020 RMB'000
Bank borrowings (note 29)	531,000	—	95,142	28,301	654,443
Factoring loan with recourse (note 29)	45,102	—	(23,691)	4,072	25,483
Lease liabilities	334	3,546	(431)	223	3,672
	576,436	3,546	71,020	32,596	683,598

	1 January 2019 RMB'000	Impact on initial application of IFRS 16 RMB'000	Restated balance at 1 January 2019 RMB'000	Cash flows RMB'000	Interest expenses RMB'000	Exchange difference RMB'000	31 December 2019 RMB'000
Bank borrowings (note 29)	330,900	—	330,900	174,825	25,275	—	531,000
Factoring loan with recourse (note 29)	51,287	—	51,287	(11,792)	5,607	—	45,102
Lease liabilities	—	1,162	1,162	(826)	31	(33)	334
	382,187	1,162	383,349	162,207	30,913	(33)	576,436

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	2,939	2,739
Within financing cash flows	208	795
	3,147	3,534

These amounts were related to the lease rental paid.

c) Major non-cash transaction

During the year, the addition of right-of-use assets amounting to RMB3,046,000, and rental deposit paid of RMB500,000 were financed by lease liabilities.

32. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

33. LEASE COMMITMENTS

The Group regularly entered into short-term leases for office equipment and one-year contract for offices. As at 31 December 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

34. CAPITAL COMMITMENTS

As at 31 December 2020 and 2019, the Group did not have any capital commitments.

35. RELATED PARTY TRANSACTIONS

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

	2020 RMB'000	2019 RMB'000
Rental expenses and building management fee paid to a related company	2,208	2,422

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

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

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	1,086	3,882
Retirement benefits scheme contributions	83	116
	1,169	3,998

(c) The related company, CHHG has guaranteed bank loans and a factoring loan with recourse made to the Group totalling RMB451,000,000 (2019: RMB480,000,000) and RMB25,483,000 (2019: RMB45,102,000) at 31 December 2020 respectively.

36. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is no significant impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

"Acting-in-Concert Confirmation"	an acting-in-concert confirmation dated 20 March 2011 executed by Mr. Peng YH, Mr. Peng TB, Mr. Peng DS and Ms. Wang SF whereby the Peng Family confirmed that, inter alia, it has a common control and influence on the management, operations and voting rights of Chanhigh Construction and its subsidiaries
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	audit committee of the Company, comprising all the independent non-executive Directors, namely Mr. Fan Rong, Mr. Shi Weixing and Mr. Yang Zhongkai
"Auditor"	RSM Hong Kong
"Board Committees"	the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee
"Board of Directors" or "Board"	the board of Directors
"BVI"	the British Virgin Islands
"Canghu"	Huzhou Canghu Construction Investment Company Limited (湖州滄湖建設投資有限公司), a limited liability company established in the PRC which is indirectly owned as to 72.7% by CHHG, 20% by Huzhou Nantaihu Municipal Construction Company Limited (湖州南太湖市政建設有限公司) (an Independent Third Party) and 7.3% by Mr. Peng TB and his spouse
"Cayman Islands Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chanhigh Construction"	Zhejiang Chanhigh Construction Limited (浙江滄海建設有限公司), formerly known as Zhejiang Chanhigh Municipal Landscape Construction Limited (浙江滄海市政園林建設有限公司), Yin County Shanshui Landscape Engineering Limited (鄞縣山水園林工程有限公司), Ningbo Shanshui Landscape Construction Limited (寧波山水園林建設有限公司) and Ningbo Shanshui Construction Limited (寧波山水建設有限公司), a limited liability company established in the PRC on 22 February 2001, which is a wholly-owned subsidiary of Chanhigh HK and an indirect wholly-owned subsidiary of the Company
"Chanhigh HK"	Chanhigh Hong Kong Limited (滄海香港有限公司), a limited liability company established in Hong Kong on 30 March 2016, which is wholly owned by Chanhigh Investments

"Chanhigh Investments"	Chanhigh Investments Limited (滄海投資有限公司), a limited liability company established in the BVI on 15 March 2016, which is a wholly-owned subsidiary of the Company
"CHHG"	Chanhigh Holding Group Limited (滄海控股集團有限公司), formerly known as Ningbo Chanhigh Investment Ltd. (寧波滄海投資有限公司) and Ningbo Chanhigh Holding Group Ltd. (寧波滄海控股集團有限公司), a limited liability company established in the PRC on 26 April 2005, which is owned as to 30% by Mr. Peng TB, 20% by Mr. Peng DS and 50% by Ms. Wang SF, and a connected person of the Company
"China" or "PRC"	the People's Republic of China, which for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Company"	Chanhigh Holdings Limited (滄海控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 1 April 2016
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the Peng Family, Vast Base and TEUR
"Director(s)"	the director(s) of the Company
"EIT"	the PRC Enterprise Income Tax
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as amended or supplemented from time to time
"ESG"	Environmental, Social and Governance
"ESG Guide"	Appendix 27 to the Listing Rules "Environmental, Social and Governance Reporting Guide"
"ESG Report"	Environmental, Social and Governance Report
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Group"	the Company and its subsidiaries
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK$" or "HKD"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited

"Hongyuan Construction"	Ningbo Hongyuan Construction Limited (寧波弘源建設有限公司), formerly known as Xingfengying (Fujian) Construction Limited (興鋒盈(福建)建設有限公司), a limited liability company established in the PRC on 11 December 2017, which is an indirect wholly-owned subsidiary of the Company
"IFRS"	the International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules
"Mr. Peng DS"	Mr. Peng Daosheng (彭道生), the founder and an executive Director, a member of the Peng Family, spouse of Ms. Wang SF, and father of Mr. Peng TB and Mr. Peng YH
"Mr. Peng TB"	Mr. Peng Tianbin (彭天斌), an executive Director and chairman of the Company, a member of the Peng Family, son of Mr. Peng DS and Ms. Wang SF, and brother of Mr. Peng YH
"Mr. Peng YH"	Mr. Peng Yonghui (彭永輝), an executive Director and chief executive officer of the Company, a member of the Peng Family, son of Mr. Peng DS and Ms. Wang SF, and brother of Mr. Peng TB
"Ms. Wang SF"	Ms. Wang Sufen (王素芬), a non-executive Director, a member of the Peng Family, spouse of Mr. Peng DS, and mother of Mr. Peng TB and Mr. Peng YH
"Nomination Committee"	nomination committee of the Company, comprising two independent non-executive Directors, namely Mr. Shi Weixing and Mr. Yang Zhongkai and one executive Director, namely Mr. Peng YH
"Peng Family"	Mr. Peng DS, Ms. Wang SF, Mr. Peng TB and Mr. Peng YH
"PPP"	Public-Private-Partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector
"PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them

"PTB Family Trust"	The Peng Tian Bin Family Trust, a discretionary trust set up by Mr. Peng YH, the beneficiaries of which shall include Mr. Peng TB and his descendants who carry the "PENG" (彭) surname
"PYH Family Trust"	The Peng Yong Hui Family Trust, a discretionary trust set up by Mr. Peng YH, the beneficiaries of which shall include Mr. Peng YH and his descendants who carry the "PENG" (彭) surname
"Remuneration Committee"	remuneration committee of the Company, comprising two independent non-executive Directors, namely Mr. Yang Zhongkai and Mr. Shi Weixing and one executive Director namely Mr. Peng TB
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	strategy committee of the Company, comprising two executive Directors, namely Mr. Peng TB and Mr. Peng YH, and one independent non-executive Director, namely Mr. Fan Rong
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"TEUR"	TEUR Holdings Limited (天鈺控股有限公司), a company incorporated under the laws of BVI with limited liability on 15 March 2016, and is wholly-owned by Mr. Peng YH as the Trustee of the PTB Family Trust
"Trustee"	Mr. Peng YH, the trustee of the PYH Family Trust and the PTB Family Trust
"Vast Base"	Vast Base Investments Limited (浩程投資有限公司), a company incorporated under the laws of BVI with limited liability on 15 March 2016, and is wholly-owned by Mr. Peng YH as the Trustee of the PYH Family Trust
"Year"	the year ended 31 December 2019
"YZTB"	Ningbo Yinzhou Tianbin Trading Limited (寧波市鄞州天賓貿易有限公司), a company owned as to 90.18% by CHHG and as to 9.82% by Ms. Wang SF
"%"	per cent.