博大绿泽
BROAD GREENSTATE

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

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

Annual Report 2020

博大精深

博採眾長 Eclectic

大有作為 Accomplishment

精益求精 Excelsior

深生不息 Endless Depth

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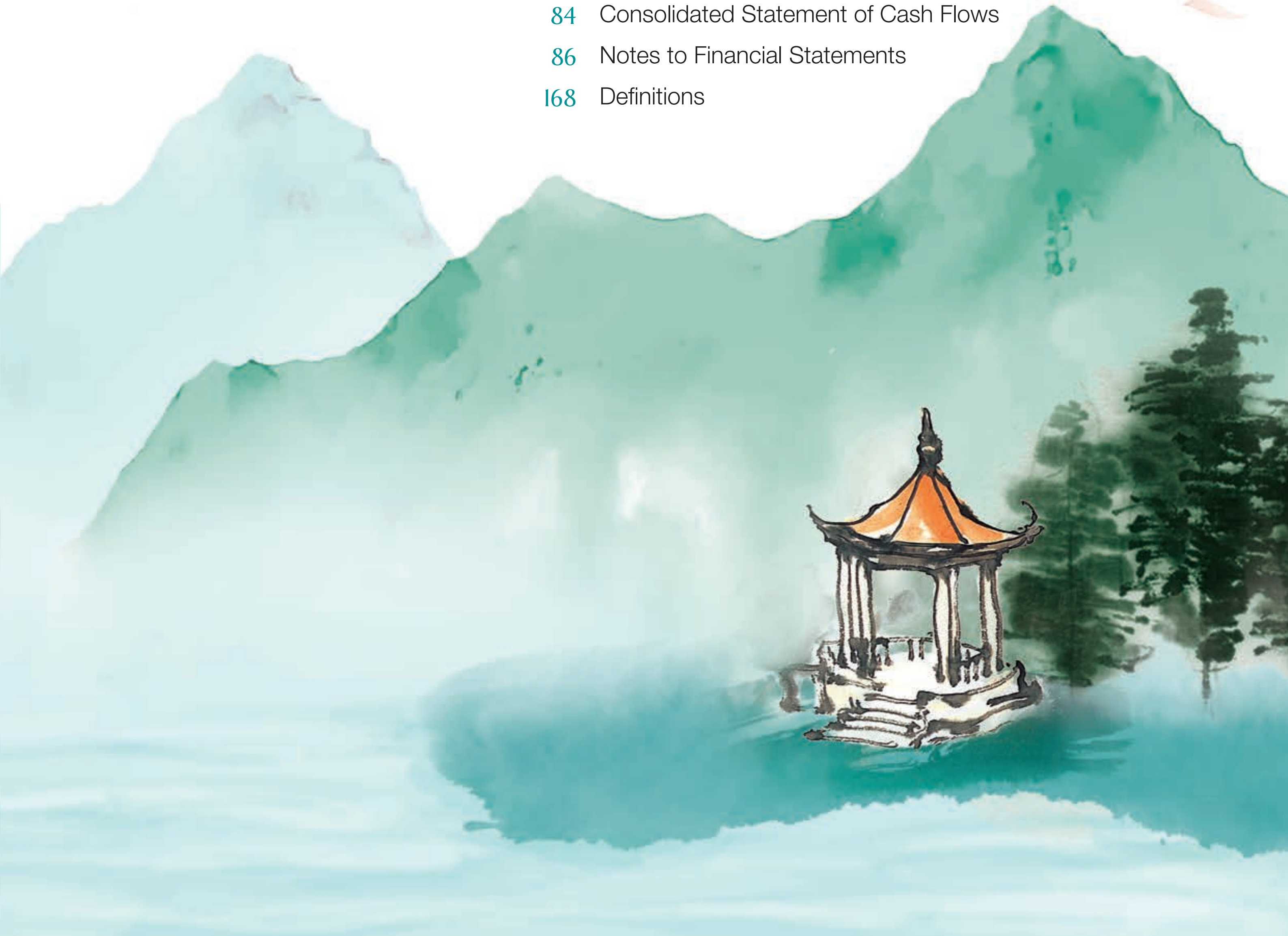


Corporate Information

Company Name

China Greenland Broad Greenstate Group Company Limited

Place of Listing of Shares

The Stock Exchange of Hong Kong Limited — main board

Stock Code

1253

Stock Name

GREENLAND BROAD

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Dai Guoqiang
Dr. Jin Hexian
Mr. Yang Yuanguang *(appointed on 23 May 2020)*
Dr. Chan Wing Bun *(resigned on 23 May 2020)*

Company Secretary

Ms. Lo Ka Man *(appointed on 26 February 2021)*
Ms. Sun Ah Tsang *(resigned on 26 February 2021)*

Authorized Representatives

Ms. Zhu Wen
Ms. Lo Ka Man *(appointed on 26 February 2021)*
Ms. Sun Ah Tsang *(resigned on 26 February 2021)*

Audit Committee

Mr. Yang Yuanguang *(Chairman) (appointed on 23 May 2020)*
Mr. Dai Guoqiang
Dr. Jin Hexian
Dr. Chan Wing Bun *(resigned on 23 May 2020)*

Remuneration Committee

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

Nomination Committee

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

Registered Office

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

Headquarters and Principal Place of Business in the PRC

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

Corporate Information (Continued)

Place of Business in Hong Kong

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

Auditor

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

Hong Kong Legal Advisor

Jia Yuan Law Office
17/F, No. 238 Des Voeux Road Central
Sheung Wan, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bank

Bank of Shanghai Changning Branch

Company Website

www.greenland-broadgreenstate.com.cn

Financial Highlights

	For the year ended 31 December 2020 RMB'000	2019 RMB'000	Change RMB'000	%
Revenue	**676,161**	949,088	(272,927)	(28.8)
Gross Profit	**190,611**	211,291	(20,680)	(9.8)
Profit before taxation	**94,046**	81,193	12,853	15.8
Net profit attributable to owners of the Parent	**78,295**	71,383	6,912	9.7

	31 December 2020 RMB'000	2019 RMB'000	Change RMB'000	%
Total assets	**3,452,771**	3,364,005	88,766	2.6
Total equity attributable to owners of the parent	**995,931**	884,240	111,691	12.6

	For the year ended 31 December 2020	2019
Profitability ratio (%)		
Gross Profit margin	**28.2**	22.3
Net profit margin	**11.6**	7.5
Return on assets	**2.3**	2.1
Return on equity	**7.7**	7.8
Working capital ratio (time)	**1.1**	1.0
Gearing ratio (%)	**60.4**	65.8

Five-Year Financial Summary

	For the year ended 31 December				
	2020	2019	2018	2017	2016
Profitability data					
Revenue	**676,161**	949,088	889,548	1,336,327	724,805
Gross Profit	**190,611**	211,291	222,870	355,652	271,090
Profit before taxation	**94,046**	81,193	64,385	178,248	205,322
Net profit attributable to owners of the Parent	**78,295**	71,383	59,243	155,619	151,707
Profitability ratio (%)					
Gross Profit margin	**28.2**	22.3	25.1	26.6	37.4
Net profit margin	**11.6**	7.5	6.7	11.6	20.9
Assets and liabilities data (RMB'000)					
Non-current assets	**1,135,962**	916,698	990,497	899,091	546,330
Current assets	**2,316,809**	2,447,307	2,404,831	3,116,619	1,265,124
Current liabilities	**2,152,338**	2,439,534	2,175,097	2,677,191	1,153,292
Non-current liabilities	**276,426**	21,576	333,065	425,534	6,145
Total equity attributable to owners of the parent	**995,931**	884,240	844,948	842,637	651,117
Working Capital data					
Current ratio (time)	**1.1**	1.0	1.1	1.2	1.1
Gearing ratio (%)	**60.4**	65.8	69.4	74.1	58.1

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of China Greenland Broad Greenstate Group Company Limited and its subsidiaries, I am pleased to present you with the audited consolidated annual results of the Group for the year ended 31 December 2020.

Chairman's Statement (Continued)

In 2020, the global economy faced a greater downward pressure due to the COVID-19. China has made a remarkable achievement in the policies on stablising growth introduced early this year. More efforts have been made to promote the commencement and resumption of major infrastructure projects nationwide. The capital has been precisely allocated, the accumulative infrastructure investment has recorded a positive growth rate and several segments in the infrastructure industry have significantly rebounded, all of which highlighted the importance of infrastructure development in promoting investment and stabilising growth. The Group has overcome difficulties and is maintaining a stable and healthy development.

During the Reporting Period, by timely grasping the opportunities brought by national policies in response to the epidemic, the Group successfully secured financing to ensure the normal operation of various projects. The Group also adjusted its business strategy in a timely manner to focus on developing investment projects in previous years and optimised its management model, so as to lay a solid foundation for the steady development in 2021. For now, our Group is in a virtuous cycle, while our old projects are in final stage, the projects in progress run steadily, more efforts are invested in the preliminary work of incremental projects and the reserve projects are carried out orderly, based on which the overall performance is undergoing a steady rise and the annual results are as expected.

As of 31 December 2020, the Group recorded a total revenue of approximately RMB676.2 million, and recorded a profit for the year of approximately RMB190.6 million and net profit attributable to owners of the Parent of approximately RMB78.3 million with a gross profit margin of 28.2% and a net profit margin of 11.6%. Such an increase in consolidated results was mainly due to the concerted efforts of all our staff to fight against COVID-19, resume work and production and judge the situation, thus achieving a steady development in the face of adversity.

Market Review

The year of 2020 is not only the final year for completing the building of a moderately prosperous society in all respects and the 13th Five-Year Plan, but also the beginning year for implementing the major national strategy of high quality development. Though the COVID-19 has resulted in suspension of development in many industries and enterprises, the state and governments at all levels responded positively by increasing domestic infrastructure investment and counter-cyclic adjustment. Meanwhile, guaranteeing measures of policy in respect of finance and fiscal taxation were introduced to support and facilitate the resumption of work and production for enterprises. Currently, the model of Public-Private Partnership ("**PPP**") in China has been basically shaped and tends to develop in a rational and standardised way. With various favorable policies and measures in relation to PPP introduced by the state in 2020, PPP gave full play to its important role in promoting infrastructure construction, shoring up weak links, stabilising investment and ensuring employment for the state.

According to statistics from the PPP Center of the Ministry of Finance, from 2014 to 31 January 2021, there were 10,034 PPP projects nationwide with a total investment amounted RMB15.5 trillion. As of the end of January 2021, the top five sectors in terms of the net increase in the investment of projects were transportation, municipal engineering, government infrastructure, water conservancy construction and education, as compared with that at the end of December 2020. In addition, PPP has achieved significant breakthrough in assisting counties that out of poverty to facilitate rural revitalization development. From 2014 to the end of January 2021, many counties that out of poverty have explored to apply the PPP model to support poverty alleviation and rural revitalization. Among which, there were 965 contractually implemented projects with an investment amount of RMB746.4 billion, and as of the end of January 2021, there were total 3,362 projects on the list with an investment amount of RMB3.9 trillion, demonstrating the important role of PPP in promoting the comprehensive implementation of the rural revitalization strategy.

Chairman's Statement (Continued)

Focus on Fulfilling Orders in Hand, Facilitate Urban Renewal and Region Upgrade

In 2020, affected by the epidemic, the overall new signing orders of the landscape industry was at a low level, the progress of major projects further slowed down, and the bidding of Engineering Procurement Construction ("**EPC**") decreased. During the Reporting Period, the Group focused on completion of existing projects and actively optimized the management model to achieve the gradual completion of some projects. With the gradual improvement of the operating environment, the Group will resume the continuous receiving of orders. The construction and operation of old projects, as well as the negotiation and bidding of new projects are all within the plan.

With the decline of demographic dividend, the increasing reduction of new construction land resources and the constraint on local government debt, it is urgent to optimize the urban spatial structure, enhance urban functions and improve the urban living environment through urban renewal. In recent years, the Group has been enhancing its own comprehensive ability through qualification upgrade as well as mergers and acquisitions. With some businesses extending into second- and third-tier cities, the Group has been actively facilitating urban updating and regional development, integrating its advantages on resource, capital and policy, and enhancing urban sustainability, livability and competitiveness, so as to boost urban vitality and promote urban prosperity and development.

Stay Tough Amidst Adversity, Achieve Breakthrough by Reform and Exploration

During the Reporting Period, the Group kept forging ahead notwithstanding the impact of COVID-19 epidemic and global economic downturn. In the first quarter of 2020, the Xi'an Jue River Wetland Park project was successfully completed, giving a great boost to the "breakthrough" of the Group. The Group signed a comprehensive strategic cooperation framework agreement, in relation to industry investment, project introduction and urban construction, etc., with Jiangsu Dongtai High-tech Zone Management Committee early this year. It is another important move of the Group to return to the integrated construction and the strategic layout of the Yangtze River Delta in response to the national strategy, which brings strong momentum to the healthy development of the Group. In August 2020, Qishan Tamall Cultural Tourism District, the Group's first "design + construction + operation" whole industry chain project, was officially launched, which was not only a new starting point for the transformation of the Group's commercial operation but also a historically significant milestone. Besides, the Group's General Hill Sports Park project in Zhaoqing was fully completed by the end of 2020. Such project will become the largest sports park in the Lingnan area, and the achievements and quality of construction have won high recognition from the leaders of local municipal committee and municipal government. Furthermore, the completion of such project and the recognition from government marked that the Group successfully captured the important opportunities to engage in the future development of the Greater Bay Area.

Keep Pace with State Policy, Leverage PPP to Shore up Our Weak Spots

"Maintaining stability in investment and economy and shoring up our weak spots" became the state's important task under the complicated and ever-changing domestic and oversea environment. PPP financing model is more flexible than traditional government financing. Not only can it engage more social capital to relieve the pressure on government finance, but also improve efficiency to accelerate the diversified development of private economy. The standardized operation of PPP model is under extensive attention and attached great importance from all sectors of the community with its role in shoring up the weakness becoming outstanding increasingly. Local governments are actively exploring the application of PPP models, especially in weak spots as "rural revitalization" and public services. During the Reporting Period, the Group kept pace with the state policy to promote the quality, efficiency and driving force revolution in public service supply by leveraging the PPP model that can marketize and socialize public service supply management, aiming to re-energize the healthy development of local economies.

Chairman's Statement (Continued)

Prospect

In the early 2020, President Xi Jinping made a solemn pledge to the world that China will strive to peak its carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060. The 14th Five-Year Plan also calls for greater determination and more efforts to implement the national strategy of coping with climate change by accelerating the transformation of the economic structure, energy structure and industrial structure, and promoting China's medium and long term green and low-carbon transformation and upgrading.

The "Promoting Green Development and Harmonious Environment for the Symbiotic Development between both Human Being and the Nature" proposed by the Fifth Plenary Session of the 19th CPC Central Committee provides a favourable market environment and strategic guidance for the Group's development in 2021. Looking ahead, the development direction of the Group will be transferred from the strategic layout of "ecological construction as the 'body', with environmental restoration and cultural tourism operations as the 'wings'" to the whole industrial chain layout of "investment and financing, planning and design, project construction and commercial operation". The Group will implement flattened management, strengthen talents team building, and position itself as a "planner, investor, constructor and operator in respect of renewal and upgrading of regional cities", so as to enhance the regional core values with the first-class ecological environment and to promote the harmonious upgrading of our homeland with profound humanistic construction. The Group will actively enhance its operational capability and realize high-quality development of ecological construction and create high-quality livelihood projects with a strategic vision of integrated operation. On the premise of promoting green and low-carbon development, actively responding to climate change, strictly protecting the ecological environment, our Group will comprehensively improve the efficiency of resource utilization, accelerate the promotion of green and low-carbon development, and make effort to build a green development and harmonious demonstration zone for the symbiotic development of both human being and the nature.

2021 is the year in which the Group will complete its reform and transformation, and it is also the year in which it will be prepared for taking a leap forward. Based on its development position, the Group will combine with its actual business conditions, proactively focus on the development of the industry and national strategies, strive to give full play to the Group's advantages in the layout of the whole industrial chain, actively expand the market, steadfastly deepen reform, spare no effort to optimize management, and strive to write a new chapter of the Group's high-quality development in seek for new opportunities and making a fresh start.

Chairman and Chief Executive Officer
Mr. Wu Zhengping

31 March 2021

Management Discussion and Analysis

Industry Review

In 2020, China's industrial and commercial activities, infrastructure investment and even the overall economy were hit by the impact of the epidemic and the global economic downturn. The Chinese government has always adopted a proactive attitude and has introduced a series of policies to stabilize economic growth in terms of infrastructure investment. These policies included increasing the deficit rate to 3.6% or above, issuing anti-epidemic special treasury bonds of RMB1 trillion, expanding the special debt limit to RMB3.75 trillion, and increasing the national railway construction capital by RMB100 billion. On the whole, a number of stable growth policies issued in response to the epidemic have achieved remarkable results. The commencement and resumption of major infrastructure projects in various regions have been continuously strengthened, the investment of funds has been precise and strong, the cumulative investment growth rate of infrastructure has recovered, and the investment in many sectors has rebounded significantly.

Management Discussion and Analysis (Continued)

In terms of PPP, the National Development and Reform Commission re-emphasized the importance of ecological civilization and environmental protection in November 2020, and vigorously promoted the PPP projects in the field of environmental protection, such as urban sewage and garbage treatment, ecological governance, hazardous waste treatment, medical waste treatment, renewable energy and resource utilization, aiming to play a good demonstration and leading role. The central government also encouraged all parties in the society to actively explore the PPP+Real Estate Investment Trusts ("**REITs**") model, so as to exert a substantial demonstration effect through the combined development of PPP and REITs. At the same time, in recent years, new infrastructure, new urbanization initiatives, transportation, water conservancy and other major projects have become hot spots for PPP investment. In addition, various projects carried out in PPP model to help poverty alleviation, rural revitalization, and ecological and environmental protection have all been vigorously promoted. The development of PPP will enter a new stage.

With the support of multiple national policies, the gardening industry has gradually passed the stage of the worst operating environment. Meanwhile, as the industry's financing environment has gradually improved in recent years, and investment in ecological construction and environmental protection has continued to maintain high growth, gardening companies are expected to accelerate their growth significantly and become new stars in the new round of development.

Business Review

The Group has always adhered to the principle of "specializing in the core business of ecological construction, improving the businesses of environmental restoration and cultural tourism operation". After years of unremitting efforts, the Group has succeeded in controlling operating risks through a series of reform measures such as optimizing the management model, enhancing strength, increasing revenue and reducing expenditure, and achieving stable and sustainable operations. The Group is committed to striding towards comprehensive and high-quality development.

Confronting the severe economic situation brought about by the COVID-19, the Group actively carried out reforms and explorations amidst difficulties and setbacks. The Group has established a more comprehensive and effective control mechanism, while adjusting and innovating its business development model, diversifying its business layout and exploring the conversion from PPP to EPC, EPC + Finance ("**EPC+F**") and EPC + Operation ("**EPC+O**"). The Group strived to diversify its financial income to replace single source and ultimately achieve diversification of investment income, construction income and operation income, hence maximizing the benefits of the Group. The Group has also set up a technology innovation team to accelerate technological innovation and explored innovation in construction technology, work mode and operating system with relevant results achieved, realizing a steady development in innovation. The Group always adheres to the development guideline of "seeking innovation" in response to challenges brought forth by severe and complicated external situations.

During the Reporting Period, the Group recorded a total revenue of RMB676.2 million and net profit attributable to owners of the Parent of RMB78.3 million. Gross profit margin was 28.2%, while net profit margin was 11.6%, representing an increase of 5.9 percentage points and 4.1 percentage points respectively as compared with last year. Such an increase in consolidated results was mainly attributed to the Group's active response to the central government's call for rapid resumption of work and production, focusing on completing projects on hand, enhancing payment collection of the projects on hand, and evaluating the situation to grasp development opportunities and actively optimizing the management model.

Management Discussion and Analysis (Continued)

Qualifications and Licenses

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

Cost Control

The Group continued to adopt a refined project cost control model in line with its scientific, rational and economical operation practice. It established a group-wide unified supplier database and utilised its self-developed project management information platform (the "**OA system**") to ensure that all expenses on projects were strictly managed in accordance with the budget. During the Reporting Period, the Group also completed the preparation and trial operation on a procurement platform for well-known enterprises in China, comprehensively expanding the supply chain.

Stringent cost management underpinned the steady development of the Group and enabled the Group to maintain industry-leading gross margin levels over the years. During the Reporting Period, the Group has made progress in cost control.

Management Discussion and Analysis (Continued)

Quality Control

Being a group company with ecological construction as its core business, quality control has always been the utmost importance for the Group. The Group values its brand building and undertakes key government projects for the most part. Except for optimizing operational process and improving collaborative efficiency, the Group also established Special Purpose Vehicle ("**SPV**") company at place where the project is located to further strengthen internal control management, so as to supervise the engineering quality strictly and to achieve steady development of the Company. The Group also set up a linkage mechanism between functional departments and each of the project department through the online OA system to improve the internal control and management system and to strengthen collaboration. In addition, the Group set specialized quality control position in each project department for the routine monitoring of the project quality. The management of the Group also carried out project inspections from time to time, aiming to guarantee the project construction quality and construction progress.

The Group has conducted quality control in three aspects, which include policy, system and manpower:

As for the policy and system, the Group established sound and comprehensive policy for processes, coupled with optimized systems for quality control. We carried out the inspection of projects quality and safety and implemented the projects inspection and assessment system with the methods of system as the standard, quality engineering as the goal, strictly checking as the practice; as for manpower, well-experienced project managers were employed to control engineering quality on a comprehensive basis, the appraisal system of project managers was improved and the inspection of quality and safety was fully implemented. The quality control department on the group level has adopted a standard quality control system for those construction enterprises which are under cooperation and newly cooperated with. The quality management system of the Group has been recognized by the certification of ISO 9001, ISO 14001 and OHSAS 18001.

Research and Development

As a leading service provider and investment operator in the fields of ecological construction, cultural tourism, and environmental governance in China, the Group is striving to become an internationally advanced and domestic leading player in the industry by adhering to the guidance of applying high-efficiency, energy-saving and clean green technology and design so as to promote its development through scientific and technological innovation. Based on currently available technology accumulation, project experience and product advantages, the Group has continuously invested a large amount of funds in establishing its technology center, adhering to independent development, with the introduction, digestion and absorption of other technologies as a supplement, as well as constantly strengthened the cooperation of industry, education and research, and the construction of intellectual property rights, and actively realized the industrialization of science and technology. The Group keeps regarding scientific research as an important strategy to achieve sustainable development, and provides strong technical support for the Group through scientific research innovation, so as to secure its healthy development.

The Group has been constantly carrying out projects while conducting development and research in respect of a number of patented technologies, and successfully made substantial progress in plant cultivation, soil improvement and water ecological treatment. Currently, the Group has owned a number of patented technologies and patented products with independent intellectual property rights, and acquired core technologies in the field of ecological construction, which contributes strong competitive advantages in the industry. The Group has a total of three invention patents, 59 utility model patents, five trademark copyrights, three software copyrights, one exclusive right of integrated circuit layout design, one invention patent under application and three new cultivars at the reproductive stage, all of which relate to sewage treatment, saline-alkali land restoration, ecological restoration, garden plants, construction and other fields.

Management Discussion and Analysis (Continued)

Future Development

Since the 18th National Congress of the Communist Party of China ("**CPC**"), the construction of ecological civilization has become a major national strategy, and various policies have laid a good foundation for the rapid development of ecological garden enterprises. At the 19th National Congress of the CPC, the central government clearly put forward the long-term goal of socialist modernization: "The goal of building a beautiful China will be basically achieved by 2035", as well as the new goals and tasks of "achieving new progress in the construction of ecological civilization" during the "14th Five-Year Plan" period. Specifically, the central government has imposed green development and ecological environmental protection requirements on all aspects of economic and social development, and made special arrangements for accelerating the promotion of green and low-carbon development, continuously improving environmental quality, enhancing the quality and stability of the ecosystem, and comprehensively improving resource utilization efficiency. In the context of vigorously promoting the construction of ecological civilization, the ecological environmental protection industry will usher in new opportunities.

The Group will actively respond to the national strategy and firmly grasp the golden period of the "14th Five-Year Plan". It will use its endeavor to do what the central government concerns about and live up to the people's expectations, so as to build a beautiful home with practical actions, make cultural contributions to a wonderful China, and push the ecological construction to a new height. The Group will continue to pursue progress while maintaining stability, and improve its comprehensive capabilities through qualification upgrades and industrial mergers and acquisitions. The Group will learn from each other's strengths in the model of PPP and EPC going hand in hand, which is to be adopted. In addition, the Group will improve the accuracy of business projects and speed up the conversion of the projects' output value, further accelerate the completion of existing projects, strengthen operation management, layout business development, accelerate the formation of its own strategic advantages, and continue to deepen its brand image, so as to make a good start for the Company at the beginning of the "14th Five-Year Plan" with solid foundation, and contribute to the construction of a beautiful China.

Corporate Governance Report

Corporate Governance Practices

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

The Company has adopted the principles and code provisions of the CG Code as set out in Appendix 14 of the Listing Rules (as amended from time to time) as the basis of the Company's corporate governance practices since the Listing Date. Throughout the Reporting Period, the Company has complied with all the applicable code provisions of the CG Code with the exception of code provisions A.2.1 and E.1.2. Details of the deviations from the code provisions A.2.1 and E.1.2 are explained in the sections "Chairman and Chief Executive Officer" and "Communication with Shareholders and Investors" of this report respectively.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiries with the Directors, all the Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

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

Board of Directors

Composition

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

The composition of the Board is set out below:

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

Independent Non-executive Directors:
Mr. Dai Guoqiang
Dr. Jin Hexian
Mr. Yang Yuanguang

Corporate Governance Report (Continued)

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

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Directors and Senior Management" on pages 54 to 57 of this annual report.

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

During the Reporting Period, Mr. Yang Yuanguang, who has appropriate professional qualification or accounting or related financial management expertise in accordance with Rule 3.10 of the Listing Rules, has been appointed in place of Dr. Chan Wing Bun as an independent non-executive Director and the chairman of the Audit Committee of the Company with effect from 23 May 2020. The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Re-election of Directors

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

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

Corporate Governance Report (Continued)

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

Board Committees

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

Audit Committee

The Audit Committee currently comprises three members, namely Mr. Yang Yuanguang, Mr. Dai Guoqiang and Dr. Jin Hexian. All of them are independent non-executive Directors. It is currently chaired by Mr. Yang Yuanguang.

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

During the Reporting Period, the Audit Committee reviewed the annual results and annual report for the year ended 31 December 2019, interim financial results and interim report for the six months ended 30 June 2020, significant issues on the financial reporting procedures and arrangements for employees to raise concerns about possible improprieties, the effectiveness of the risk management and internal control systems. The Audit Committee also reviewed the internal audit function and the audit progress/plan in relation to the 2020 annual results submitted by the external auditors. The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

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

Remuneration Committee

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

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

During the Reporting Period, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, remuneration packages of the executive Directors and senior management and the evaluation system for the performance of executive Directors. The Remuneration Committee also reviewed its terms of reference and recommended to the Board for on the amendments to its terms of reference. The Remuneration Committee had also reviewed and made recommendation to the Board on the approval of supplemental agreements dated 31 March 2020 to the service contracts entered between the Company and the executive Directors and letters of appointment issued to the independent non-executive Directors. In addition, the Remuneration Committee had reviewed the remuneration package offered to Mr. Yang Yuanguang, an independent non-executive Director, who was appointed on 23 May 2020.

The Remuneration Committee met twice during the Reporting Period.

Nomination Committee

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

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

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

During the Reporting Period, the Nomination Committee reviewed the Board Diversity Policy, structure, size and composition of the Board and the independence of the independent non-executive Directors and reviewed Directors' Nomination Policy. In addition, the Nomination Committee reviewed the qualification of Mr. Yang Yuanguang and recommended to the Board for the appointment of Mr. Yang. The Nomination Committee also recommended to the Board on re-election of Directors.

The Nomination Committee met twice during the Reporting Period.

Board Diversity Policy

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

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

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

Corporate Governance Report (Continued)

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

Directors' Nomination Policy

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

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

Criteria adopted for selection and recommendation for directorship

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

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination process

(a) Appointment of New Director

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

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

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

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

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

(b) Re-election of Director at General Meeting

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

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

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

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

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

Corporate Governance Functions

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

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

Board Meetings

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

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

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

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

Corporate Governance Report (Continued)

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

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

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held for the Reporting Period is set out in the table below:

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

Notes:

1. *Mr. Yang Yuanguang was appointed as independent non-executive Director and the chairman of the Audit Committee of the Company on 23 May 2020. Two Board meetings and two Audit Committee meetings were held after his appointment.*

2. *Dr. Chan Wing Bun resigned as independent non-executive Director and the chairman of the Audit Committee of the Company on 23 May 2020. Two Board meetings, one Audit Committee meeting, one extraordinary general meeting and the annual general meeting were held before his resignation.*

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

Risk Management and Internal Controls

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

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

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

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

Principles of Risk Management

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

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

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

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

Features and Processes of Risk Management and Internal Control:

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

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

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

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

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

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

Corporate Governance Report (Continued)

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

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

The Company identifies risks from a long-term perspective instead of only focusing on short and medium term risks. Risk assessment will be conducted based on risk parameters such as the possibility and hazard of the risk, critical point that triggers the risk control measures and the priority of risk control, etc. The management will also collect relevant information during the risk assessment to classify and identify source of risk and make reasonable estimates to the probability of the risk as well as the loss it may generate. The management will as well decide the risk level acceptable to each business and project on the basis of their past experience and, thereby, determine the key point of risk control.

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

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

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

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

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

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

Directors' Responsibility in Respect of the Financial Statements

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 73 to 78 of this annual report.

Auditor's Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Ernst & Young, in respect of audit services and non-audit services for the Reporting Period is disclosed on note 6 of the "Notes to Financial Statements" on page 117 of this annual report. The audit service conducted by Messrs. Ernst & Young is the Group audit and statutory audit of Greenstate International. Messrs. Ernst & Young did not conduct any non-audit services during the Reporting Period.

Company Secretary

The company secretary of the Company (the "**Company Secretary**") supports the Board and Board committees and facilitates good information flow between them and the Company's management. During the Reporting Period, the Company has engaged Ms. Sun Ah Tsang ("**Ms. Sun**") of Tricor Services Limited ("**Tricor**"), an external service provider as its Company Secretary. Ms. Sun's main contact person during the Reporting Period at the Company are Mr. Jing Changzhong and Ms. Zhu Wen, the then and current chief financial officer of the Company. All Directors have access to the Company Secretary's advice and services.

During the Reporting Period, the Company Secretary has complied with the training requirement as stipulated in the Listing Rules.

On 26 February 2021, Ms. Sun has resigned as the Company Secretary of the Company and the Company has engaged Ms. Lo Ka Man of Tricor, an external service provider, as the Company Secretary.

Shareholders' Rights

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

Corporate Governance Report (Continued)

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

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

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

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

Procedures for Shareholders to Put Forward Proposals at General Meeting

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

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

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

Procedures for Shareholders to Put Forward Enquiries to the Board

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

Contact Details

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

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

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

Communication with Shareholders and Investors

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

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

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. The chairman of the board should also invite the chairmen of the audit, remuneration, nomination and any other committee (as appropriate) to attend. In their absence, the chairman of the board should invite another member of the committee or failing this, his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

On the annual general meeting ("**AGM**") of the Company held on 22 May 2020, Mr. Wu Zhengping, the chairman of the Board and chief executive officer of the Company was unable to attend the AGM due to other business commitments. The Board arranged for Ms. Xiao Li, an executive Director, the deputy chief executive officer and a member of the Nomination Committee of the Company, who was well versed in all business activities and operations of the Group, to attend and chair the AGM on behalf of Mr. Wu Zhengping and to respond to questions from Shareholders. The Company will adopt a more flexible schedule in order to facilitate the chairman to attend future AGM of the Company. While the chairman of the Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, their duly appointed delegates were attended the AGM to answer questions. Auditors of the Company also attended the Company's AGM pursuant to code provision E.1.2.

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

Corporate Governance Report (Continued)

Dividend Policy

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

Constitutional Documents

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

Environmental, Social and Governance Report

I. Reporting Criteria, Period and Scope

The environmental, social and governance report (the "**ESG Report**") is prepared in compliance with the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") as set out in Appendix 27 to the Listing Rules for the purpose of enabling stakeholders to understand the environmental, social and governance ("**ESG**") policies, measures and performance of the Company beyond financial performance.

This report covers relevant information of China Greenland Broad Greenstate Group Company Limited (the "**Company**"), together with its subsidiaries, (collectively referred to as "**Group**" or "**Broad Greenstate**" or "**We**") in relation to its management approaches and strategies on ESG from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"). The scope of this report covers the management offices of the Company's headquarters and the offices of subordinate project department.

Since our ESG data collection system is still evolving, we are inevitably subject to different levels of restrictions at various project sites during the collection process. Nevertheless, we make our best efforts to collect relevant ESG data for more accurate information disclosure, and will continuously improve the comprehensiveness and completeness of our ESG data collection system in the future. The Group has compiled with the "comply or explain" provisions as set out in the Guide for the year ended 31 December 2020.

II. Company Background

Broad Greenstate is an enterprise that develops in the diversified industry chain with a primary focus on ecological construction. As a company with high-level integrated operational capacity in investment and financing, planning and design, project construction and commercial operation, seizing the great opportunity guided by China's goal in national ecological construction and cultural tourism development, the Group built a number of academician office to house an abundance of technical skill reserves in various professional fields such as theme park construction, repair and protection of ancient towns, construction of characteristic towns and beautiful countryside, sponge city, environmental protection and ecological restoration, thus developed a well-established pattern of development featuring "capital + technology + whole industry chain". As the backbone of building a beautiful China, the Group actively practices the philosophy of "implementing strategies with policies, precise operation, intensified management, and benefit sharing" actively responding to the policies and complying with the market practices trends, with an aim to achieve a win-win situation with governments, customers and the society.

In the future, Broad Greenstate will continue to respond to the national call of ecological civilization construction with the working approach of "specializing in the core business of ecological construction, improving the businesses of environmental restoration and cultural tourism operation", commit to seize the sci-tech tourism opportunities in the era of ecological cultural tourism to promote green tourism production, lifestyle and consumption, in a bid to achieve a green upgrade of cultural tourism consumption, a sustainable development of tourism with more innovation and vitality, and a healthier and safer public environment for tourism.

Environmental, Social and Governance Report (Continued)

III. Our Commitment and Approach to the Environment, Social and Governance

We understand that effective ESG measures are important for operations. Therefore, the ESG work of Broad Greenstate is directed by the board of directors of the Company, the management of the Company is responsible for promoting the supervision of ESG matters, and the employees of the Company work together to complete ESG-related work. The Audit Committee under the board of directors holds at least 2 special meetings every year of which the report of the Company's internal audit department and the review of the effectiveness of the internal control system are included in the meeting agenda. The internal audit department of the Company is responsible for the internal and external risk control of the Company. The risk control team includes personnel from different functional departments such as operation, supply chain and legal affairs. According to the report of the internal audit department, the members of the Audit Committee identify the existing and potential risks of the Company, including ESG, and then put forward relevant suggestions; and review the Company's handling results or countermeasures at the next meeting.

In addition, the Company holds a summary meeting every quarter, at which quarterly reports from various departments and project departments are presented, and risks including ESG are identified and solutions are provided; at the later board meeting, the management reports the Company's operating conditions to the board of directors and listened to the opinions of the board of directors.

The board of directors identifies ESG matters in corporate governance, examination and approval of major issues, management and control of operational risks, identify and evaluate risks and opportunities related to ESG, such as paying attention to the diversified composition of the board of directors, taking ESG performance into consideration when approving major capital expenditures of enterprises, paying attention to the impact of extreme events on the promotion of the Company's projects, and judging the opportunities and challenges of emerging industries such as 5G on the future development of the Company.

For identified ESG matters, the Company mainly evaluates the risks of ESG matters to the Company from the following aspects, including:

1. Determine the business scope covered by ESG information;
2. Select ESG key performance indicators to be included in the evaluation scope;
3. Evaluate branches and subsidiaries;
4. Select appropriate statistical methods; and
5. Assess the reliability and accuracy of ESG information.

After obtaining the basic information, the Company needs to carry out trend analysis on the obtained ESG-related data, further explore to find improvement measures, and set reasonable and feasible objectives according to the Company's operation, which shall be approved and confirmed by the board of directors.

Environmental, Social and Governance Report (Continued)

After assessing the risks of ESG matters to the Company through the above methods, the Company formulates ESG management approaches, management objectives and general implementation requirements and incorporates such information in the Comprehensive Management Manual (《綜合管理手冊》), this helps ensure relevant risk management and risk control systems would be implemented appropriately and effectively through the effective allocation of resources within the Company. In addition, the Company has integrated ESG concept into its daily operation and management, established an internal cooperation framework, and established an integrated data management platform covering supply chain, human resources, administration and other aspects. The integrated data management platform has changed ESG information from simple "collection" in the past to "management", pushing the Company to identify, evaluate and manage its own ESG work more systematically, carrying out step-by-step and planned control on issues that may have a significant impact on the Company, raising risk management level and performance level, and thus improving performance.

While establishing ESG information management system and mechanism, the Company has also established corresponding data tracking, evaluation and feedback systems on the basis of ensuring the reliability and accuracy of information collection.

Our ESG achievements not only comply with the relevant risk management and disclosure requirements, but also adequately reflect our core values of "talent, integrity and quality". Talent is the root of Broad Greenstate's presence, and integrity is the source of Broad Greenstate's development, and quality is the basic goal that Broad Greenstate pursues.

Environmental, Social and Governance Report (Continued)

IV. Stakeholders and Materiality Assessment

Stakeholders

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

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

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

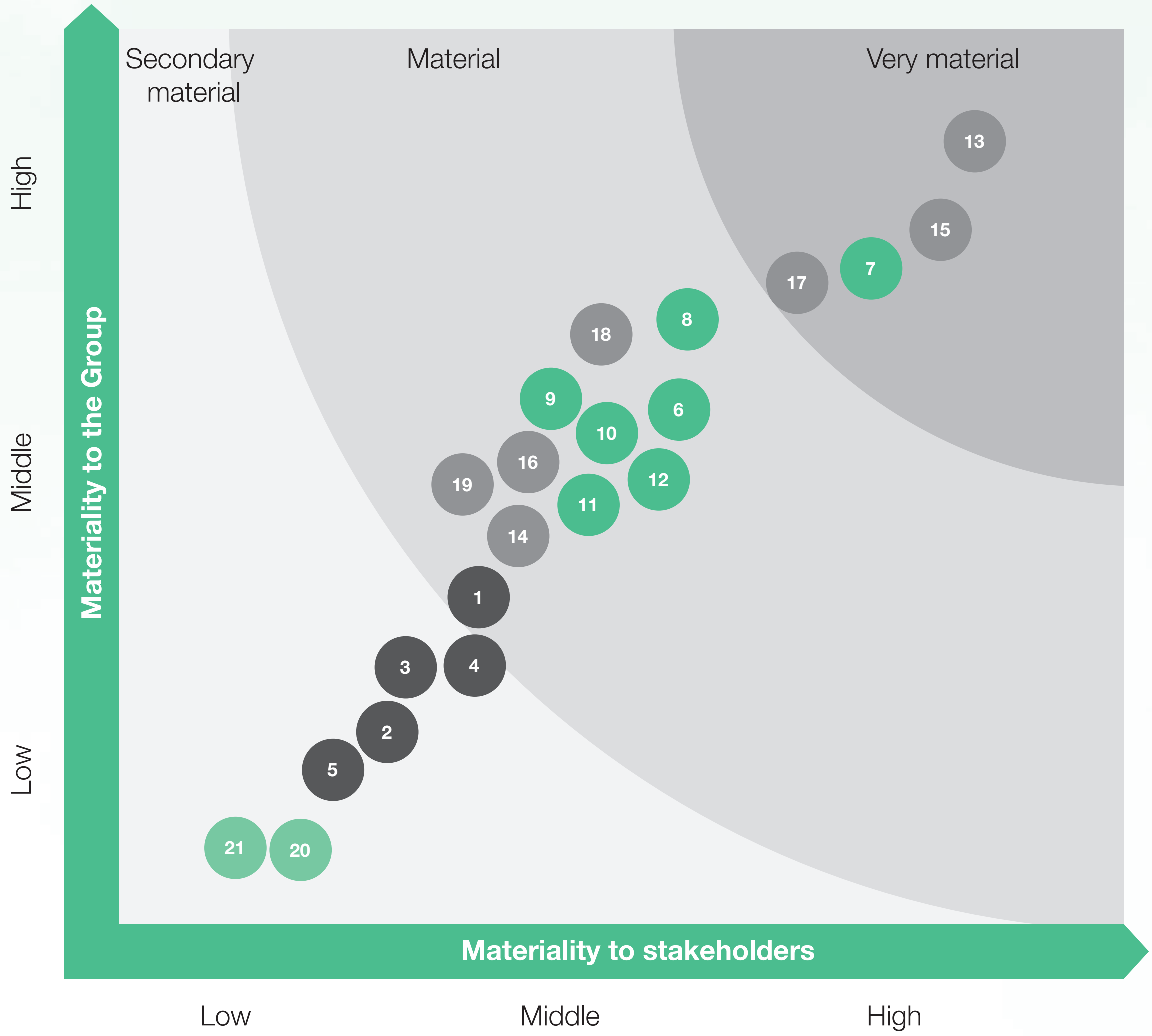
Stakeholders	Expectations	Communication Channels
Shareholders and investors	• Return on investment • Information disclosure and transparency • Protection of shareholders' rights and interests • Timely and accurate disclosure of relevant information • Improving corporate governance • Acting in accordance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

Materiality assessment

During the Reporting Period, the Company collected a lot of potential ESG-related issues through the above channels. The Board also identified ESG-related risks through external trends and evaluated their impact on the Company. The Company mainly classified the materiality of ESG issues in multiple dimensions from two aspects, namely, the degree of impact of ESG issues on the Company's business and the degree of impact of ESG issues on stakeholders. For ESG issues that had a significant impact on the Company's business and stakeholders, priority was given when taking targeted measures, and additional measures such as due diligence and third-party professional evaluation were carried out when necessary. At the same time, follow-up reports were made to the Board until major risks were relieved.

Environmental, Social and Governance Report (Continued)

The following are the results of the materiality assessment after careful analysis by the Board and management.



Environment	Staff	Services	Community
1. Greenhouse gas emissions	6. Remuneration and benefits	13. Safety quality	20. Community service
2. Air pollution	7. Health and safety	14. Complaint handling	21. Charity
3. Management of hazardous and non-hazardous waste	8. Training and development	15. Intellectual property rights	
4. Energy use	9. Corporate culture	16. Supply chain management	
5. Water resources	10. Effective communication	17. Anti-corruption and bribery	
	11. Principle of fairness	18. Brand reputation	
	12. Working environment	19. Subcontractor management	

Based on these results, the Company will continue to improve its ESG performance to meet stakeholders expectations and address the risks faced by the Company. During the Reporting Period, the work details and key performance indicators that were defined in our ESG report guide and considered as relevant to and meaningful for the operation of Broad Greenstate will be presenting in the following four aspects, namely "Our Environment", "Our Staff", "Our Services" and "Our Community".

V. Our Environment

As for landscaping projects, Broad Greenstate focuses on the layout of green plants to improve ecological environment and enhance the quality of human life. Broad Greenstate, on a strict basis, selects environmental-friendly subcontractors with sound safety records when undertaking projects. However, certain amount of dust, noise and wastes are inevitably produced during some of the construction activities. In order to reduce the impact of project construction on the environment, Broad Greenstate strengthens on-site management and control to make sure that all the subcontractors involved in the construction comply with environmental and safety laws and regulations in the place where our projects locate. In addition, we monitor the impact of projects on the environment by collecting ESG data, so as to help management establish appropriate measures and approaches for environment protection and resource saving.

The Company will pay close attention to and strictly comply with requirements stipulated in environmental laws and regulations of the PRC, including but not limited to the Law of the PRC on Environmental Protection, the Law of the PRC on Environmental Protection Tax, 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 Prevention and Control of Environmental Pollution Caused by Solid Waste.

Aspect A1: Emissions

Air emissions

During the Reporting Period, the emissions produced by the Company mainly involved a certain amount of nitrogen oxides, sulfur oxides and particulate matter emissions generated from gasoline consumption by self-owned vehicles. Since the number and usage of the vehicles for administrative purpose in the Company's in 2019 were relatively small, resulting in relatively small amount of emissions and causing no major pollution to the air, the Company did not collect data for the distance travelled and gasoline consumed. During the Reporting Period, the Company closely monitored the usage of vehicles, made statistics on their mileage and the amount of gasoline consumed, optimised the collection methods and coverage of vehicle data, and strengthened the disclosure of vehicle usage.

The air emissions(Note 1) of Broad Greenstate during the Reporting Period are as follows:

(Unit: kg)		2020	
Air emissions	**Sources**	**Emissions**	**Density(Note 2)**
Nitrogen oxides (NO_x)	Self-owned vehicles	236.57	0.92
Sulfur oxides (SO_x)		0.24	<0.01
Particulate matter (PM)		23.50	0.09

Note 1: The calculation refers to How to Prepare An ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange and Technical Guidelines for Compilation of Air Pollutant Emission Inventories from Road Motor Vehicles (Trial) issued by the Ministry of Ecology and Environment of the People's Republic of China.

Note 2: Density is calculated by dividing emissions by 256 employees at the end of the Reporting Period.

Environmental, Social and Governance Report (Continued)

Greenhouse gas emissions

The carbon dioxide equivalents ("**CO_2e**")(Note 2) for different types of greenhouse gas emissions(Note 1) during the Reporting Period are as follows:

(Unit: tonnes)		2020		2019	
Scopes of greenhouse gas emission	**Sources**	**Emissions**	**Density(Note 3)**	Emissions	Density(Note 3)
Scope 1					
Direct emission	Self-owned vehicles	**102**	**0.40**	N/A	N/A
Scope 2					
Indirect emission	Electricity consumption	**544**	**2.12**	625	1.72
Total		**646**	**2.52**	625	1.72

Note 1: The calculation refers to How to Prepare An ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange, Baseline Emission Factors for Regional Power Grids in China for Emission Reduction Projects issued by the Ministry of Ecology and Environment of the People's Republic of China and Guidelines for Urban Greenhouse Gas Accounting Tools issued by the World Resources Institute.

Note 2: An index based on the greenhouse effect produced by carbon dioxide, so as to compare the greenhouse effect produced by other greenhouse gases.

Note 3: Density is calculated by dividing emissions by 256 (2019: 364) employees at the end of the Reporting Period.

The greenhouse gas emissions totalled 646 tonnes (2019: 625 tonnes) in the Reporting Period, mainly generated from electricity consumption and self-owned vehicles. Among them, we optimised the data collection methods and coverage of self-owned vehicles in the year, and the greenhouse gas emissions generated by unleaded gasoline and diesel consumed during use were included in the statistics, resulting in an increase in greenhouse gas emission equivalent. In addition, we are subject to varying degrees of limitations in the collection of data for each construction project, such as the relevant data are difficult to collect or are unavailable due to related expenses being paid by the subcontractors. It is difficult to predict whether such limitation exists or not in every construction project, which will be one of the reasons affecting the emissions of the corresponding reporting period.

In addition, our horticultural projects are mainly based on green plants for landscaping. A large number of green plants were planted to help absorb carbon dioxide. However, as the projects are entrusted horticultural projects, we did not use the carbon dioxide absorbed by the green plants planted in the projects to reduce our greenhouse gas emissions.

Environmental protection measures are described in detail in the section headed "Environmental Protection Measures" below.

Environmental, Social and Governance Report (Continued)

Non-hazardous wastes

During the Reporting Period, the Company did not produce hazardous waste in its operation.

Certain amount of construction waste is produced from construction site of landscaping projects and is non-hazardous. On-site construction is subcontracted to professional construction companies, which are responsible for the disposal of construction waste produced during construction. Broad Greenstate designates on-site administrative staff to take charge of the management and oversight of the actions of construction companies, and require them to conduct classification and management on solid waste produced on site, to recycle the waste to the largest extent and reduce secondary pollution, and preserve environmental hygiene of construction areas and office areas.

In addition, certain amount of domestic waste is produced during the daily operation of Broad Greenstate and is handled by municipal environmental protection authorities. However, the amount is not included in statistics since it's insignificant. The headquarter of Broad Greenstate classifies domestic waste according to the Shanghai Municipality's Regulations on the Management of Domestic Waste into four categories: recyclable waste, hazardous waste, wet waste and dry waste, and assumes the responsibility of domestic waste producers. Employees at the headquarter and horticultural landscape project sites are encouraged to actively participate in green living actions, reduce the generation of domestic waste, and fulfill the obligation of classified delivery of domestic waste.

During the Reporting Period, the Company did not receive any complaints from individuals or relevant departments, nor have any penalties for violations of relevant environmental regulations (2019: Nil). During the Reporting Period, the Company did not have any material non-compliance with environmental laws and regulations (2019: Nil).

In order to reduce waste, we have taken a series of long-term environmental protection measures in our business operations which are described in the section headed "Environmental Protection Measures" below.

Aspect A2: Use of Resources

During the Reporting Period, the total consumption and density of energy and resources are as follows:

		2020		2019	
Energy	**Unit**(Note 2)	**Consumption**	**Density**(Note 1)	Consumption	Density(Note 1)
Electricity	Kilowatt-hour (kWh)	**661,832**	**2,585**	678,477	1,864
Unleaded gasoline(Note 3)	Kilowatt-hour (kWh)	**160,513**	**627**	N/A	N/A
Liquefied petroleum gas(Note 4)	Kilowatt-hour (kWh)	**300,824**	**1,175**	N/A	N/A
Total	Kilowatt-hour (kWh)	**1,123,169**	**4,387**	678,477	1,864

Note 1: Density is calculated by dividing emissions by 256 (2019: 364) employees at the end of the Reporting Period.

Note 2: The calculation of unit conversion refers to the Energy Statistics Manual issued by the International Energy Agency.

Note 3: The consumption of unleaded gasoline during the Reporting Period was 16,563 L.

Note 4: The consumption of liquefied petroleum gas during the Reporting Period was 41,411 L.

During the Reporting Period, a small number of projects were equipped with kitchens for cooking, and natural gas and coal gas were used. However, according to our statistics, the consumption was small and occurred outside of the main business, so it was not disclosed in the report.

Environmental, Social and Governance Report (Continued)

During the Reporting Period, the per capita electricity consumption of the headquarter of Broad Greenstate and its project management office increased by 721 kWh compared with 2019, the reason for which has been explained above. The Company will continuously review and optimise ESG data collection channels and coverage to provide accurate and comprehensive information to stakeholders. The Company attaches great importance to energy saving and requires its employees to make reasonable use of electric energy in its daily operations. The details on energy efficiency plan of Broad Greenstate are set out in the subsequent section entitled “Environmental Protection Measures”.

Broad Greenstate consumes a large amount of water in the process of project construction, which mainly incurs in the outsourcing construction on project site and maintenance of green plants. It sources water from groundwater and rivers, etc.. In the process of construction, Broad Greenstate advocates reutilisation of domestic water and construction water on construction site. Our employees are also strongly advocated to save water and reduce unnecessary waste. In addition, our offices all have incurred water consumption, but water charges of some division offices are included in the property management fee or exempted, so the report only includes the amount of office water charged separately. We are not in a region where water is scarce, so we do not have issue in sourcing water that is fit for purpose.

During the Reporting Period, the total consumption and density of water resources are as follows:

		2020		2019	
Resources	**Unit**	**Consumption**	**Density**(Note 1)	Consumption	Density(Note 1)
Water	Tonnes	**64,212**	**250.8**	46,233	127.0

Note 1: Density is calculated by dividing emissions by 256 (2019: 364) employees at the end of the Reporting Period.

During the Reporting Period, the water consumption increased by about 38%. The first reason for the increase in water consumption was that there were new projects during the Reporting Period, resulting in an increase in overall water consumption. The second reason is that some projects carried out in the green planting during the Reporting Period, planting in large areas, maintaining green plants and watering every day, resulting in an increase in water consumption. The production and operation of Broad Greenstate did not involve the consumption of packaging materials, so disclosure of packaging materials is not applicable.

Broad Greenstate encourages the proper use of resources. If the resources can be reused, we reuse and fully utilise the resources. If the resources can be recycled, they should be properly classified and sent to appropriate recycling sites/recyclers for recycling. The details on resource saving measures of Broad Greenstate are set out in the subsequent section entitled “Environmental Protection Measures”.

Aspect A3: Environment and Natural Resources

Our principal business is ecological construction and landscaping. Therefore, except for the use of resources described in the previous section, Broad Greenstate neither causes any significant impact on the ecology nor consumes natural resources from the environment. Broad Greenstate has not only been actively in protecting and improving the environment and ecology, but also adopted the following series of measures and technologies on environmental protection in the daily management to reduce the negative impact on the environment and resources:

Environmental Protection Measures

Our environmental protection measures are taken on two aspects, namely office space and project site.

Environmental, Social and Governance Report (Continued)

Office space

1. Posting reminders on the Company's notice board and public areas, such as setting paper-saving reminders in washroom, to raise the environmental awareness of staff and visitors.
2. Installing recycling bins in the offices to remind staff of strictly separating recyclable and non-recyclable waste.
3. We have adopted electronic office system and reduced unnecessary business trips to the greatest extent. All official flights should be economy class in the case of business trips (if necessary), and the journey within 800 kilometres should be taken mainly by train. It is encouraged to carpool when travelling on business if possible to reduce carbon emissions.
4. Broad Greenstate has, in the course of day-to-day management, required its procurement department to prioritise environment-friendly and energy-saving products, such as energy-saving motors, energy-saving lamps and energy-saving air conditioners, when purchasing electronical appliance. Moreover, the electronical appliance, including computers, printers and electric water heaters, shall be completely turned off when they are not in use for the purpose of energy saving and emission reduction.
5. We encourage our staff to turn off electrical equipment when not in use or out of office to save energy and resources.
6. Adopting environment-friendly and energy-saving LED lamps for all lights.
7. Regularly arranging technicians to examine our electrical equipment to ensure safety and operational efficiency.

Project site

1. Every project of Broad Greenstate has a designated person responsible for the prevention and control of fugitive dust, noise and water pollution. Appropriate measures have been taken to reduce the impact of emissions, including making reasonable arrangement to clean vehicles and spray water on site, covering bulk materials in fine particle when loading and unloading to prevent strewing along the road and ensure that no silt is carried out from construction site by transportation vehicles.
2. Separating construction areas from non-construction areas via fence to prevent impact on the environment of non-construction areas and discharging the sewage at the construction site only after treatment. Also, reutilisation is required for construction water to the greatest extent.
3. Broad Greenstate has checked the measures on the prevention and control of fugitive dust, noise and water pollution on construction site to make sure that everyone takes its responsibility and to ensure effective operation of the whole process.
4. The sample selection of engineering materials and components will be handled in a centralised manner, the material selection plan will be worked out in advance for each project, and several material samples shall be selected at a time. If small samples and pictures can be used instead of the sample selection, no field investigation shall be organised. If it is necessary to make field investigation, the number of participants will be limited and personnel of the same level will not be duplicated to reduce unnecessary travels.

In addition, Broad Greenstate continuously pushed forward the implementation of the projects, and also carried out the development and research of patent technology for each project in order to achieve environmental protection with the patent technologies as follows:

Environmental, Social and Governance Report (Continued)

Soil Remediation

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

Water Ecological Treatment

For the water ecological treatment, we should fundamentally follow the ecological concept and the law of nature. From the perspective of large spatial scale such as city, region and basin, the urban water ecological treatment design based on large basins, the water resource management design using rainwater as resource and the ecological system restoration design with economy as the main spindle reflect the ecological wisdom concerning water resources, water safety and water ecological system, and their blend with urbanology, hydrology, landscape, ecology, arts and other subjects in a scientific manner, which is an innovative derivative of contemporary scientific wisdom. The Company has completed R&D and demonstration application of key technologies related to the ecological restoration of water environment in constructed wetlands and ecological treatment of polluted water areas and the construction of aquatic plant communities in urban near-natural wetlands, technological research on biological treatment technology of garden organic waste and other research projects.

VI. Our Staff

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

Aspect B1: Employment

Broad Greenstate is in strict compliance with requirements set out in relevant laws and regulations, including the Labour Law and the Labour Contract Law, to earnestly protect the employees' legitimate rights and interests. Moreover, employees of different nationalities, races, genders and age are treated on an equal basis. Further, a set of management systems and measures have been in place to strictly prohibit employment discrimination, child labour and forced labour. We have established scientific and effective talents cultivation mechanism and offered our employees with competitive remuneration and benefits packages, as well as organized diversified staff activities to enhance their sense of belonging. The details are provided as below.

Remuneration

In order to improve and standardize the remuneration management of Broad Greenstate, strengthen the incentive and constraint mechanism, and fully mobilize the enthusiasm of employees, we have formulated the Remuneration Management System (《薪酬管理制度》) to enable employees to clearly understand the labour rights and remuneration system and increase transparency and fairness. We adjust the basic salary according to the operating performance and employee performance appraisal results, and then decide the performance bonus as an appropriate incentive according to the economic situation of the year, the completion of employees' operating objectives and work performance.

Recruitment and Promotion

In order to attract and retain talented employees, Broad Greenstate has actively built career platform enabling fast personal development and formulated the Employment Management System (《聘用管理制度》). The recruitment follows the principle of fairness and all personnel shall be treated equally so as to appoint people on their merits. The human resources management department and the employment department must strictly abide by the recruitment system of the Company throughout process of recruitment, strictly check the recruitment process, and resolutely put an end to cronyism and setting up a post for a kindred.

The promotion of the Company's staff follows the principles of fairness, impartiality and openness. We have formulated the Performance Appraisal Management System (《績效考核管理制度》), specifying the appraisal cycle, methods, contents and scoring standards. In addition, Broad Greenstate has the Remuneration Committee of the Group, which is composed of the President Office of the Group and is responsible for reviewing the overall principle and direction of the Company's performance appraisal, examining and approving the management system related to the Company's performance appraisal and the annual objective responsibility letters of various departments and subordinate units of the Group, guiding and supervising the performance appraisal work, coordinating the problems and objections in the performance appraisal, reviewing the performance appraisal results, and accepting and handling complaints related to the performance appraisal.

Environmental, Social and Governance Report (Continued)

Welfare

In order to regulate and reinforce the welfare management for the staff of the Group and fully utilise the guarantee and incentive effects of welfare, we have established the Staff Welfare Management System (《員工福利管理制度》) in relation to staff welfare including to statutory welfare and corporate welfare.

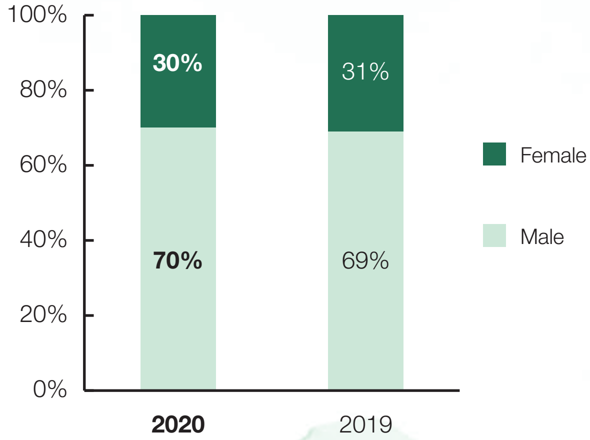
In accordance with laws and regulations including the Labour Law of the PRC and the Social Insurance Law of the PRC, the Group pays social insurance contributions for all employees and offers heat subsidies. Welfare of the Company are in forms of festival gift, birthday gift, communication subsidy, traffic subsidy, meal subsidy, health examination, group activity, marriage gift, etc.

Working Hours and Leaves

In order to regulate the daily attendance of staff and maintain effective management of staff, and in accordance with relevant national labor laws and regulations, we have established the Attendance and Leave Management System (《考勤與請休假管理制度》), which states that staff are entitled to casual leave, sick leave, medical leave, maternity leave, marital leave, funeral leave, home leave and paid annual leave. The Company encourages employees to improve their work efficiency and complete their own work during normal working hours, and does not advocate working overtime to complete corresponding tasks. If overtime is required due to work, the employee shall submit a written overtime application signed and approved by the person in charge of the department/Company or the borrower to the overtime approver in advance, and the overtime approver shall sign and approve it. The overtime confirmed in the aforesaid overtime approval procedure is the effective overtime arranged by the Company for employees. For the effective overtime of staff, the Company will arrange for compensatory leave or pay overtime fees to staff.

Our Workforce

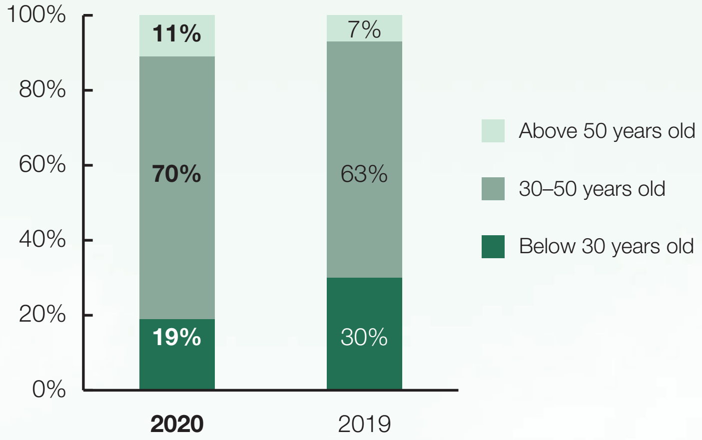
As of 31 December 2020, Broad Greenstate has a total of 256 (2019: 364) employees. All employees work in China and are full-time employees. The structure of employees by gender and age is shown below:



Gender Structure of Current Employees

Number and Percent	2020	2019
Male	180 (70%)	252 (69%)
Female	76 (30%)	112 (31%)

Environmental, Social and Governance Report (Continued)



Age Structure of Current Employees Number and Percent	2020	2019
Below 30 years old	**49 (19%)**	111 (30%)
30–50 years old	**178 (70%)**	229 (63%)
Above 50 years old	**29 (11%)**	24 (7%)

Employee Turnover

As of 31 December 2020, a total of 150 (2019: 152) employees left the Company. The total turnover rate(Note 1) of employees in 2020 is 48% (2019: 41%). The number and the turnover rate(Note 2) of these employees categorized by gender and age are shown below:

	2020	2019
Gender		
Male	**99 (46%)**	108 (42%)
Female	**51 (54%)**	44 (38%)
Age		
Below 30 years old	**46 (58%)**	44 (42%)
30–50 years old	**90 (44%)**	106 (44%)
Above 50 years old	**14 (53%)**	2 (8%)

Note 1: The total turnover rate is calculated by dividing the total number of employees left the Company during the year by the average number of employees at the beginning and end of the year.

Note 2: The turnover rate of this category is calculated by dividing the number of employees left the Company in this category during the year by the average number of employees in this category at the beginning and end of the year.

During the Reporting Period, there was no (2019: Nil) material non-compliance with labour practices by the Company.

Aspect B2: Health and Safety

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

Environmental, Social and Governance Report (Continued)

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

Workplace Safety

The Trial Measures for Standardized Construction Site (《標化工地試行辦法》) issued by Broad Greenstate standardizes and unifies the setting of various signs on construction site, normalizes the layout of safety equipment and safe passage and clarifies the signs that must be available, such as safe production post and civilized construction post, for the purpose of reminding on-site workers of safety.

In order to further implement the production safety approach of "safety first, precaution crucial, comprehensive management", determine the direction of the Company's production safety, and strengthen the standardized management of the production safety approach of the Engineering Project Department, Broad Greenstate has formulated the Production Safety Management Manual (《安全生產管理手冊》), which provides that project manager shall be the first person in-charge for the Engineering Project Department; a production safety management team including members like vice project manager, person in charge of techniques and person in charge of safety will be established for inspecting and monitoring construction sites and the implementation of the shift safety system, maintaining safety inspection records and imposing penalties against anyone breached safety requirements.

The safety leadership group of the Engineering Department will be headed by the person in charge of production safety, who will be responsible for construction safety management on construction sites. Shift construction management and safety management will be responsible for guiding the production safety work of shifts. The establishment and implementation of the production safety accountability system make project manager the first person-in-charge, vice project manager in charge of construction production will be the direct person in charge of production safety and general project engineer the person in charge of labour protection and technical works in relation to production safety.

The Engineering Department of the Company will, as the regulator for production safety management, inspect the production safety management works and recommend rectification of the ascertained problems within a prescribed time limit.

Furthermore, in order to minimize the frequency of accidents and the degree of injuries, losses and impacts, and reduce the hazards to the environment and the health and safety of employees, Broad Greenstate has formulated the Emergency Preparedness and Response Management Procedures (《應急準備和響應管理程序》) to establish, implement and maintain emergency plans and measures. For emergency preparedness, the Company set up an emergency preparedness leading group, with a list of the specific personnel and contact details, headed by the deputy general manager in charge of production safety, and composed of personnel from the HR Administration Department, Engineering Department, Marketing Department, etc.. Each project is also provided with an emergency preparedness and response team to formulate emergency response prevention measures for the project, fill in the Emergency Plan (《應急預案》), and train the members of the emergency team. At the same time, it's essential to report it to the Company's Engineering Department for review and filing. According to the needs of the emergency plan, each project team shall be equipped with corresponding emergency equipment, which shall be kept properly and in good condition for emergency needs. The project team shall provide emergency education to the on-site staff and is responsible for special training for the project personnel and labor service personnel. The emergency education for on-site staff aims to make them understand potential dangers, ensure that on-site staff clearly understand how to deal with emergencies, master necessary self-help knowledge, organize emergency drills in due course, and improve emergency plans.

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

During the Reporting Period, the Company did not (2018 and 2019: Nil) have any work-related injury or death, nor had any material non-compliance with health and safety laws and regulations.

Response to COVID-19

The outbreak of COVID-19 in early 2020 posed a great threat to employees' health, therefore the Company formulated prevention and control plans and set up an emergency team to guarantee the implementation of COVID-19 prevention measures. The anti-epidemic measures included adopting flexible office mode, which allowed employees to work at home, body temperature test for employees working on site as well as distributing disposable masks and gloves, medical wet wipes and other protective equipments. Various disinfection and sterilization measures were implemented in the office area within the headquarter building of the Company for the safety of staff, such as ultraviolet disinfection, alcohol wiping, high temperature disinfection and mopping floor with 84 disinfectant. The Company also provided personal protection guidance to our staff, strengthened online promotion and publicity, and prohibited dining together and team building activities. These anti-epidemic measures provided effective protection to the health and safety of our staff.

Aspect B3: Development and Training

In order to standardize and promote the continuous and systematic training of the Company and improve the occupational qualifications and vocational skills of staff through the accumulation, spread, application and innovation of knowledges, experiences and capacities, Broad Greenstate has formulated the Training Management System (《培訓管理制度》), under which the Human Resources Department shall be in charge of the establishment and improvement of training management system, regulations and resource platform, the study on training needs and the formation of plans, and the implementation of and conclusions on training. It is also responsible for directing, monitoring, assessing, coordinating and tracking the training work at department level of the Company, providing staff with different functions with corresponding trainings focused on contents designed and arranged in accordance with the regulations of Broad Greenstate, position responsibilities and operational skill requirements.

The training sessions of Broad Greenstate cover aspects of safe and civilised construction, construction techniques, engineering management, operation administration, corporate cultures and etc. Training forms include internal training (by internal lecturer), internal training (by external lecturer) and external training (in other companies). Furthermore, to improve the first aid knowledge of the employees of the Company and cultivate their first aid ability facing life emergencies, the Company invited representatives of the Shanghai Red Cross Emergency Rescue Team to deliver on-site primary first aid publicity and training.

In December of each year, the Human Resources Department will, based on the study and analysis of the training needs of the Company, formulate the Annual Training Plan (《年度培訓計劃表》) for the next year, which will take effect after being approved by the President Office. The training departments of all units formulate their respective Monthly Training Implementation Form (《月度培訓計劃表》) at the end of each month by reference to the Annual Training Plan and the temporary training needs and file them to the Human Resources Department for record and implementation thereafter.

For training effect evaluation, the training management department of each unit shall organize training effect evaluation after each training. Training effect evaluation methods include training examination, questionnaire evaluation, job tracking feedback, etc. Training effect evaluation is applied to the follow-up of training work and incentives to scholars, lecturers and organizers, including positive and negative incentives, scoring and selection of outstanding employees.

Environmental, Social and Governance Report (Continued)

During the Reporting Period, the number of trained employees accounted for 92%(Note 1) (2019: 72%) of the total number of employees. The total number of trained employees completed approximately 2,441 (2019: 4,190) training hours, with an average of 8(Note 2) (2019: 12) training hours per employee. Details of the training are shown in the following table:

2020	Employees received trainings	Percentage of employees received training (Note 3)	Total training hours (hours)	Average training hours completed by each employee (hours)(Note 4)
By gender				
— Male	188	66%	1,696	9
— Female	97	34%	745	10
By employee position				
— Senior management	7	2%	95	14
— Middle management	23	8%	190	11
— Other employees	255	90%	2,156	9

2019	Number of Employees Trained	Percentage of employees received training (Note 3)	Total training hours (hours)	Average training hours completed by each employee (hours)(Note 4)
By gender				
— Male	202	75%	3,279	13
— Female	67	25%	911	8
By employee position				
— Senior management	26	10%	276	39
— Middle management	65	24%	1,002	36
— Other employees	178	66%	2,912	9

Note 1: This percentage is calculated by dividing the average number of employees at the end of the year by the number of employees receiving training during the year.

Note 2: The average training hours completed by each employee is based on the total number of training hours in the year divided by the average number of employees at the beginning and end of the year.

Note 3: This percentage is calculated by dividing all employees who participated in the training by the specific category of employees who participated in the training.

Note 4: This average hours is calculated by dividing the total training hours of employees in this category by the number of employees in this category.

Due to the epidemic situation, the Group actively responded to the call of the state and minimized the gathering of personnel and therefore the number of training events during the Reporting Period decreased as compared to 2019. In addition, some employees of the Group are permanently stationed in local project offices, so relevant training is conducted in the forms of online network, enterprise WeChat and video, while no relevant statistics was conducted for such training, which is one of the reasons for the decrease of trainings compared with 2019.

Aspect B4: Labour Standards

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

It is strictly stipulated that the external construction party shall not illegally hire child labour, signing labour contract with the party in violation of genuine intention of the counterparties or forcing its employees to work illegally. During recruitment, the Company shall provide the candidates with truthful information, including the job responsibility, work environment, work location, occupational health and safety, the safety condition at production and labour remuneration. The Human Resources Department of Broad Greenstate is responsible to verify the authenticity of the information (resume, identity card, certificates, photos and bank cards) provided by candidates and make comprehensive background investigation by all kinds of means. At the same time, the employees shall take full responsibility for the authenticity of the information provided and signed by them.

Broad Greenstate arranges the employees' working hours based on the statutory working hour standards and implements an 8-hour working schedule and overtime management according to the Staff Welfare Management System (《員工福利管理制度》) of the Company. For the effective overtime of staff, the Company will arrange for compensatory leave or pay overtime fees to staff.

During the Reporting Period, there was no (2019: Nil) material non-compliance with the labour requirements set out in relevant laws and regulations by the Company. The Company has been taking precautionary measures at the source and is confident that the above-mentioned illegal employment cases will not occur in the future. If such case happened, it will be reported to the relevant regulatory authority.

VII. Our Services

Broad Greenstate adopts the operation model of the whole industry chain, from research, planning to construction and operation, to provide integrated solutions regarding eco-construction to the government authorities and state-owned enterprises. Broad Greenstate has formed six sectors comprising project investment, design planning, project construction, business operation, seedling research and cultural tourism management across the PRC.

Adhering to its principle of service, i.e. "combining project planning, urban infrastructure construction and improvement of environment and culture with finance to provide professional technology and management services and to become a new driver for regional sustainable development", Broad Greenstate completed the integration of its teams of professionals on a rational basis and established cooperation with various professional institutions to identify the gap between the current projects and the expected status of ecological harmony by strictly following the law of nature, especially the ecological rules, in order to establish and develop our environmental restoration, conservation and reservation based on a coordinated development model of "water, earth, air and living beings" and to bring comprehensive innovation to and provide guidance on the establishment of an ecologically friendly and healthy development model.

Our teams of professionals are responsible for developing different integrated operating models and would conduct further detailed analysis with reference to the actual circumstances to complete the planning work for packaging, brand management, sale and marketing and build a standardised management system meeting the characteristics of particular projects, for the purpose of achieving high efficiency and sustainable development in relation to project development, marketing planning, service and delicacy maintenance and management.

Environmental, Social and Governance Report (Continued)

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

In addition to providing quality services, Broad Greenstate ensures that the Company's performance of compliance obligations, and make sure the project construction and maintenance services, operation, project implementation and management of the Company are in compliance with relevant laws and regulations in relation to environment and occupational health and safety and other requirements. To this end, we have formulated the Management Procedures on Laws and Regulations and Other Requirements (《法律法規與其他要求管理程序》), which specifies that the Design Department shall be responsible for the access to, record, registration and management of laws and regulations and other required documents in relation to design, and the assessment of suitability and compliance; the Engineering Department shall be responsible for the access to, record, registration and management of laws and regulations and other required documents in relation to technology, leaders of all departments shall be responsible for the access to, communication and training of laws and regulations in relation to the respective department and other requirements, participating in the assessment of suitability and compliance of relevant laws and regulations as well as other requirements, and the office of general engineer shall be responsible for the approval and suitability assessment of applicable laws and regulations and other requirements in order to guarantee the effectiveness and necessity thereof. The office of general engineer shall be responsible for centralized inquiry and update once a year to avoid the risk of non-compliance with relevant laws and regulations caused by updating at any time, and to register newly added laws and regulations and other requirements.

Aspect B5: Supply Chain Management

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

The Company has formulated the Administrative Measures for Procurement and Bidding (《採購招標管理辦法》), and the Measures for the Implementation of Warehousing of Qualified Suppliers (《合格供貨商入庫實施辦法》) to standardize the bidding management of the Company. For suppliers, suppliers developed by the Project Department and the Group's Purchasing Department shall be filed by special personnel of the Purchasing Department, which shall be approved by the Purchasing Department and relevant leaders of the Company. Before being permitted into the bidding supplier managing list, one-time evaluation, on-site inspection and qualification document review of suppliers were required. The review of qualification documents included the supplier's business license, qualification certificate and safety production license. The site inspection covered the projects under construction (with site pictures), the office locations of branches and the production bases of enterprises. After the on-site inspection, the Supplier Inspection Report (《供應商考察報告》) must be provided to and signed and confirmed by the Project Department, and the Group's Purchasing Department and Engineering Department before entering the list of qualified suppliers.

As of the end of 2020, the Company has a total of 1,044 qualified suppliers (2019: 944). All suppliers came from China. Supplier categories include civil engineering materials, utility materials, greening materials, seedlings, decoration materials, etc. Before construction of a specific project, each of the project departments, based on the principle of "competing openly and cooperating honestly at reasonably low price", selects subcontractors among the list of qualified suppliers to bid for the project, through which process suitable subcontractor(s) will be determined under the supervision of the engineering department.

Environmental, Social and Governance Report (Continued)

In light of the specificity of the major engineering materials (such as green plants) in landscaping project and subcontracting labor, Broad Greenstate generally selects qualified suppliers on the principle of proximity, which also achieves the effect of energy saving and emission reduction. Furthermore, in order to reduce procurement costs, improve procurement efficiency, expand procurement channels and conform to the development trend of online procurement, the Company adopted a third-party procurement platform to designate a platform for procurement of engineering goods. The online platform can facilitate the Company and suppliers to directly make requisition, find the sources and fulfill performance, thus reducing the procurement cost.

In addition, as for subcontracting projects, the Company has formulated the Trial Measures for Standardized Construction Site (《標化工地試行辦法》), which standardizes the working environment and safety protection in the living, office and construction areas. For design subcontracting, the Company has formulated the Design Subcontracting Management Measures (《設計分包管理辦法》) to prevent illegal subcontracting and unreasonable subcontracting, and comprehensively ensure the progress and quality of subcontracting design. The Measures stipulates that the bidder to be selected shall, in principle, be selected from the roster of sub-contractors for the corresponding project, and shall be evaluated according to the quotation, design scheme and occupational safety and health management capability of the subcontractors. Subcontractors shall fully carry out technical cooperation and preparation of relevant scheme drawings to ensure the progress and quality of the project. In case of any delay in cooperation or situation affecting the quality and progress of the project, the chief design officer and the project manager shall negotiate on our behalf and restrict the subcontractor's behavior by adopting measures such as interviews, reduction of contract price and termination of cooperation, so as to protect the interests of both parties.

Furthermore, Broad Greenstate adopts a zero tolerance policy on corruption, according to which, all suppliers are required to submit a declaration or certification of no commercial bribery before entering into contracts with them. In order to further prevent the occurrence of corruption, the construction unit shall fill in the Letter of Commitment for Integrity in Construction by Construction Units (《施工單位工程建設廉政承諾書》) and make a commitment for the construction of the project during the project bidding period and after winning the bid. The contents of the letter include strictly implementing the contract documents, establishing and improving the clean government construction system, strengthening clean government education, setting up a clean government construction publicity board at the construction site of the construction project, and not giving gifts and valuables to the relevant personnel and staff participating in the bidding in any name.

Aspect B6: Product Responsibility

Quality Control

Being a group company with landscape construction as its core business, quality control is of the utmost importance for the Group. The Group has conducted quality control in three aspects, including policy, system and manpower. In respect of the policy and system, Broad Greenstate has formulated the Engineering Quality Control Manual (《工程質量管理手冊》), established sound and comprehensive processes, set up strict quality management system, intensified control of construction quality and procedure, improved and performed accountability system of the quality of projects; as for manpower, well-experienced project managers were employed to control engineering quality on a comprehensive basis, and a standard quality management system was adopted for construction enterprises which are under cooperation and newly cooperated. As at the end of the Reporting Period, the quality management system of the Group has been accredited by ISO9001, ISO14001 and OHSAS18001.

Environmental, Social and Governance Report (Continued)

The qualifications and licenses of the Company are as follows:

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

In order to conduct effective identification and control of non-conformity occurring in various phases of the landscaping construction and maintenance service, and prevent the unexpected usage, conversion and delivery, Broad Greenstate formulated the Non-Conformity Output Management Procedures (《不合格輸出管理程序》) and Improvement Management Procedures (《改進管理程序》). The quality specialist of the Engineering Department shall be responsible for the non-conformity identification during the engineering construction and maintenance service, follow-up of non-conformity treatment results, disposal of unqualified purchased materials, adoption of remedial and improvement measures for unqualified products, elimination of reasons for non-conformities, and adoption of relevant measures for potential non-conformities to eliminate reasons and prevent occurrence, in order to continuously improve the comprehensive management system and promote continuous improvements.

The Improvement Management Procedures proposes to determine and take appropriate improvement measures on the basis of weighing benefits, risks and costs. For general service problems, the HR Administration Department shall issue the Corrective and Improvement Measures Handling Form (「糾正與改進措施處理單」) to the responsible department, and the responsible department shall be responsible for formulating and implementing improvement measures and recording them. For major and wide-ranging service problems, the HR Administration Department and the relevant department shall jointly formulate improvement measures, specify specific methods, steps, division of responsibilities and completion deadline, etc., and report to the General Manager for approval before implementation. For environmental/safety problems, the Engineering Department shall organize relevant departments to carry out rectification.

Broad Greenstate is of the opinion that, technology innovation can not only promote corporate development but also serve as a guarantee of enhanced project quality. Targeting to be an internationally advanced and domestically leading player in the industry, Broad Greenstate, persistently oriented by the application and design of efficient, energy-saving, clean and green technology, continuously invests substantial capital in setting up our technology center based on currently available technology accumulation, project experience and product advantages. Moreover, Broad Greenstate has established a number of academician workstations and has long-term cooperation with state-level academy of sciences such as Tongji University. At present, Broad Greenstate has obtained over 50 patented technologies in the field of ecological rehabilitation and construction, which provides strong technical support for the launch of the scientific research projects of multiple cooperators.

During the Reporting Period, Broad Greenstate had no (2019: Nil) cases of any rejection of construction projects due to major safety and health reasons.

Complaints Handling

While offering our customers with high-quality projects and products, Broad Greenstate also pays great attention to revisiting and communicating with our customers, to find out their needs in a timely manner, thus improving the construction and service quality. For this end, the Company formulated the Customer Satisfaction Monitoring and Measurement Management Procedures (《顧客滿意度監視測量管理程序》), and carried out regular customer satisfaction surveys on quality of engineering construction and maintenance service provided by relevant companies, in order to master the market information and dynamic condition, measure the quality control performance of the organization, enhance the customer satisfaction, and realize the value appreciation of the Company.

The Procedures are applicable to the satisfaction information collection and satisfaction measurement of the landscaping construction service and maintenance service provided by the Company. The Procedures specify the responsibilities and permissions of each department. The engineering department is responsible for the collection of customer opinions on the project site service. The marketing department shall conduct the customer satisfaction survey on the delivered engineering and maintenance service and follow-up service by means of fax, home visit or face-to-face interview, organize customer complaint handling and information collection, organize analysis by relevant departments, determine the department in charge, supervise the implementation of necessary corrective measures, issue letters of notice of rectification to relevant departments, record the collection result in the "Customer Feedback Processing Sheet" (「顧客反饋信息處理單」), and promptly notify customers of improvement opinions. Because the Company actively communicated with customers and solved problems, it has not received any complaints that have a significant impact on the Company.

Intellectual Property Protection

Broad Greenstate respects and protects intellectual property rights. We comply with the relevant regulations, including but not limited to the Copyright Law of the PRC, the Trademark Law of the PRC, the Tort Liability Law of the PRC and the Patent Law of the PRC.

Trademarks and patents are important intangible assets of the Company. In order to maintain the security and interests of the Group, and guarantee the smooth operation of various businesses, the Company formulated the Confidentiality System of the Group (《集團保密制度》), which divided the security level into three levels, i.e. strictly confidential, confidential and secret, defined materials of various levels, the access authority, confidentiality management and maintenance of backup. The system also specifies the responsibilities and authorities of the department. The president is responsible for leading the overall work of confidentiality, and the person in charge of each department is the person in charge of confidentiality work of the department. Document personnel and confidential personnel shall handle the handover procedures in time and submit them to the competent leader for signature in case of job changes. If employees find that company secrets have been leaked or may be leaked, they shall immediately take remedial measures and report to the office in time, and the office shall immediately make corresponding treatment.

It also entered into the Trade Secret Protection Agreement (《商業秘密保護協議》) with employees, in order to guarantee that employees can keep trade secrets of the Company confidential during and after their employment period. The agreement stipulates that when employees leave the Company, they must return all the technical information and business information of the Group/Company to the Company; the Group/Company shall reiterate the confidentiality obligation to the employee in written or oral form, and may inform the new unit of the confidentiality obligation undertaken by the employee in the original unit.

Environmental, Social and Governance Report (Continued)

As of 31 December 2020, Broad Greenstate has a total of three invention patents, 59 utility model patents, three software copyrights, five trademark copyrights and one exclusive right to layout-design of integrated circuits, one invention patent under application and three new cultivars at the reproductive stage, all of which relate to sewage treatment, saline-alkali land restoration, ecological restoration, construction and other fields.

Consumer information protection

The Group's businesses are not directly involved with consumers, so it will not collect consumer information, but will collect information from cooperative customers and suppliers. The Group attaches great importance to the confidentiality of the collected information and will not use it for purposes other than business.

Aspect B7: Anti-corruption

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

Broad Greenstate formulated the Whistle-blowing Management System (《舉報管理制度》), which stipulated internal regulations regarding anti-corruption and anti-fraud. It then developed the Detailed Rules for Implementation of Whistle-blowing (《舉報實施細則》), in order to implement relevant system, better acquaint employees with the whistle-blowing processes and relevant cautions and further determine the responsibilities and permissions of the whistle-blowing institutions and whistleblowers.

The Detailed Rules for Implementation of Whistle-blowing defines the responsibilities and authorities of departments to handle the whistle-blowing. The Group's Audit Department organizes publicity and training related to whistle-blowing. In order to manage and maintain the whistle-blowing channels, a series of work is carried out on the whistle-blowing issues, including reviewing the filing qualification of the whistle-blowing issues, leading and coordinating the investigation work, writing the investigation report and handling opinions, reporting to the President Office for approval, and then filing the relevant information on the whistle-blowing issues. The Human Resources Department of the Group is responsible for communicating the decision-making opinions of the President Office with the leaders of the reported persons suspected of serious violations of laws, regulations or disciplines, and taking corresponding measures against the persons, such as terminating the labor contract and handing over the persons who may constitute crimes to judicial organs. The President Office of the Group shall approve the investigation report and handling opinions of the whistle-blown issues.

The Detailed Rules for Implementation of Whistle-blowing specifies that a whistleblower may report any misconduct or improper activities he/she detects, such as suspected corruption, commercial bribery, malpractice and fraud, through various ways including letters, emails, messages sent through OA platform, WeChat corporate account and on-site whistle-blowing. The notifications or announcements that contain the information of the whistle-blowing channel shall be published and updated on OA platform and enterprise WeChat, and on the official website and the official WeChat account of Broad Greenstate. For whistle-blowing, Broad Greenstate implements the following procedures:

1. Contact the whistleblowers to verify the authenticity, accuracy and completeness of the information and materials provided by the whistleblowers, and record the verified information and materials;
2. Review whether the whistle-blown issues meet the conditions for carrying out the whistle-blowing investigation;
3. Carry out strict confidential investigation on the relevant information of the whistleblowers and the specific contents of the whistle-blown issues;
4. After investigation and verification of the facts, an investigation report and handling opinions shall be issued and submitted to the Group's President Office for approval.

In order to protect the whistleblowers, the investigation should be carried out without revealing the identity of the whistleblower, and the investigators should keep the relevant information of the whistleblowers and the specific contents of the whistle-blown issues strictly confidential. Moreover, if it is not necessary, investigators should try their best to avoid meeting with the whistleblowers directly, so as to reduce the risks of the whistleblowers being exposed.

During the Reporting Period, Broad Greenstate had no (2019: Nil) cases of non-compliance with laws and regulations related to bribery, extortion, fraud and money-laundering and no (2019: Nil) concluded legal case regarding corrupt practices brought against the Company or its employees.

VIII. Our Community

Aspect B8: Community Investment

Currently, Broad Greenstate's main business spreads all over the country, it gives full play to the respective advantages in each regions, and actively explores opportunities for cooperation with the local government and seeks for other potential customers, so as to lay a good foundation for undertaking more projects in the future. In addition, with its comprehensive solution capabilities along the full industry chain and a good track record in previous and ongoing projects, the Group has proved its ability to make full use of its advantages and local potential resources to formulate customized ecological construction plans catering to local development needs for the government, which has helped it gain a foothold in the fierce market competition. It can be seen that, Broad Greenstate is committed to being a socially responsible company. In addition, the Company not only encourages staff to actively participate in public welfare activities, but also has always committed to invest in community public welfare undertakings with details of the community investment strategies as follows:

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

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

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

As a company with a high degree of social responsibility, Broad Greenstate actively participates in various social welfare activities. In addition, Broad Greenstate also actively carries out in-depth cooperation with universities and scientific research institutions. Broad Greenstate Ecological Construction Group Co., Ltd., an indirect wholly-owned subsidiary of the Company, has established the "Broad Greenstate — Tongji Joint Technology Innovation Center" jointly with Tongji University. This move is geared to the needs of the major nation strategies, giving full play to the resource advantages of both parties and boosting the expansion and development of the main business of Broad Greenstate.

Directors and Senior Management

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

Executive Directors

Mr. Wu Zhengping (吳正平) ("Mr. Wu"), aged 57, is the chairman of the Board and an executive Director of the Company. Mr. Wu is also the chief executive officer and the director of Broad Greenstate Ecological, Greenstate Business, Greenstate Gardening and Greenstate International. Mr. Wu is also the director of Broad Landscape International since 8 October 2013. Mr. Wu founded the Group with Ms. Xiao Li ("**Ms. Xiao**") in 2004. He is responsible for the overall strategy, business and investment planning of the Group. Mr. Wu has extensive experience in the landscape architecture service industry, and has been engaged in such business for over ten years.

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

Ms. Xiao Li (肖莉) ("Ms. Xiao"), aged 49, is an executive Director and a member of Nomination Committee of the Company. Ms. Xiao is also the deputy chief executive officer of the Company. Ms. Xiao founded the Group with Mr. Wu in 2004. She is also a director of Broad Greenstate Ecological, Greenstate Business and Broad Landscape International since 13 September 2016 and Greenstate International since 9 March 2017. She is responsible for overseeing the financial matters and daily operations of the Group.

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

Ms. Zhu Wen (朱雯) ("Ms. Zhu"), aged 37, joined the Group on 15 June 2004. She has served as the executive Director since 3 January 2014, a member of the Remuneration Committee of the Company since 25 June 2014 and the chief financial officer of the Company since 21 September 2020. Ms. Zhu is responsible for overseeing the administration matters of our Group and has extensive administration and management experience in the landscape industry.

In addition, Ms. Zhu is currently the manager of the administrative department in Shanghai Greenstate Business Management Company Limited. She is also the director of Broad Greenstate Ecological and the deputy general manager of the Company since August 2011, responsible for the financial, administrative and human resources matters of Broad Greenstate Ecological. She was appointed as the director of Eastern Greenstate International on 9 October 2013.

Ms. Zhu graduated with a master degree in Business Administration from East China University of Science and Technology* (華東理工大學) in Shanghai, China in March 2012.

Ms. Chen Min (陳敏) ("Ms. Chen"), aged 46, is an executive Director of the Company. She has served as the deputy financial controller of the Company since November 2016, responsible for the supervision of major financial matters of the Company, formulation of internal control procedures relating to financial and accounting matters, management and supervision of financial matters and other work relating to accounting management. Ms. Chen graduated from Central South University* (中南大學) in December 2003, majoring in business administration. Ms. Chen obtained the qualification of senior accountant in April 2008 and became a non-practicing member of the Chinese Institute of Certified Public Accountants* (中國註冊會計師協會) in December 2009. Ms. Chen has over 20 years of experience in financial management. Ms. Chen has previously served as a deputy chief accountant of Shanghai San Sheng Hong Ye Investment (Group) Company Limited* (上海三盛宏業投資(集團)有限責任公司) and the financial controller of a project company of Shanghai Vanke Corporation Limited* (上海萬科股份有限公司). Ms. Chen joined Shanghai Greenland Business (Group) Company Limited* (上海綠地商業(集團)有限公司) as a finance manager in October 2006 and served as the financial controller of the Changsha real estate business group of Greenland (a substantial shareholder of the Company) from October 2010 to November 2016. In November 2016, Ms. Chen joined the Company as the deputy financial controller of the Company. Ms. Chen has been appointed as the director of Chongqing Sincere Yuanchuang Industrial Co., Ltd* (重慶協信遠創實業有限公司) since 3 April 2020.

Independent Non-Executive Directors

Mr. Dai Guoqiang (戴國強) ("Mr. Dai"), aged 68, is an independent non-executive Director and is the chairman of Nomination Committee, a member of both Audit and Remuneration Committees of the Company. Mr. Dai was appointed as the chairman of Audit Committee for the period from 29 December 2017 to 13 March 2018. Mr. Dai has nearly fifteen years of experience in Finance and Economics. Mr. Dai graduated with a bachelor and a master degree in Economics from Shanghai School of Finance and Economics* (上海財經學院), currently known as Shanghai University of Finance and Economics* (上海財經大學), in January 1983 and July 1987, respectively. Following which Mr. Dai obtained a PH.D. in Economics from Fudan University* (復旦大學) in Shanghai, China in July 1994.

From March 1999 to April 2006, he was the Dean of the School of Finance of Shanghai University of Finance and Economics* (上海財經大學) in Shanghai, China. He was the party secretary* (黨委書記) of the School of Finance of Shanghai University of Finance and Economics* (上海財經大學) from April 2006 to July 2007. From July 2007 to April 2011, he served as the Dean and secretary of the Master of Business Administration School of Shanghai University of Finance and Economics* (上海財經大學). Mr. Dai has served as a finance professor since June 1995, the party branch secretary and vice president* (黨支部書記兼副院長) of the School of Finance of Shanghai University of Finance and Economics* (上海財經大學) in Shanghai, China from April 2011 to March 2016 respectively. Mr. Dai was an independent non-executive director from February 2004 to June 2009 and an external supervisor of Bank of Shanghai Co., Ltd* (上海銀行股份有限公司) from June 2009 to June 2017. He has also been an independent non-executive director of Shanghai Fudan Forward Science and Technology Co., Ltd.* (上海復旦復華科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600624.SH) from March 2008 to June 2014. From May 2012 to April 2015, Mr. Dai was also an arbitrator on the panel of China International Economic and Trade Arbitration Commission. Mr. Dai was a member (委員) of National Economics

Directors and Senior Management (Continued)

Universities Teaching Guidance Committee under the Ministry of Education* (教育部高等學校經濟學類學科教學指導委員會) from 2006 to 2010. He also serves as a member of Master of Finance Teaching Guidance under the Ministry of Education (教育部金融專業碩士教學指導委員會) since March 2011. Since September 2018, Mr. Dai has also been appointed as an executive director of Shanghai Niaozhi Literature and Art Creation Company Limited* (上海梟之文學藝術創作有限公司). Mr. Dai has been an independent non-executive director of Bestway Global Holding Inc.* (榮威國際控股有限公司), a company listed on the Stock Exchange (stock code: 3358), since 18 October 2017, an independent director of Bank of Guiyang Co., Ltd.* (貴陽銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601997.SH), since 11 February 2018 and an independent director of Liqun Commercial Group Co., Ltd* (利群商業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601366.SH) since April 2019.

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

Dr. Jin Hexian (金荷仙) ("Dr. Jin"), aged 56, has been an independent non-executive Director, the chairman of the Remuneration Committee and a member of both Audit and Nomination Committees of the Company. She obtained a bachelor's degree in landscape architecture from Nanjing Forestry University* (南京林業大學), and a master's degree and doctor's degree in landscape architecture from Beijing Forestry University* (北京林業大學). Dr. Jin is currently an instructor to the students of the doctoral program of Zhejiang Agricultural and Forestry University* (浙江農林大學). Dr. Jin is also an independent director of Hui Lyu Ecological Technology Groups Co., Ltd.* (匯綠生態科技集團股份有限公司), a company incorporated in the PRC and mainly engaging in landscape construction business. She is an independent director of Zhejiang Humanities Landscape Co., Ltd.* (浙江人文園林股份有限公司) since 26 June 2017 and an independent director of Guangzhou S.P.I Design Co., Ltd.* (廣州山水比德設計股份有限公司) since 8 October 2019.

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

Mr. Yang Yuanguang (楊元廣) ("Mr. Yang"), aged 57, is an independent non-executive Director and the chairman of the Audit Committee of the Company since 23 May 2020. Mr. Yang has over 20 years of experience in audit assurance, global tax planning, corporate advisory, family business and merger and acquisition business.

Mr. Yang has operated Burney Y.G. Yang & Co. C.P.A., a CPA firm in Hong Kong with business focus in the markets of Hong Kong, PRC, Australia and New Zealand since February 2005. Mr. Yang served as the director of Stephen W.B. Chan Co., Ltd. C.P.A. from April 2000 to January 2005. Mr. Yang currently serves as a non-executive director of Kalnorth Gold Mines Limited, a company listed on the Australian Securities Exchange (Stock Code: KGM).

Mr. Yang is a member of the Hong Kong Institute of Certified Public Accounts since 2005, and a chartered accountant of the Institute of Chartered Accountants Australia and New Zealand since 2002.

Senior Management

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

Company Secretary

Ms. Lo Ka Man (勞嘉敏) ("Ms. Lo"), a manager of Corporate Services Division of Tricor Services Limited ("**Tricor**"), a global professional service provider specializing in the integrated business, corporate and investor services and has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lo possesses more than 10 years of experience in the company secretary profession. Ms. Lo is currently a joint company secretary of JiaXing Gas Group Co., Ltd.* (a company listed on the main board of the Stock Exchange, stock code: 9908). Ms. Lo is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

Ms. Sun Ah Tsang (孫亞錚) ("Ms. Sun"), a manager of Corporate Services Division of Tricor. Ms. Sun has over 10 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring to dissolution of companies. Ms. Sun is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

Report of the Directors

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

Corporate Information and Global Offering

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

Principal Activities

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

Results and Final Dividends

The consolidated results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income from pages 79 to 80 of this annual report. The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

Financial Summary

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

Business Review

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis section from pages 10 to 14 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Market Risks section from pages 69 to 70. Particulars of important events affecting the Company that have occurred since the end of the financial year 2020, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 6 to 9 of this annual report. An account of the Company's relationships with its key stakeholders is included in the Relationship with Employees, Suppliers and Customers section on page 70 of this annual report. Details of the Company's environmental policies and performance can be found in the Environmental, Social and Governance Report from pages 29 to 53 of this annual report.

Share Capital

Details of movements in the share capital of the Company during the Reporting Period are set out in note 30 to the financial statements on page 147 of this annual report.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Pre-Emptive Rights

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements on pages from 124 to 125 of this annual report.

Material Acquisitions, Disposals and Significant Investments

During the year ended 31 December 2020, Shanghai Qianyi has held 4.3 million shares of Shanghai H-fast Electronic Technology Co., Ltd. with a shareholding of 10.04% at a cost of RMB51,600,000.

Save as disclosed above, during the Reporting Period, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 31 December 2020, the Group did not hold any significant investments.

Report of the Directors (Continued)

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 83 of this annual report. As at 31 December 2020, the Company's reserves available for distribution to Shareholders amounted to approximately RMB755 million (2019: RMB685 million).

Contingent Liabilities

Details of contingent liabilities of the Company and the Group as at 31 December 2020 are set out in the note 34 to the financial statements on page 152 of this annual report.

Gearing ratio

As of 31 December 2020, the Group's gearing ratio was 60% (2019: 66%), details of which are set out to note 40 to the financial statements on page 165 of this annual report.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2020 are set out in the note 28 to the financial statements on pages from 144 to 145 of this annual report.

Major Customers and Suppliers

During the Reporting Period, the percentage of turnover attributable to the Group's five largest customers from the sales of projects was approximately 79%, and the percentage of turnover attributable to its largest customer from the sales of projects was approximately 34%.

Purchases from the Group's five largest suppliers accounted for 77% of the total purchase for the Reporting Period and purchase from the Group's largest supplier included therein amounted to 29% of the total purchases for the year.

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

Directors

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

Executive Directors

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

Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強)
Dr. Jin Hexian (金荷仙)
Mr. Yang Yuanguang (楊元廣) *(appointed on 23 May 2020)*
Dr. Chan Wing Bun (陳榮斌) *(resigned on 23 May 2020)*

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

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 21 July 2017 to 20 July 2020, except for Ms. Chen Min, whose term is from 13 April 2017 to 12 April 2020. The service contract of each of Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen and Ms. Chen Min was renewed with the same terms and extended to 20 July 2023 and 12 April 2023 respectively. The above-mentioned service contracts of the executive Directors shall be terminated by not less than six months' notice in writing served by either party to the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 21 July 2017 to 20 July 2020, except for Mr. Yang Yuanguang, whose term is from 23 May 2020 to 22 May 2023. The letter of appointment of Mr. Dai Guoqiang and Dr. Jin Hexian was renewed with the same terms and extended to 20 July 2023. The above-mentioned letters of appointment of the independent non-executive Directors shall be terminated by not less than three months' written notice served by either part to the other.

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

Confirmation of Independence from Independent Non-Executive Directors

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Permitted Indemnity

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

Report of the Directors (Continued)

Management Contracts

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

Non-Competition Undertakings

Each of the Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings that he/she/it provided to the Company on 25 June 2014 pursuant to the Non-competition Deed. Details of the Non-competition Deed are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

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

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and the five highest paid individuals for the Reporting Period are set out in notes 8 and 9 to the financial statements on pages from 118 to 121 of this annual report.

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

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director/Chief Executive	Nature and Number of Shares/underlying Shares held[1]				Approximate Percentage of Issued Share Capital
	Personal interest	Corporate interest	Spouse interest	Total interest	
Mr. Wu Zhengping[2][3]	—	991,321,041	—	991,321,041	29.65%
Ms. Xiao Li[2][3]	—	—	991,321,041	991,321,041	29.65%

Notes:

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

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

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

Save as disclosed above, as at 31 December 2020, so far as is known to any Director or chief executive of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2020, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register required referred to therein, were as follows:

Name of Shareholder	Nature of Interest	Number of Shares/ underlying Shares held[1]	Approximate Percentage of Issued Shares
Broad Landscape International[2]	Beneficial owner	991,321,041	29.65%
Eastern Greenstate International[2]	Beneficial owner	306,313,662	9.16%
Greenland[3]	Interest in a controlled corporation	991,321,041	29.65%
Greenland Financial Holdings Company Limited (綠地金融投資控股集團有限公司)[3]	Interest in a controlled corporation	991,321,041	29.65%
Greenland Financial	Beneficial owner	991,321,041	29.65%
Wholeking Holdings Limited ("Wholeking")[4]	Beneficial owner	235,392,000	7.04%
Hope Empire Limited ("Hope Empire")[4]	Interest in a controlled corporation	235,392,000	7.04%
Silverland Assets Limited ("Silverland")[4]	Interest in a controlled corporation	235,392,000	7.04%
HSBC International Trustee Limited[4]	Trustee	235,392,000	7.04%
Cai Kui[5]	Founder of a discretionary trust	235,392,000	7.04%

Notes:

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

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

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

(4) *Wholeking is wholly-owned by Hope Empire, which in turn wholly-owned by Silverland. Silverland is wholly-owned by HSBC International Trustee Limited ("HSBC Trustee"). By virtue of the SFO, HSBC Trustee, Silverland and Hope Empire are deemed to be interested in the 235,392,000 Shares held by Wholeking.*

(5) *Mr. Cai Kui has acquired 235,392,000 Shares, representing 7.04% of the Shares of the Company.*

Save as disclosed above, as at 31 December 2020, the Directors have not been notified by any person (not being the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Report of the Directors (Continued)

Share Option Scheme

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

Purpose

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

Participants of the Share Option Scheme

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

Maximum number of Shares

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

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

As at the date of this annual report, a total of 39,482,142 share options, representing 1.18% of the issued share capital of the Company, is available for issue under the Share Option Scheme.

Maximum entitlement of each participant

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

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

Offer period

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

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

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

Amount payable for options

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

Basis of determining the exercise price

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

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

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

(iii) the nominal value of the Shares.

Report of the Directors (Continued)

Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten (10) years commencing from 25 June 2014. Unless otherwise terminated earlier by the Company by resolution in general meeting or the Board, as at 31 December 2020, the Share Option Scheme has a remaining life of approximately three (3) years.

Since the effective date of the Share Option Scheme and up to the end of the Reporting Period, the Company has granted a total of 223,017,856 share options to eligible grantees, including the Company's directors and other employees of the Group, on 1 September 2015 and 12 June 2018, while a total of 170,375,000 shares were lapsed and no share option had been exercised under the Share Option Scheme. Details of the movement in the share options under the Share Option Scheme during the Reporting Period and outstanding as at 31 December 2020 were as follows:

			Number of Options							
Grantees	Date of grant	Options granted	Held at 1 January 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Forfeited[1] during the Reporting Period	Lapsed[2] during the Reporting Period	Held at 31 December 2020	Exercise price per Share (HK$)	Vesting and Exercise period
Wu Zhengping	1 Sept 2015	30,000,000	–	–	–	–	–	–	1.24	1 Sept 2017–31 Aug 2018
			–	–	–	–	–	–		1 Sept 2018–31 Aug 2019
			–	–	–	–	–	–		1 Sept 2019–31 Aug 2020
			9,000,000	–	–	–	9,000,000	–		1 Sept 2020–31 Aug 2021
Xiao Li	1 Sept 2015	22,500,000	–	–	–	–	–	–	1.24	1 Sept 2017–31 Aug 2018
			–	–	–	–	–	–		1 Sept 2018–31 Aug 2019
			–	–	–	–	–	–		1 Sept 2019–31 Aug 2020
			6,750,000	–	–	–	6,750,000	–		1 Sept 2020–31 Aug 2021
Zhu Wen	1 Sept 2015	5,000,000	–	–	–	–	–	–	1.24	1 Sept 2017–31 Aug 2018
			–	–	–	–		–		1 Sept 2018–31 Aug 2019
			–	–	–	–	–	–		1 Sept 2019–31 Aug 2020
			1,500,000	–	–	–	1,500,000	–		1 Sept 2020–31 Aug 2021
Other employees (in aggregate)	1 Sept 2015	55,250,000	–	–	–	–	–	–	1.24	1 Sept 2017–31 Aug 2018
			–	–	–	–	–	–		1 Sept 2018–31 Aug 2019
			–	–	–	–	–	–		1 Sept 2019–31 Aug 2020
			4,350,000	–	–	–	4,350,000	–		1 Sept 2020–31 Aug 2021
	12 Jun 2018	110,267,856	18,375,000	–	–	5,214,286	13,160,714	–	1.04	12 Jun 2020–11 Jun 2021
			18,375,000	–	–	5,214,286	–	13,160,714		12 Jun 2021–11 Jun 2022
			27,562,500	–	–	7,821,429	–	19,741,071		12 Jun 2022–11 Jun 2023
			27,562,500	–	–	7,821,429	–	19,741,071		12 Jun 2023–11 Jun 2024

Notes:

(1) *26,071,430 share options were cancelled/forfeited during the Reporting Period.*

(2) *34,760,714 share options were lapsed during the Reporting Period and 13,160,714 share options were lapsed after the Reporting Period.*

Directors' Rights to Acquire Shares or Debentures

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

Directors' Interests in Competing Business

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

Directors' and Controlling Shareholders' Interests in Contracts of Significance

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

Connected Transactions

The 2015 Note Instrument

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

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

Pursuant to the terms and conditions of the 2015 Notes, Greenland Financial has served an extension notice and the Company has acknowledged and agreed to such extension notice, whereby the maturity date of the notes shall be extended by one calendar year from 15 October 2016 to 15 October 2017.

Report of the Directors (Continued)

The 2017 Note Instrument

On 15 November 2017, the Company and Greenland Financial entered into the 2017 Deed of Consent pursuant to which the parties conditionally agreed, among other things, that (i) Greenland Financial shall execute the 2017 Note Instrument and release and discharge the Company from all of its present and future covenants, liabilities and obligations owing and/or payable to Greenland Financial under the 2015 Note Instrument and any further obligations that the Company may have under the 2015 Note Instrument, and (ii) Greenland Financial shall release the 2015 Company Share Charge and the 2015 Greenstate Times Share Charge by way of deeds of release and enter into the 2017 Share Charges as security of the Notes. Closing of the Reissue of the Notes took place on 15 January 2018.

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

The 2019 Note Instrument

On 4 December 2019, the Company and Greenland Financial entered into the 2019 Deed of Consent pursuant to which the parties conditionally agreed, among other things, that (i) Greenland Financial shall execute the 2019 Note Instrument and release and discharge the Company from all of its present and future covenants, liabilities and obligations owing and/or payable to Greenland Financial under the 2017 Note Instrument and any further obligations that the Company may have under the 2017 Note Instrument, and (ii) Greenland Financial shall release the 2017 Share Charges by way of deeds of release and enter into the 2019 Share Charges as security of the 2019 Notes.

Pursuant to the terms and conditions of the 2019 Notes, the maturity date of the 2019 Notes is 14 July 2020 (unless previously redeemed, or purchased and cancelled or extended) and the term of 2019 Notes may be extended for an additional six months with the same interest coupon, terms and conditions as described under the 2019 Note Instrument.

For further details, please refer to the announcements of the Company dated 15 November 2017, 15 January 2019 and 4 December 2019 and the circulars of the Company dated 28 December 2017 and 6 January 2020.

Exempt Continuing Connected Transactions

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

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

Related Party Transactions

During the Year ended 31 December 2020, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into related party transactions with the Group which are disclosed in note 37 to the financial statements on page 153 of this annual report. These transactions were not regarded as connected transactions or were exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Company accordingly complied with the requirements in Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transaction as set out in the Annual Report.

Corporate Governance

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

Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 28 of this annual report.

Major Risk and Uncertainties

Business impacted by the political and economic situation in the PRC

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

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

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

We are subject to the risks associated with the tendering process

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

Report of the Directors (Continued)

We do not have long-term commitments with our customers

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

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

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

Environmental policy and performance

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

Relationship with Employees, Suppliers and Customers

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

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

Compliance with Laws and Regulations

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

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

Employee and Remuneration Policy

As at 31 December 2020, the Group had 256 full time employees in the PRC. During the Reporting Period, the staff cost of the Group was approximately RMB14.4 million.

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

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

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

The remuneration of Directors and chief executives has been disclosed in note 8 to the financial statements on pages 118 to 120 in this annual report.

Sufficiency of Public Float

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

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

Report of the Directors (Continued)

Events After the Reporting Period

There are no significant events subsequent to 31 December 2020 that have material impact on the Group's operating and financial performance as at the date of this annual report.

Future Development

For the likely future development in the Company's business, please refer to page 10 to 14 of the Management Discussion and Analysis section of this annual report.

Record Date

For the purpose of determining the Shareholders' eligibility to attend and vote at the 2021 annual general meeting, the record date will be on Thursday, 13 May 2021. In order to be eligible to attend and vote at the meeting, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 13 May 2021.

Audit Committee

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

Auditors

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

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

Shanghai, the PRC
31 March 2021

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of China Greenland Broad Greenstate Group Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 79 to 167, 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report (Continued)

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

Key audit matters (Continued)

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

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts with customers	
During the year ended 31 December 2020, revenue arising from construction-type contracts in landscape projects, which represented 98.28% of the Group's total revenue, was recognised in the construction period by reference to the progress towards completion of contract activities at the end of the Reporting Period, provided that the inputs of the contracts can be measured reliably according to the application of HKFRS 15. The input method involves the use of significant management judgements and estimates including estimates of the progress towards completion, variable contract revenue and contract risks. In addition, revenue, cost and gross profit realised on such contracts may vary significantly from the Company's original estimates due to changes in conditions. Disclosures about revenue from construction contracts with customers are included in notes 2.4, 3 and 5 to the financial statements.	To address this key audit matter, we performed the following procedures: — Conducted walkthroughs and tests of controls identified; — Examined the construction contracts entered into with customers in the current year and reviewed the project target and key contracts clauses; — Reviewed the forecasted total budget cost for each project by taking into account the achievement of previous forecasts and comparing ongoing actual costs with the budgeted costs; — Assessed management's determination of constraints over variable contract revenue; — Discussed the status of projects under construction with management, financial officers, and engineers of the Group; — Checked, on a sample basis, to suppliers' invoices to assess the completion status of each project and interviewed key customers; and — Inspected significant projects under construction.

Independent Auditor's Report (Continued)

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

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables and contract assets At 31 December 2020, the Group had gross trade receivables and contract assets of RMB763.0 million and RMB1,309.3 million respectively. After netting off the impairment provision of RMB147.3 million and RMB13.8 million, net trade receivables and contract assets represent 55.35% of the total assets of the Group. Significant judgement and estimation by management are involved in the assessment of impairment, based on the expected credit losses to be incurred, by taking into account the ageing of trade receivable balances and contract asset balances, the credit quality and credit loss history of debtors, and different features of specific customers. Both current and future general economic conditions are also taken into consideration by management in the estimation. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade receivables and contract assets and the loss allowance for trade receivables and contract assets in the year in which such estimate has been changed. The accounting judgements and estimates and disclosures for the recognition of impairment for trade receivables and contract assets are included in notes 3, 21 and 22 to the financial statements.	Our procedures included, among others: — Tested of controls over the Group's assessment of the provision performed at each year end; — Reviewed of the ageing analysis which we tested on a sample basis; — Examined the information used by management to estimate the loss allowance for trade receivables, including testing of the historical default data, evaluated adjustments made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors, and examined the actual credit losses recorded during the current financial year; — Tested, on a sample basis, the collection of receivables after the year end from the customers and reviewed any correspondence with customers on the expected settlement dates; and — Searched for public information to inspect whether any disputes existed between the Group and its significant counterparties.

Independent Auditor's Report (Continued)

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

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	676,161	949,088
Cost of sales	6	(485,550)	(737,797)
Gross profit		190,611	211,291
Other income and gains	5	19,087	39,351
Administrative expenses		(54,699)	(86,875)
Impairment losses on financial and contract assets		(58,205)	(63,012)
Finance costs	7	(47,489)	(53,969)
Share of profits and losses of:			
Joint ventures	17	42,588	32,463
An associate	18	2,153	1,944
PROFIT BEFORE TAX	6	94,046	81,193
Income tax expense	10	(15,512)	(10,979)
PROFIT FOR THE YEAR		78,534	70,214
Attributable to:			
Owners of the parent		78,295	71,383
Non-controlling interests		239	(1,169)
		78,534	70,214
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		33,396	(29,745)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		33,396	(29,745)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		33,396	(29,745)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		111,930	40,469

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Total comprehensive income			
Attributable to:			
Owners of the parent		**111,691**	41,638
Non-controlling interests		**239**	(1,169)
		111,930	40,469
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic			
For profit for the year	*12*	**0.02**	0.02
Diluted			
For profit for the year	*12*	**0.02**	0.02

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	131,022	136,485
Right-of-use assets	14(a)	1,488	2,976
Goodwill	15	3,060	3,060
Other intangible assets	16	20,294	21,631
Investments in joint ventures	17	699,899	632,031
Investment in an associate	18	—	53,544
Equity investment at fair value through profit or loss	18	65,435	—
Financial assets at fair value through profit or loss	19	20,142	17,380
Contract assets	22	105,265	24,194
Prepayments, other receivables and other assets	23	44,844	7,482
Other non-current asset		19,449	—
Deferred tax assets	29	25,064	17,915
Total non-current assets		1,135,962	916,698
CURRENT ASSETS			
Biological assets	20	33,539	33,427
Trade receivables	21	615,641	815,052
Contract assets	22	1,190,209	994,100
Prepayments, other receivables and other assets	23	166,828	161,620
Pledged deposits	24	1,300	213,203
Cash and cash equivalents	24	309,292	229,905
Total current assets		2,316,809	2,447,307
CURRENT LIABILITIES			
Corporate bonds	25	196,947	282,132
Trade and bills payables	26	953,379	965,861
Other payables and accruals	27	549,307	527,543
Interest-bearing bank and other borrowings	28	280,338	500,722
Lease liabilities	14(b)	1,722	1,722
Tax payable		170,645	161,554
Total current liabilities		2,152,338	2,439,534
NET CURRENT ASSETS		164,471	7,773
TOTAL ASSETS LESS CURRENT LIABILITIES		1,300,433	924,471

Consolidated Statement of Financial Position (Continued)

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*28*	267,610	14,064
Lease liabilities	*14(b)*	–	1,559
Deferred tax liabilities	*29*	8,816	5,953
Total non-current liabilities		276,426	21,576
Net assets		1,024,007	902,895
EQUITY			
Equity attributable to owners of the parent			
Share capital	*30*	66,396	66,396
Other reserves	*31*	929,535	817,844
		995,931	884,240
Non-controlling interests		28,076	18,655
Total equity		1,024,007	902,895

Wu Zhengping
Director

Xiao Li
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Notes	Share capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Statutory and other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent								
At 1 January 2020		66,396	151,609*	–	15,220	(33,677)	684,692	884,240	18,655	902,895
Profit for the year		–	–	–	–	–	78,295	78,295	239	78,534
Other comprehensive income for the year:										
Exchange differences related to foreign operations		–	–	–	–	33,396	–	33,396	–	33,396
Total comprehensive income for the year		–	–	–	–	33,396	78,295	111,691	239	111,930
Transfer from retained profits		–	–	–	8,357	–	(8,357)	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	9,182	9,182
At 31 December 2020		66,396	151,609*	–	23,577*	(281)*	754,630*	995,931	28,076	1,024,007

* *These reserve accounts comprise the consolidated other reserves of RMB929,535,000 (2019: RMB817,844,000) in the consolidated statement of financial position.*

	Notes	Share capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Statutory and other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent								
At 1 January 2019		66,396	151,609	5,690	6,740	(3,932)	618,666	845,169	42,218	887,387
Profit for the year		–	–	–	–	–	71,383	71,383	(1,169)	70,214
Other comprehensive loss for the year:										
Exchange differences related to foreign operations		–	–	–	–	(29,745)	–	(29,745)	–	(29,745)
Total comprehensive income for the year		–	–	–	–	(29,745)	71,383	41,638	(1,169)	40,469
Additional consideration for acquisition of a non-controlling interest		–	–	–	(1,626)	–	–	(1,626)	–	(1,626)
Disposal of subsidiaries		–	–	–	4,749	–	–	4,749	(29,719)	(24,970)
Equity-settled share option arrangements	32	–	–	(5,690)	–	–	–	(5,690)	–	(5,690)
Transfer from retained profits		–	–	–	5,357	–	(5,357)	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	7,325	7,325
At 31 December 2019		66,396	151,609*	–	15,220*	(33,677)*	684,692*	884,240	18,655	902,895

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**94,046**	81,193
Adjustments for:			
Finance costs	*7*	**47,489**	53,969
Share of profits and losses of:			
Joint ventures		**(42,588)**	(32,463)
An associate		**(2,153)**	(1,944)
Gains on disposal of subsidiaries		**—**	(3,618)
(Gains)/losses on disposal of items of property, plant and equipment	*6*	**(387)**	50
Gains on reclassification of associate to equity investment at fair value through profit or loss	*6*	**(4,370)**	—
Fair value losses/(gains) on biological assets	*5*	**787**	(1,048)
Fair value (gains)/losses on financial assets at fair value through profit or loss	*5*	**(350)**	1
Fair value gains on equity investment at fair value through profit or loss		**(5,368)**	—
Depreciation property, plant and equipment	*6,13*	**6,675**	7,934
Depreciation of right-of-use assets	*6,14*	**1,488**	2,086
Amortisation of other intangible assets	*6,16*	**1,705**	3,051
Amortisation of prepaid land lease payments		**—**	—
Impairment of trade receivables	*6, 21*	**45,099**	73,085
Impairment of contract assets	*6, 22*	**2,758**	4,215
Impairment of prepayments and other receivables	*6, 23*	**10,348**	(14,288)
Forfeiture of equity-settled share option arrangements	*6*	**—**	(5,690)
		155,179	166,533
Decrease in trade receivables		**154,312**	58,606
Increase in prepayments and other receivables		**(16,279)**	(96,395)
Increase in contract assets		**(279,938)**	(451,956)
Increase in biological assets		**(899)**	(1,362)
(Decrease)/increase in trade and bills payables		**(12,482)**	136,861
Increase in other payables and accruals		**69,237**	353,755
Decrease in pledged deposits for contract assets		**7,400**	5,250
Cash generated from operations		**76,530**	171,292
Income tax paid		**(10,707)**	(18,923)
Net cash flows from operating activities		**65,823**	152,369

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(1,996)	(793)
Proceeds from disposal of property, plant and equipment		1,172	325
Purchase of intangible assets		(368)	(866)
Purchase of financial assets at fair value through profit or loss		(2,412)	(4,971)
Capital injection in joint ventures		(25,280)	(207,376)
Acquisition of an associate		—	(51,600)
Disposal of subsidiaries		—	41,832
Loans to related parties		(59,986)	—
Decrease/(increase) in time deposits with original maturity of more than three months		208,400	(200,000)
Net cash flows from/(used in) investing activities		119,530	(423,449)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		613,878	521,906
Repayment of bank loans		(579,242)	(440,270)
(Decrease)/increase in amounts due to related parties		(33,548)	28,256
Principal portion of lease payments	33	(1,559)	(1,521)
Contribution from non-controlling shareholders		9,182	7,325
Repayment of corporate bonds		(67,519)	—
Interest paid for other borrowings		(20,904)	(12,563)
Interest paid for bonds		(26,368)	(33,212)
Net cash flows (used in)/from financing activities		(106,080)	69,921
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		79,273	(201,159)
Cash and cash equivalents at beginning of year		229,905	431,093
Effect of foreign exchange rate changes, net		114	(29)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	309,292	229,905
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	24	310,592	443,108
Less: Time deposits with original maturity of less than three months, when acquired, pledged as security for bank loans	24	—	204,503
Time deposits with original maturity of less than three months, when acquired, pledged as security for construction contracts	24	1,300	8,700
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASHFLOWS	24	309,292	229,905

Notes to Financial Statements

1. Corporate and Group Information

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

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			direct	indirect	
Greenstate Times International Company Limited ("**Greenstate Times**")	British Virgin Islands	USD50,000	100%	—	Investment holding
Greenstate International Company Limited ("**Greenstate International**")	Hong Kong	HKD10,000	—	100%	Investment holding
Shanghai Qianyi Landscape Engineering Company Limited# ("**Shanghai Qianyi**")	People's Republic of China (The "**PRC**")/ Mainland China	USD37,000,000	—	100%	Investment holding
Shanghai Qianyi Investing Management Company Limited#	PRC/Mainland China	RMB2,000,000	—	100%	Investment holding
Shanghai Greenstate Business Management Company Limited ("**Greenstate Business**")#	PRC/Mainland China	RMB32,000,000	—	100%	Landscaping
Broad Greenstate Ecological Construction Group Company Limited ("**Broad Greenstate Ecological**")#	PRC/Mainland China	RMB1,050,000,000	—	100%	Landscaping
Shanghai Jiazhuan Industrial Co., Ltd.#	PRC/Mainland China	RMB78,500,000	—	100%	Investment holding
Shanghai Greenstate Gardening Company Limited ("**Greenstate Gardening**") #	PRC/Mainland China	RMB5,000,000	—	100%	Landscaping
Changxing Greenstate Ecological Gardening Company Limited#	PRC/Mainland China	RMB5,600,000	—	100%	Landscaping

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company direct	indirect	Principal activities
Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. ("**Shanghai Dongjiang**")#	PRC/Mainland China	RMB13,000,000	—	100%	Design
Shanghai Dongjiang Building Landscape Engineering Co., Ltd. ("**Dongjiang Landscape**")#	PRC/Mainland China	RMB10,000,000	—	100%	Landscaping
Shanghai Bifu Investment Center LLP	PRC/Mainland China	RMB190,000,000	—	100%	Investment holding
Shanghai Zhubai Enterprise Management Co., Ltd.#	PRC/Mainland China	RMB1,000,000	—	100%	Investment holding
Shanghai Chengtou Virescence Technology Development Co.,Ltd. ("**Shanghai Chengtou**")#	PRC/Mainland China	RMB36,000,000	—	75%	Landscaping
Shanghai Luyou Investment Center LLP#	PRC/Mainland China	RMB20,000,000	—	80%	Investment holding
Shanghai Qingfu Business Management Consulting Center LLP ("**Shanghai Qingfu**")	PRC/Mainland China	RMB20,000,000	—	96%	Investment holding
Shanghai Zhaofu Business Management Consulting Center LLP	PRC/Mainland China	RMB20,000,000	—	100%	Investment holding
Shanghe Greenland Broad Green Spring Construction Company Limited#	PRC/Mainland China	RMB100,452,400	—	88%	Project management
Kaifeng City Xiangfu District Broad Greenstate Huiji River Wetland Park#	PRC/Mainland China	RMB153,034,100	—	95%	Project management
Yangjiang Two Rivers & Four Shores Construction and Investment Development Co., Ltd.#	PRC/Mainland China	RMB9,500,000	—	95%	Project management

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

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

Notes to Financial Statements (Continued)

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

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

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

Notes to Financial Statements (Continued)

2.2 Changes in Accounting Policies and Disclosures (Continued)

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, no lease payment for the leases of the Group's building, land or machinery has been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic. Amendment to HKFRS 16 has no impact on the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[2]

1 *Effective for annual periods beginning on or after 1 January 2021*
2 *Effective for annual periods beginning on or after 1 January 2022*
3 *Effective for annual periods beginning on or after 1 January 2023*
4 *No mandatory effective date yet determined but available for adoption*
5 *As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion*
6 *As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023*

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

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing other borrowings denominated in foreign currencies based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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

Notes to Financial Statements (Continued)

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

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the Reporting Period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 Summary of Material Accounting Policies

Investments in associates and joint ventures

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

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

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

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

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

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

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

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

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

2.4 Summary of Material Accounting Policies (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

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

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Material Accounting Policies (Continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

Licences and software

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

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold property	1 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 Summary of Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 Summary of Material Accounting Policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

A financial asset is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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

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

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

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

2.4 Summary of Material Accounting Policies (Continued)

Impairment of financial assets (Continued)

Simplified approach (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Offsetting of financial instruments

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

Biological assets

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

2.4 Summary of Material Accounting Policies (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

Construction, design and maintenance services

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

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

Revenue from other sources

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

2.4 Summary of Material Accounting Policies (Continued)

Revenue recognition (Continued)

Other Income

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

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

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

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

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

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

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

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

2.4 Summary of Material Accounting Policies (Continued)

Other employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

Notes to Financial Statements (Continued)

2.4 Summary of Material Accounting Policies (Continued)

Foreign currencies (Continued)

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

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

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

Revenue from contracts with customers

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

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

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

Notes to Financial Statements (Continued)

3. Significant Accounting Judgements and Estimates (Continued)

Judgements (Continued)

Revenue from contracts with customers (Continued)

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

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

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Estimation uncertainty

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

Variable considerations for claims to customers

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

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

Percentage of completion of construction contract works

The Group recognises revenue according to the percentage of completion of individual contracts of construction work, which requires estimation to be made by management. The percentage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, which are prepared based on past experience, complexity of the project and the current quotation or market price of materials or services obtained. Due to the nature of the activities undertaken for the construction contracts, the date at which the contract is entered into and the date at which the contract is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract costs are more than expected, the gross profit of the relevant project will be fluctuated and an expected loss may arise. Further details are given in notes 5 and 21 to the financial statements.

Notes to Financial Statements (Continued)

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB3,060,000 (2019: RMB3,060,000). Further details are given in note 15.

Provision for expected credit losses on trade receivables and contract assets

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 21 and note 22 to the financial statements, respectively.

Provision for expected credit losses on other receivables

The Group calculates ECLs for other receivables by considering the payment term arrangement, the credit risk stage and the collateral provided. The assessment of the credit risk stage and ECLs is a significant estimate. The estimated ECLs for other receivables may not be representative of debtors' actual default in the future. The information about the ECLs on the Group's other receivables is disclosed in note 23 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 13, 14 and 16 to the financial statements.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB25,064,000 as at 31 December 2020 (2019: RMB17,915,000) (note 29).

4. Operating Segment Information

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

Information about geographical areas

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

Information about major customers

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

	2020 RMB'000	2019 RMB'000
Customer A	227,532	*
Customer B	85,875	97,683
Customer C	81,000	*
Customer D	78,688	*

* *Less than 10% of the total revenue*

Notes to Financial Statements (Continued)

5. Revenue, Other Income and Gains

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	**676,161**	949,088

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Types of services		
Construction services	**664,561**	928,427
Design and maintenance services	**11,600**	20,661
Total	**676,161**	949,088
Timing of revenue recognition		
Services transferred over time	**676,161**	949,088

The following table shows the amounts of revenue recognised in the current Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Construction services	**127,036**	35,990
Design and maintenance services	**5,472**	1,019
Total	**132,508**	37,009

5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Construction services

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

Design and maintenance services

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**1,067,950**	856,118
After one year	**3,066,163**	3,276,026
	4,134,113	4,132,144

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

Notes to Financial Statements (Continued)

5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (Continued)

	Notes	2020 RMB'000	2019 RMB'000
Other income			
Bank interest income		4,353	6,265
Other interest income arising from contracts with customers*		6,584	24,011
Rental income	14	826	286
Others		509	(44)
		12,272	30,518
Gains			
Gains on disposal of subsidiaries		—	3,618
Government grants**		2,328	2,285
Fair value gains/(losses), net financial assets at fair value through profit or loss		350	(1)
Fair value gains, net equity investment at fair value through profit or loss		5,368	—
Biological assets		(787)	1,048
Gains on reclassification from associate to equity investment		4,370	—
Foreign exchange (loss)/gain, net		(4,814)	1,883
		6,815	8,833
		19,087	39,351

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

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

6. Profit Before Tax

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of construction contracts		**481,194**	729,383
Cost of services provided		**4,356**	8,414
Employee benefit expenses (including directors' and chief executive's remuneration as set out in note 8):			
Wages and salaries		**10,668**	11,155
Forfeiture of equity-settled share option arrangements		**—**	(5,690)
Pension scheme contributions		**3,781**	7,851
		14,449	13,316
Depreciation of items of property, plant and equipment	*13*	**6,675**	7,934
Depreciation of right-of-use assets	*14(a)*	**1,488**	2,086
Amortisation of other intangible assets*	*16*	**1,705**	3,051
Bank interest income	*5*	**(4,353)**	(6,265)
Interest income arising from contracts with customers	*5*	**(6,584)**	(24,011)
Gain on disposal of subsidiaries		**—**	(3,618)
Gain on reclassification from an associate to equity investment	*5*	**(4,370)**	—
Impairment of financial and contract assets:			
Impairment of trade receivables	*21*	**45,099**	73,085
Impairment of contract assets	*22*	**2,758**	4,215
Impairment of financial assets included in prepayments, other receivables and other assets	*23*	**10,348**	(14,288)
Consulting fees		**7,317**	6,740
Auditor's remuneration (non-audit fee: Nil)		**2,200**	2,150
(Gain)/ loss on disposal of items of property, plant and equipment		**(387)**	50
Lease payments not included in the measurement of lease liabilities	*14(c)*	**1,141**	1,380

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

Notes to Financial Statements (Continued)

7. Finance Costs

	Note	2020 RMB'000	2019 RMB'000
Interest on bank loans and other borrowings		**21,562**	26,764
Interest on lease liabilities	*14(b)*	**122**	204
Interest on corporate bonds		**25,805**	27,001
Total interest expense on financial liabilities not at fair value through profit or loss		**47,489**	53,969

8. Directors' and Chief Executive's Remuneration

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

	Group	
	2020 RMB'000	2019 RMB'000
Fees	**240**	240
Other emoluments:		
Salaries, allowances and benefits in kind	**3,500**	3,650
Pension scheme contributions	**561**	525
	4,301	4,415

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2020				
Executive directors				
Mr. Wu Zhengping	–	960	118	1,078
Ms. Xiao Li	–	960	118	1,078
Ms. Chen Min	–	530	118	648
Ms. Zhu Wen[a]	–	600	118	718
Non-executive directors				
Mr. Dai Guoqiang	80	–	–	80
Dr. Chan Wing Bun[b]	33	–	–	33
Dr. Jin Hexian	80	–	–	80
Mr. Yang Yuanguang[c]	47	–	–	47
Total	240	3,050	472	3,762

(a) Ms. Zhu Wen has been appointed as Chief Financial Officer of the Group since 21 Sept 2020.

(b) Dr. Chan Wing Bun resigned as an independent non-executive director of the Company on 23 May 2020.

(c) Mr. Yang Yuanguang has been appointed as an independent non-executive director of the Company since 23 May 2020.

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

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

Notes to Financial Statements (Continued)

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019				
Executive directors				
Mr. Wu Zhengping	—	960	105	1,065
Ms. Xiao Li	—	960	105	1,065
Ms. Chen Min	—	530	105	635
Ms. Zhu Wen	—	600	105	705
Non-executive directors				
Mr. Dai Guoqiang	80	—	—	80
Dr. Chan Wing Bun	80	—	—	80
Dr. Jin Hexian	80	—	—	80
Total	240	3,050	420	3,710

9. Five Highest Paid Employees

The five highest paid employees during the year included four executive directors (2019: four executive directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2019: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	450	600
Pension scheme contributions	89	105
	539	705

The remuneration of the non-director and non-chief executive highest paid employee fell within the following band:

	Number of employees	
	2020	2019
Nil to HKD1,000,000	1	1

10. Income Tax

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

	2020 RMB'000	2019 RMB'000
Current — PRC		
Charge for the year	19,798	23,806
Deferred *(note 29)*	(4,286)	(12,827)
Total tax charge for the year	15,512	10,979

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

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

Notes to Financial Statements (Continued)

10. Income Tax (Continued)

A uniform income tax rate of 25% was imposed on both domestic and foreign-invested enterprises from 1 January 2008.

On 22 April 2009, the State Administration of Taxation issued State Tax Letter No.203 about the preferential income tax rate on new hi-technology enterprises which states an income tax rate of 15% being imposed on new hi-technology enterprises. Broad Greenstate Ecological applied for the recognition of new hi-technology enterprise, which was approved on 23 November 2017 and was effective for three years from 2017 to 2019 by the relevant authorities. Therefore, the preferential income tax rate of 15% was applied during the years from 2017 to 2019 for Broad Greenstate Ecological.

On 12 November 2020, the certificate of hi-technology enterprises was renewed, which is effective from 2020 to 2022, and the preferential income tax rate of 15% would be applied during the years from 2020 to 2022.

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

	2020 RMB'000	2019 RMB'000
Profit before tax	**94,046**	81,193
Tax at the statutory tax rate (25%)	**23,512**	20,298
Lower tax rates for specific provinces or enacted by local authority	**(7,516)**	(1,604)
Adjustments in respect of current tax of previous periods	**—**	(70)
Additional deductible allowance for qualified research and development costs	**(4,153)**	(4,999)
Profits and losses attributable to joint ventures	**(10,735)**	(7,546)
Income not subject to income tax	**(1)**	(763)
Expenses not deductible for tax	**406**	1,621
Tax losses utilised from previous periods	**—**	(2,477)
Tax losses not recognised	**13,999**	6,519
Tax charge at the Group's effective rate	**15,512**	10,979
Tax charge from continuing operations at the Group's effective rate	**15,512**	10,979

11. Dividends

	2020 RMB'000	2019 RMB'000
No final dividend for the year ended 31 December 2020 was recommended per ordinary share (2019: Nil)	–	–

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,342,536,957 (2019: 3,342,536,957) in issue during the year.

No adjustment has been made to the basic profit per share amounts and basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution at no consideration on the deemed exercise of all dilutive potential ordinary shares with no dilutive effect, during the year ended 31 December 2020 (2019: Nil).

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

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	78,295	71,383

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,342,536,957	3,342,536,957
Basic earnings per share (RMB)	0.02	0.02
Diluted earnings per share (RMB)	0.02	0.02

Notes to Financial Statements (Continued)

13. Property, Plant and Equipment

31 December 2020

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2020:						
Cost	131,279	6,286	12,540	200	8,396	158,701
Accumulated depreciation and impairment	(5,927)	(4,809)	(5,557)	(193)	(5,730)	(22,216)
Net carrying amount	125,352	1,477	6,983	7	2,666	136,485
At 1 January 2020, net of accumulated depreciation and impairment	125,352	1,477	6,983	7	2,666	136,485
Additions	—	1,208	788	—	—	1,996
Disposal	—	(8)	(776)	—	—	(784)
Depreciation provided for the year *(note 6)*	(3,342)	(873)	(1,167)	—	(1,293)	(6,675)
At 31 December 2020, net of accumulated depreciation and impairment	122,010	1,804	5,828	7	1,373	131,022
At 31 December 2020:						
Cost	132,432	7,355	11,624	200	8,396	160,007
Accumulated depreciation and impairment	(10,422)	(5,551)	(5,796)	(193)	(7,023)	(28,985)
Net carrying amount	122,010	1,804	5,828	7	1,373	131,022

At 31 December 2020, certain of the Group's buildings with a net carrying amount of approximately RMB119,063,000 (2019: RMB125,121,000) were pledged to secure bank loans granted to the Group.

13. Property, Plant and Equipment

31 December 2019

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2019:						
Cost	131,851	6,179	13,849	597	8,111	160,587
Accumulated depreciation and impairment	(3,164)	(4,652)	(4,041)	(201)	(3,738)	(15,796)
Net carrying amount	128,687	1,527	9,808	396	4,373	144,791
At 1 January 2019, net of accumulated depreciation and impairment	128,687	1,527	9,808	396	4,373	144,791
Additions	35	431	39	—	288	793
Disposal	(30)	(27)	(315)	—	(3)	(375)
Disposal of subsidiaries	—	(78)	(323)	(389)	—	(790)
Depreciation provided for the year	(3,340)	(376)	(2,226)	—	(1,992)	(7,934)
At 31 December 2019 net of accumulated depreciation and impairment	125,352	1,477	6,983	7	2,666	136,485
At 31 December 2019:						
Cost	131,279	6,286	12,540	200	8,396	158,701
Accumulated depreciation and impairment	(5,927)	(4,809)	(5,557)	(193)	(5,730)	(22,216)
Net carrying amount	125,352	1,477	6,983	7	2,666	136,485

Notes to Financial Statements (Continued)

14. Leases

The Group as a lessee

The Group has lease contracts for various items of property, plant and machinery and other equipment used in its operations. Leases of property generally have lease terms between 1 and 3 years, while plant and machinery generally have lease terms within a year. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Property RMB'000
As at 1 January 2019	5,062
Depreciation charge	(2,086)
As at 31 December 2019 and 1 January 2020	2,976
Depreciation charge	(1,488)
As at 31 December 2020	1,488

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 Lease liabilities RMB'000	2019 Lease liabilities RMB'000
Carrying amount at 1 January	**3,281**	4,802
Accretion of interest recognised during the year	**122**	204
Payments	**(1,681)**	(1,725)
Carrying amount at 31 December	**1,722**	3,281
Analysed into:		
Current portion	**1,722**	1,722
Non-current portion	**—**	1,559

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

14. Leases (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	122	204
Depreciation charge of right-of-use assets	1,488	2,086
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	784	1,026
Expense relating to leases of low-value assets (included in administrative expenses)	7	4
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	350	350
Total amount recognised in profit or loss	2,751	3,670

(d) The total cash outflow for leases are disclosed in notes 33(c) to the financial statements.

(e) The Group has lease contracts for a piece of land located in Changxing County that contain variable payment based on the rice price announced by the County's Agricultural Bureau. This term is negotiated by management for the piece of land that is used for planting biological assets. The following provides information on the Group's variable lease payments:

2020

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	–	–	–
Variable rent with minimum payment	–	–	–
Variable rent only	–	350	350
	–	350	350

Notes to Financial Statements (Continued)

14. Leases (Continued)

The Group as a lessee (Continued)

(e) (Continued)

2019

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	—	—	—
Variable rent with minimum payment	—	—	—
Variable rent only	—	350	350
	—	350	350

The Group as a lessor

The Group leases its property which is a building located in Shanghai under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB826,000 (2019: RMB286,000), details of which are included in note 5 to the financial statements.

15. Goodwill

	RMB'000
At 1 January 2020:	
Cost	3,060
Accumulated impairment	—
Net carrying amount	3,060
At 31 December 2020:	
Cost	3,060
Accumulated impairment	—
Net carrying amount	3,060

15. Goodwill (Continued)

Impairment testing of goodwill

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

The recoverable amount of the Unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projection was 16% (2019: 16%) and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2019: 3%) which was the same as the long-term average growth rate of the industry.

Assumptions were used in the value-in-use calculation of the Unit for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

Notes to Financial Statements (Continued)

16. Other Intangible Assets

	Licences and software RMB'000
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	21,631
Additions	368
Amortisation provided during the year *(note 6)*	(1,705)
At 31 December 2020	20,294
At 31 December 2020:	
Cost	29,537
Accumulated amortisation	(9,243)
Net carrying amount	20,294
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	61,091
Additions	866
Disposal of subsidiaries	(37,275)
Amortisation provided during the year *(note 6)*	(3,051)
At 31 December 2019	21,631
At 31 December 2019:	
Cost	29,168
Accumulated amortisation	(7,537)
Net carrying amount	21,631

The licences include the scenery landscape design qualification certificate of Grade One issued by the Ministry of Housing and Urban-Rural Development of the PRC, qualification for architectural industry of Grade One issued by the Ministry of Housing and Urban-Rural Development of the PRC, and professional contracting of ancient construction works qualification certificate of Grade One issued by the Ministry of Housing and Urban-Rural Development of the Shanghai, etc.

17. Investments in Joint Ventures

	2020 RMB'000	2019 RMB'000
Share of net assets	**699,899**	632,031

The Group's trade receivable balances and contract assets due from the joint ventures are disclosed in note 21 and note 22 to the financial statements.

Particulars of the Group's material joint venture are as follows:

			Percentage of			
Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities
Qishan Taiping Pagoda Cultural Tourism Development Company Limited ("**Qishan Taiping**")	RMB87,900,000	PRC/Mainland China	79.55%	57.14%*	100%	Project management

* *In the decision process, each resolution shall be adopted with a two-thirds majority of the Board of directors.*

The investment in Qishan Taiping is directly held by Shanghai Qingfu, Broad Greenstate Ecological and Dongjiang Landscape. Both Broad Greenstate Ecological and Dongjiang Landscape are wholly-owned subsidiaries of the Company while Shanghai Qingfu is a partly-owned subsidiary.

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

Notes to Financial Statements (Continued)

17. Investments in Joint Ventures (Continued)

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

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	**146**	1,506
Other current assets	**387,356**	360,297
Current assets	**387,502**	361,803
Non-current assets	**145,443**	52,684
Current liabilities	**(110,199)**	(3,410)
Non-current liabilities	**(250,000)**	(250,000)
Net assets	**172,746**	161,077
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**80.93%**	79.55%
Group's share of net assets of the joint venture, excluding goodwill	**139,806**	128,138
Carrying amount of the investment	**139,806**	128,138
Interest income	**16,048**	23,016
Income tax	**(3,889)**	(5,754)
Profit and total comprehensive income for the year	**11,668**	17,262
Transfer to non-controlling shareholders	**–**	647

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' profit for the year	**30,919**	18,731
Share of the joint ventures' total comprehensive income	**30,919**	18,731
Aggregate carrying amount of the Group's investments in the joint ventures	**560,093**	503,893

18. Investment in Associate/Equity Investment at Fair Value through Profit or Loss

Investment in Associate

	2020 RMB'000	2019 RMB'000
Share of net assets	–	19,507
Goodwill on acquisition	–	34,037
Total	–	53,544

Particulars of the associate is as follows:

Name	Particulars of registered capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shanghai H-fast Electronic Technology Co., Ltd. ("**Shanghai H-fast**")	RMB42,817,300	PRC/Mainland China	10.04%	Semiconductor

The investment in Shanghai H-fast is directly held by Shanghai Qianyi, a wholly-owned subsidiary of the Company.

The Group reclassified the listed equity investment in Shanghai H-fast as equity investment at fair value through profit or loss from investment in an associate since 21 September 2020. The predecessor chief finance officer of the Group, and the chairman of the board of Shanghai H-fast, resigned from the Group on 21 September 2020 so that the Group had no material influence on Shanghai H-fast thereafter. The fair value of RMB60,067,000 as of 21 September 2020 was recorded as initial cost of the equity investment at fair value through profit or loss, and RMB4,370,000 was recorded as the gain on reclassification.

Equity Investment at Fair Value through Profit or Loss

	2020 RMB'000	2019 RMB'000
Equity investment		
Listed financial assets investments at fair value through profit or loss		
Shanghai H-fast	65,435	—
	65,435	—

The Group has reclassified the investment of Shanghai H-fast from associate to equity investment at fair value through profit or loss on 21 September 2020.

Notes to Financial Statements (Continued)

19. Financial Assets at Fair Value Through Profit or Loss

	2020 RMB'000	2019 RMB'000
Financial assets		
Unlisted financial assets investments at fair value through profit or loss		
Xi'an Greenland Jue River Wetland Park Development Company Limited ("**Xi'an Greenland**")	15,345	12,584
Taiyuan Longcheng Greenland Botanical Garden Company Limited ("**Taiyuan Longcheng**")	4,797	4,796
	20,142	17,380

20. Biological Assets

A. Nature of activities

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

B. Value of plants and saplings

The value of plants and saplings at 31 December 2020 was:

	2020 RMB'000	2019 RMB'000
Plants and saplings	33,539	33,427

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

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

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

20. Biological Assets (Continued)

C. Fair value hierarchy

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

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

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

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

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Biological assets	—	33,539	—	33,539
	—	33,539	—	33,539

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Biological assets	—	33,427	—	33,427
	—	33,427	—	33,427

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

Notes to Financial Statements (Continued)

21. Trade Receivables

	2020 RMB'000	2019 RMB'000
Trade receivables	762,952	920,828
Impairment	(147,311)	(105,776)
	615,641	815,052

The Group's trading terms with its customers are mainly on credit. The credit period is usually two months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables are mainly due from government authorities, and the rest are due from real estate companies. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Included in the Group's trade receivables are amounts due from the Group's joint ventures of RMB380,779,000 (2019: RMB381,568,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

Trade receivables pledged to secure a bank loan granted is nil (2019: RMB26,198,000).

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the transaction date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within one year	298,554	643,449
Over one year but within two years	271,405	121,172
Over two years but within three years	45,682	50,431
	615,641	815,052

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

	2020 RMB'000	2019 RMB'000
At beginning of year	105,776	35,603
Impairment losses recognised *(note 6)*	45,635	73,085
Impairment losses reversed *(note 6)*	(536)	—
Amount written off as uncollectible	(3,564)	—
Disposal of subsidiaries	—	(2,912)
At end of year	147,311	105,776

21. Trade Receivables (Continued)

Increase in the loss allowance of RMB41,535,000 (2019: RMB70,173,000) is due to an increase in trade receivables of RMB201,799,000 (2019: RMB100,851,000) which were past due for over 1 year.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020 (RMB'000):

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	**1.06%**	**6.58%**	**9.95%**	**51.51%**	**100.00%**	
Gross carrying amount	**222,309**	**84,131**	**301,400**	**94,210**	**60,902**	**762,952**
Expected credit losses	**(2,350)**	**(5,536)**	**(29,995)**	**(48,528)**	**(60,902)**	**(147,311)**

As at 31 December 2019 (RMB'000):

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.08%	4.48%	22.34%	46.37%	100.00%	
Gross carrying amount	211,295	454,820	156,032	94,037	4,644	920,828
Expected credit losses	(2,276)	(20,390)	(34,860)	(43,606)	(4,644)	(105,776)

Notes to Financial Statements (Continued)

22. Contract Assets

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Contract assets arising from:			
Construction services	**1,309,315**	1,029,377	1,113,570
Impairment	**(13,841)**	(11,083)	(6,868)
	1,295,474	1,018,294	1,106,702

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. For retention money receivables in respect of construction works carried out by the Group, the respective due dates usually range from one to three years after the completion of the relevant construction work. At 31 December 2020, retention money held by customers included in contract assets amounted to approximately RMB10,292,000 (2019: RMB15,623,000), of which RMB10,292,000 (2019: RMB15,623,000) is expected to be recovered after more than twelve months.

Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The ending balance of contract assets as at the end of 2020 increased 27% compared to that as at the end of 2019, which is the revenue of construction services recognised this year.

During the year ended 31 December 2020, RMB2,758,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 21 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December was subject to the specific contract terms and the progress of the performance obligations, which is as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**1,190,209**	994,100
More than one year	**105,265**	24,194
Total contract assets	**1,295,474**	1,018,294

Notes to Financial Statements (Continued)

22. Contract Assets (Continued)

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

	2020 RMB'000	2019 RMB'000
At beginning of year	**11,083**	6,868
Impairment losses	**2,758**	4,215
At end of year	**13,841**	11,083

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the estimated loss rate of trade receivables that are not past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	As at 31 December 2020	As at 31 December 2019
Expected credit loss rate	**1.06%**	1.08%
	RMB'000	RMB'000
Gross carrying amount	**1,309,315**	1,029,377
Expected credit losses	**13,841**	11,083

Included in the Group's contract assets are amounts due from the Group's joint ventures of RMB584,169,000 (2019: RMB503,650,000).

Notes to Financial Statements (Continued)

23. Prepayments, Other Receivables and Other Assets

	2020 RMB'000	2019 RMB'000
Current		
Prepayments	**64,311**	61,353
Deposits and other receivables	**119,704**	107,418
Impairment	**(17,187)**	(7,151)
	166,828	161,620
Non-current		
Other receivables	**44,844**	7,482
Impairment	**—**	—
	44,844	7,482
	211,672	169,102

The movements in provision for impairment allowance of prepayments, other receivables and other assets are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**7,151**	21,439
Impairment losses recognized *(note 6)*	**10,348**	5,747
Impairment losses reversed *(note 6)*	**—**	(20,035)
Impairment losses written off	**(312)**	—
	17,187	7,151

Included in the provision for impairment of prepayments, other receivables and other assets is a provision for individually impaired receivables of RMB17,187,000 (2019: RMB7,151,000) with a carrying amount before provision of RMB27,465,000 (2019: RMB7,151,000). The individually impaired receivables relate to a portion of receivables that were not expected to be recovered.

Deposits and other receivables mainly represent construction deposits, receivables resulted from the disposal of a subsidiary. Expected credit losses are estimated by considering the credit risk stage, the payment term arrangement and the collateral provided.

Receivables resulted from the disposal of a subsidiary was RMB20,000,000 at cost, and was secured by 35,920,957 shares of the Company which were held by the debtors. A provision amounting to RMB9,721,000 has been made.

24. Cash and Cash Equivalents and Pledged Deposits

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**309,292**	229,905
Time deposits	**1,300**	213,203
	310,592	443,108
Less: Pledged time deposits:		
Pledged for construction contracts	**(1,300)**	(8,700)
Pledged for bank loans	**—**	(204,503)
Cash and bank balances	**309,292**	229,905

At the end of the Reporting Period, the cash and bank balances of the Group denominated in US dollars ("**USD**") amounted to RMB1,647,000 (2019: RMB1,718,700) and denominated in Hong Kong dollars ("**HKD**") amounted to RMB11,000 (2019: RMB194,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

25. Corporate Bonds

	2020 RMB'000	2019 RMB'000
Current corporate bonds ("**The Note**")	**196,947**	282,132

The 2015 Note Instrument

On 15 October 2015, the Company issued corporate bonds to Greenland Financial Overseas Investment Group Co., Ltd. ("**Greenland Financial**", a related company of a non-controlling shareholder) with a face value of USD40,000,000. The bonds are guaranteed by 100,000 shares of Greenstate Times held by the Company directly and indirectly. On 11 October 2016, the Company extended the term of the bonds, where the maturity date of the bonds fell one calendar year after 15 October 2016 on 15 October 2017.

Notes to Financial Statements (Continued)

25. Corporate Bonds (Continued)

The 2017 Note Instrument

On 10 November 2017, the Company entered into an agreement with Greenland Financial to agree that the condition to the bonds would be amended and restated as set out in a new instrument agreement to be entered into in 2018. In addition, during the period from 15 October 2017 to the date on which the new instrument is issued, the Company should not bear any interest. On 15 January 2018, the Company announced to propose the issuance of a redeemable fixed coupon promissory note with a principal amount of USD40,000,000 at the rate of 9.00% per annum to Greenland Financial from 15 November 2017, guaranteed by 50,000 ordinary shares of Greenstate Times and 5,000 ordinary shares of Greenstate International. On 15 January 2019, the Company extended the term of the bonds to 15 January 2020. The other terms and conditions remain unchanged.

The 2019 Note Instrument

On 4 December 2019, the Company and Greenland Financial entered into the 2019 deed of consent pursuant to which the parties conditionally agreed that (i) Greenland Financial should execute the 2019 Note Instrument and release and discharge the Company from all of its present and future covenants, liabilities and obligation owing and/or payable to Greenland Financial under the 2017 Note Instrument, and (ii) Greenland Financial should release all share charges under 2017 Note Instrument and enter into the share charges under 2019 Note Instrument as security of the Notes. The principal amount of 2019 Note instrument is USD35,000,000 with an interest rate of 12.00% per annum. The 2019 Note Instrument is guaranteed by 43,000 ordinary shares of Greenstate Times and 4,300 ordinary shares of Greenstate International. On 20 January 2020, the issuance was conducted and the due date would be 14 July 2020. In January 2020, the Company has repaid USD 5,000,000 of the principal amount plus all interest accrued under the 2017 Note Instrument.

On 14 July 2020, the Group extended the term of the bonds by 6 months to 14 January 2021 as stated in 2019 Note Instrument, with the other terms and conditions unchanged. The balance of the principal amount of 2019 Note Instrument was USD30,000,000 at 31 December 2020 as the Group repaid the principal amounting to USD1,000,000 and USD4,000,000 in August and October 2020 separately.

26. Trade and Bills Payables

An ageing analysis of the trade and bills payables as at the end of Reporting Period, based on the transaction date, is as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**411,930**	596,730
Over one year but within two years	**403,380**	185,389
Over two years	**138,069**	183,742
	953,379	965,861

The trade payables are non-interest-bearing and are normally partially settled on terms of six months according to the progress of completion. A certain percentage of payment is retained until the end of the retention period.

27. Other Payables and Accruals

	Notes	2020 RMB'000	2019 RMB'000
Contract liabilities	*(a)*	**295,587**	234,851
Other tax payable		**124,486**	120,368
Amounts due to related parties		**60,865**	94,413
Other payables	*(b)*	**47,411**	53,817
Interest payable		**15,290**	11,792
Deposits from sub-contractors		**4,229**	10,381
Staff payroll and welfare payables		**1,439**	1,921
		549,307	527,543

(a) Details of contract liabilities as at 31 December 2020 and 1 January 2020 are as follows:

	31 December 2020 RMB'000	1 January 2020 RMB'000	1 January 2019 RMB'000
Short-term advances received from customers			
Construction services	**295,587**	234,851	37,010
Total contract liabilities	**295,587**	234,851	37,010

Contract liabilities include short-term advances received to deliver biological products and render construction services. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services this year.

(b) Other payables are non-interest-bearing and are normally settled on demand.

Notes to Financial Statements (Continued)

28. Interest-Bearing Bank and Other Borrowings

	Notes	2020 Weighted effective interest rate (%)	2020 Maturity	2020 RMB'000	2019 Weighted effective interest rate (%)	2019 Maturity	2019 RMB'000
Current							
Bank loans — secured	*(b)i&ii*	4.5	2021	55,100	4.6	2020	209,950
Other loans — unsecured	*(c)*	11.2	2021	70,238	10.2	2020	54,692
Other loans — unsecured		—	2021	152,000	—	2020	91,000
Other loans — secured		—	2021	—	8.9	2020	84,600
Current portion of long-term							
Bank loans — secured and guaranteed	*(a)*	7.5	2021	2,000	—	—	—
Bank loans — secured	*(b)iii*	4.3	2021	1,000	6.1	On demand	60,480
				280,338			500,722
Non-current							
Bank loans — secured and guaranteed	*(a)*	7.5	2030	197,000	—	—	—
Bank loans — secured	*(b)iii*	4.3	2022	70,610			
Other loans — unsecured		—	—	—	9.0	2021	14,064
				267,610			14,064
				547,948			514,786

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	58,100	270,430
In the second year	—	—
In the third to fifth years, inclusive	—	—
Beyond five years	267,610	—
	325,710	270,430
Other borrowings repayable:		
Within one year or on demand	222,238	230,292
In the second year	—	14,064
	222,238	244,356
	547,948	514,786

28. Interest-Bearing Bank and Other Borrowings (Continued)

Notes:

(a) *Certain of the Group's bank borrowings were secured and guaranteed by the following:*

Certain bank borrowing of the Group amounting to RMB199,000,000 was secured by trade receivables, and guaranteed by Kaifeng Eastern New Town Infrastructure Construction Investment Company. An amount of RMB2,000,000 of the borrowings would be due within one year.

(b) *Certain of the Group's bank borrowings were secured by:*

i. *Certain bank borrowing of the Group amounting to RMB22,100,000 was secured by a mortgaged building held by Mr. Wu Zhengping and Ms. Xiao Li and a mortgaged building of Broad Greenstate Ecological with a carrying amount of RMB5,980,000.*

ii. *Certain bank borrowing of the Group amounting to RMB33,000,000 was secured by a mortgaged building of Broad Greenstate Ecological with a carrying amount of RMB 113,083,000.*

iii. *Certain bank borrowing of the Group amounting to RMB71,610,000 was secured by a mortgaged building of Broad Greenstate Ecological with a carrying amount of RMB 113,083,000. An amount of RMB1,000,000 of the borrowings would be due within one year.*

(c) *Certain other borrowings from Eastern Greenstate International Company Limited, a shareholder of the Company, are unsecured (note 37).*

29. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of financial and contract assets RMB'000	Changes in the fair value of biological assets RMB'000	Lease liabilities RMB'000	Other temporary differences RMB'000	Total RMB'000
2020					
At 1 January 2020	**17,294**	**113**	**751**	**(243)**	**17,915**
Deferred tax credited/(charge) to profit or loss during the year *(note 10)*	**7,031**	**(113)**	**223**	**8**	**7,149**
At 31 December 2020	**24,325**	**—**	**974**	**(235)**	**25,064**
2019					
At 1 January 2019	6,176	215	720	318	7,429
Disposal of subsidiaries	(1,509)	—	—	(561)	(2,070)
Deferred tax credited/(charge) to profit or loss during the year *(note 10)*	12,627	(102)	31	—	12,556
At 31 December 2019	17,294	113	751	(243)	17,915

Notes to Financial Statements (Continued)

29. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Other temporary differences RMB'000	Total RMB'000
2020				
At 1 January 2020	**830**	**5,123**	**—**	**5,953**
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	**234**	**(344)**	**2,973**	**2,863**
At 31 December 2020	**1,064**	**4,779**	**2,973**	**8,816**
2019				
At 1 January 2019	759	5,465	—	6,224
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	71	(342)	—	(271)
At 31 December 2019	830	5,123	—	5,953

Deferred tax assets have not been recognised in respect of tax losses of RMB192,965,000 as at 31 December 2020 (2019: RMB178,966,000), as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB843,720,000 (2019: RMB882,123,000).

30. Share Capital

Shares

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
3,342,536,957 (2019: 3,342,536,957) ordinary shares of HKD0.025 each	**66,396**	66,396

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	3,342,536,957	66,396	151,609	218,005
At 31 December 2019 and 1 January 2020	3,342,536,957	66,396	151,609	218,005
At 31 December 2020	3,342,536,957	66,396	151,609	218,005

31. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 83 of the financial statements.

32. Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

For the first series of the share option scheme (the "**Series I**"), eligible participants of the Series I include the Company's directors and other employees of the Group. The Series I became effective on 1 September 2015 and, unless otherwise cancelled or amended, will remain in force for 6 years from that date. For the second series of the share option scheme (the "**Series II**"), eligible participants of the Series II include a connected person and other employees of the Group. The Series II became effective on 12 June 2018 and, unless otherwise cancelled or amended, will remain in force for 6 years from that date.

Notes to Financial Statements (Continued)

32. Share Option Scheme (Continued)

The maximum number of unexercised share options currently permitted to be granted under the Series I and Series II is an amount equivalent, upon their exercise, to 3.41% and 3.30% respectively of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the two series within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within one month from the date of offer, upon payment of a nominal consideration of HKD1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one year and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the two series, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The exercise prices and exercise periods of the share options outstanding as at the end of the Reporting Period are as follows:

	2020		2019	
	Weighted average exercise price HKD	**Number of options '000**	Weighted average exercise price HKD	Number of options '000
At 1 January	**1.08**	**113,476**	1.07	147,218
Forfeited during the year	**1.11**	**(60,832)**	1.17	(33,742)
At 31 December	**1.04**	**52,644**	1.08	113,476

No share options were exercised during the year.

32. Share Option Scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the Reporting Period are as follows: (continued)

2020

Number of options '000	Exercise price* HKD per share	Exercised period
—	1.24	1-9-2020 to 31-8-2021
—	1.04	12-6-2020 to 11-6-2021
13,162	1.04	12-6-2021 to 11-6-2022
19,741	1.04	12-6-2022 to 11-6-2023
19,741	1.04	12-6-2023 to 11-6-2024
52,644		

2019

Number of options '000	Exercise price* HKD per share	Exercised period
21,600	1.24	1-9-2020 to 31-8-2021
18,376	1.04	12-6-2020 to 11-6-2021
18,376	1.04	12-6-2021 to 11-6-2022
27,562	1.04	12-6-2022 to 11-6-2023
27,562	1.04	12-6-2023 to 11-6-2024
113,476		

* *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

Notes to Financial Statements (Continued)

32. Share Option Scheme (Continued)

The fair value of equity-settled share options granted during the year, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Management	Other employees
Dividend yield (%)	1.35	1.35
Expected volatility (%)	58.70	58.70
Risk-free interest rate (%)	2.30	2.30
Expected life of options (year)	6.00	6.00
Weighted average share price (HKD per share)	1.04	1.04
Rate of resignation (%)	4.00	21.30

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the Reporting Period, the Company had 52,644,000 share options outstanding under the Series II. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 52,644,000 additional ordinary shares of the Company and additional share capital of HKD1,316,000 (2019: HKD2,837,000) (before issue expenses).

Subsequent to the end of the Reporting Period, a total of 13,162,000 share options lapsed.

At the date of approval of these financial statements, the Company had 39,482,000 share options outstanding under the Series II, which represented approximately 1.18% of the Company's shares in issue as at that date.

33. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,488,000 (note 14(a)) (2019: RMB2,976,000) and RMB1,722,000 (note 14 (b)) (2019: RMB3,281,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Amounts due to related parties RMB'000
At 1 January 2020	514,786	282,132	94,413
Changes from financing cash flows	34,636	(93,887)	(33,548)
Foreign exchange difference	(1,474)	(17,219)	—
Interest expense	—	25,921	—
At 31 December 2020	547,948	196,947	60,865

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Amounts due to related parties RMB'000
At 1 January 2019	713,150	289,752	66,157
Changes from financing cash flows	81,636	(33,212)	28,256
Foreign exchange movement	—	(1,409)	—
Interest expense	—	27,001	—
Decrease arising from disposal of subsidiaries	(280,000)	—	—
At 31 December 2019	514,786	282,132	94,413

(c) Total cash outflow for leases

	2020 RMB'000	2019 RMB'000
Within operating activities	1,263	1,584
Within financing activities	1,559	1,521
	2,822	3,105

Notes to Financial Statements (Continued)

34. Contingent Liabilities

At the end of the Reporting Period, contingent liabilities not provided for in the financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Guarantees given to banks in connection with facilities granted to joint ventures *(i)*	**566,800**	400,000
	566,800	400,000

*(i) The facilities of RMB566,800,000 are granted to joint ventures (Quanzhou Haixi Botanic Garden Development Company Limited ("**Quanzhou Haixi**"), Qishan Taiping, Gushi Greenland Broad Greenstate Nanhu Cultural Company Limited ("**Gushi Nanhu**") and Zhaoqing High-Tech Zone Bureau General Hill Sports Park Investment Development Company Limited ("**Zhaoqing Park**")). As the bank borrowings of joint ventures were secured by the contract assets, trade receivables and the rights to payment from their customers. The expected credit loss is not material.*

The Group does not provide financial guarantees. All guarantees are approved by the executive directors.

The credit exposure of the financial guarantee contracts is classified as stage 1. During the year, there were no transfers between stages.

35. Pledge of Assets

Details of the Group's assets pledged for the Group's bank loans, and for a bank loan granted to joint ventures are included in notes 22, 24 and 28, respectively, to the financial statements.

36. Commitments

The Group had the following capital commitments at the end of the Reporting Period:

	2020 RMB'000	2019 RMB'000
Capital injection into joint ventures *(i)*	**255,452**	243,000
	255,452	243,000

*(i) In 2020, the Group committed to invest in material joint ventures, including Gushi Nanhu, Mianzhu Greenstate Culture Tourism Development Company Limited ("**Mianzhu Greenstate**"), Zhenping Xian Broad Greenstate Ecological Development Limited ("**Zhenping Greenstate**") and Guiding Yangbaoshan Cultural Company Limited ("**Guiding Yangbaoshan**"), in an amount of RMB255,452,000 in the next several years.*

Notes to Financial Statements (Continued)

37. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2020 RMB'000	2019 RMB'000
Provision of construction services to the related parties*	**368,543**	668,767
Borrowing from Eastern Greenstate International Company Limited**	**56,633**	14,064

* *The above construction services consist of services provided for:*

	2020 RMB'000	*2019 RMB'000*
Xi'an Greenland (i)	*85,875*	*97,683*
Zhaoqing Park (ii)	*81,000*	*41,948*
Qishan Taiping (ii)	*78,688*	*7,767*
Guangan Guanshenghu (ii)	*57,692*	*–*
Gushi Nanhu (ii)	*47,661*	*136,751*
Mianzhu Greenstate (ii)	*17,628*	*95,320*
Guiding Yangbaoshan (ii)	*–*	*259,556*
Zhenping Greenstate (ii)	*–*	*29,742*

(i) Xi'an Greenland is a joint venture of Greenland Group and the Company is an associate of Greenland Group.

*(ii) Zhaoqing Park, Qishan Taiping, Guang'an Broad Greenstate Guanshenghu Development Company Limited ("**Guangan Guanshenghu**"), Gushi Nanhu, Mianzhu Greenstate, Guiding Yangbaoshan, and Zhengping County Broad Greenstate Ecological Development Company Limited ("**Zhenping Greenstate**") are joint ventures of the Group.*

(iii) These transactions were carried out on terms based on those terms in the ordinary course of business as agreed mutually.

** *Eastern Greenstate International Company Limited is a shareholder of the Company.*

(b) Other transactions with related parties:

(i) During the year, Greenstate Gardening used office premises free of charge with a gross floor area of 100 square metres located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, the PRC, which were owned by Mr. Wu Jie, a close family member of Mr. Wu Zhengping.

(ii) On 5 January 2020, the Company extended the term of the corporate bonds issued to Greenland Financial (Further details of which are given in note 25 to the financial statements). The interest on corporate bonds to Greenland Financial for the year ended 31 December 2020 was RMB25,546,000 (2019: RMB24,884,000).

(iii) Certain bank loans were secured by the Company's shares held by the Company's holding company and secured by the property of Mr. Wu Zhengping and Ms. Xiao Li at nil consideration. Further details are given in note 28 to the financial statements.

(c) Please refer to note 8 for details of compensation of key management personnel of the Group.

Notes to Financial Statements (Continued)

37. Related Party Transactions (Continued)

(d) Outstanding balances with related parties:

	2020 RMB'000	2019 RMB'000
(i) Due from related parties		
Trade receivables		
Yuzhou Shenhou Old Town Protection Construction Co., Ltd. ("**Yuzhou Shenhou**")	129,127	152,806
Mianzhu Greenstate	80,006	67,599
Guangan Guanshenghu	53,451	—
Qishan Taiping	48,701	—
Taiyuan Longcheng	48,101	61,631
Gushi Nanhu	39,375	96,888
Zhenping Greenstate	16,072	17,072
Quanzhou Haixi	14,047	47,155
Greenland Group Chengdu Qingyang Real-estate Development Co., Ltd.	500	3,300
Zhaoqing Park	—	48

This balance due from related parties is unsecured, interest-free and repayable on demand.

Contract assets	2020 RMB'000	2019 RMB'000
Guiding Yangbaoshan	259,556	259,556
Xi'an Greenland	135,467	122,585
Quanzhou Haixi	87,688	87,688
Gushi Nanhu	64,544	47,863
Zhaoqing Park	86,262	45,261
Mianzhu Greenstate	39,532	33,362
Qishan Taiping	27,523	19,510
Taiyuan Longcheng	10,890	10,890
Zhenping Greenstate	10,410	10,410
Guangan Guanshenghu	8,654	—

37. Related Party Transactions (Continued)

(d) Outstanding balances with related parties (Continued)

		2020 RMB'000	2019 RMB'000
(i)	Due from related parties (Continued)		
	Prepayments, deposits and other receivables		
	Gushi Nanhu	**38,952**	—
	Shandong Greenland Spring Biological Industrial Company Limited	**34,788**	34,788
	Shanghai Kaitai Real Estate Development Co., Ltd	**3,382**	3,902
	Zhongbo Construction	**961**	5,481
	Zhaoqing Park	**630**	559
	Broad Landscape International Company Limited	**536**	567
	Mianzhu Greenstate	**342**	—
	Quanzhou Haixi	**132**	—
	Yuzhou Shenhou	**—**	2,000

This balance due from related parties is unsecured, interest-free and repayable on demand.

		2020 RMB'000	2019 RMB'000
(ii)	Due to related parties	**—**	—
	Other payables		
	Shandong Greenland Spring Biological Industrial Company Limited	**33,783**	33,783
	Shanghai Zhubo Enterprise Management Consulting Center GP	**17,050**	18,150
	Yuzhou Shenhou	**8,000**	—
	Qishan Taiping	**1,479**	41,892
	Greenland Financial Investment	**295**	314
	Broad Landscape International Company Limited*	**258**	274
	Zhongbo Construction	**—**	6,000

* *Broad Landscape International Company Limited is a shareholder of the Group.*

This balance due to related parties is unsecured, interest-free and repayable on demand.

	2020 RMB'000	2019 RMB'000
Contract liabilities		
Gushi Nanhu	**142,150**	142,150
Xi'an Greenland	**78,478**	8,042
Mianzhu Greenstate	**18,000**	18,000
Zhaoqing Park	**2,166**	25,597
Zhenping Greenstate	**1,000**	—
Qishan Taiping	**—**	33,709

(e) Guarantees with related parties

	2020 RMB'000	2019 RMB'000
Outstanding loan guarantees provided to		
Joint ventures	**566,800**	400,000

The Group has guaranteed certain bank loans made to joint ventures with no consideration.

Notes to Financial Statements (Continued)

38. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows:

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Equity investment at fair value through profit or loss RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	20,142	—	20,142
Equity investment at fair value through profit or loss	—	—	65,435	65,435
Trade receivables	615,641	—	—	615,641
Financial assets included in prepayments, deposits and other receivables	119,704	—	—	119,704
Cash and cash equivalents	309,292	—	—	309,292
Pledged deposits	1,300	—	—	1,300
	1,045,937	20,142	65,435	1,131,514

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Corporate bonds	196,947
Trade and bills payables	953,379
Financial liabilities included in other payables and accruals	127,795
Interest-bearing bank and other borrowings	547,948
	1,826,069

38. Financial Instruments by Category (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows: (continued)

31 December 2019

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	17,380	17,380
Trade receivables	815,052	—	815,052
Financial assets included in prepayments, deposits and other receivables	107,418	—	107,418
Cash and cash equivalents	229,905	—	229,905
Pledged deposits	213,203	—	213,203
	1,365,578	17,380	1,382,958

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Corporate bonds	282,132
Trade and bills payables	965,861
Financial liabilities included in other payables and accruals	170,403
Interest-bearing bank and other borrowings	514,786
	1,933,182

Notes to Financial Statements (Continued)

39. Fair Value and Fair Value Hierarchy of Financial Instruments

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

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial assets				
Pledged deposits, non-current portion	19,449	—	19,449	—
Financial assets at fair value through profit or loss	20,142	17,380	20,142	17,380
Equity investment at fair value through profit or loss	65,435	—	65,435	—
	105,026	17,380	105,026	17,380
Financial liabilities				
Interest-bearing bank borrowings	325,710	270,430	298,040	270,926
Other borrowings	222,238	244,356	221,989	245,076
Corporate bonds	196,947	282,132	196,947	294,730
	744,895	796,918	716,976	810,732

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates.

The fair values of the non-current portion of pledged deposits, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 was assessed to be insignificant. The fair value of the liability portion of the corporate bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate of a similar corporate bond with consideration of the Group's own non-performance risk.

As at 31 December 2020, the Group had financial assets at fair value through profit or loss with a carrying amount of approximately RMB20,142,000 (2019: RMB17,380,000), had equity investment at fair value through profit or loss with a carrying amount of approximately RMB65,435,000 (2019: Nil).

39. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value or for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	–	20,142	20,142
Equity investment at fair value through profit or loss	–	–	65,435	65,435
	–	–	85,577	85,577

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	–	17,380	17,380

Notes to Financial Statements (Continued)

39. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	298,040	—	298,040
Other borrowings	—	221,989	—	221,989
Corporate bonds	—	196,947	—	196,947
	—	716,976	—	716,976

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	270,926	—	270,926
Other borrowings	—	245,076	—	245,076
Corporate bonds	—	294,730	—	294,730
	—	810,732	—	810,732

40. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has cash and cash equivalents, interest-bearing bank and other borrowings and corporate bonds to raise fund for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

40. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. As nearly all of the Group's assets and liabilities were denominated in RMB, the Group was not subject to significant foreign currency risk as at 31 December 2020. As at 31 December 2020, the Group's assets and liabilities denominated in USD and HKD were mainly held by the Company and a subsidiary incorporated outside Mainland China which had HKD as their functional currencies. The Company and the subsidiary incorporated outside Mainland China also held corporate bonds denominated in USD and other payables denominated in RMB, from which foreign currency exposure arises.

The following table demonstrates the sensitivity at the end of the Reporting Period to a reasonably possible change in the USD and HKD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2020			
If RMB weakens against USD	1	(1,249)	–
If RMB strengthens against USD	(1)	1,249	–
If RMB weakens against HKD	1	–	–
If RMB strengthens against HKD	(1)	–	–

* *Excluding retained profits*

Credit risk

The Group's trade receivables and contract assets are mainly from government authorities. The carrying amounts of cash and cash equivalents, trade and other receivables and contract assets included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at the end of the Reporting Period, all cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

Notes to Financial Statements (Continued)

40. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	—	—	—	1,202,925	1,202,925
Trade receivables*	—	—	—	762,952	762,952
Financial assets included in prepayments, other receivables and other assets					
— Normal**	82,517	—	—	—	82,517
— Doubtful**	—	17,187	20,000	—	37,187
Pledged deposits					
— Not yet past due	1,300	—	—	—	1,300
Cash and cash equivalents					
— Not yet past due	309,292	—	—	—	309,292
Guarantees given to banks in connection with facilities granted to joint ventures					
— not yet drawn by joint ventures					
— Facilities drawn by joint ventures					
— Not yet past due	566,800	—	—	—	566,800
	959,909	17,187	20,000	1,965,877	2,962,973

40. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	—	—	—	1,004,920	1,004,920
Trade receivables*	—	—	—	920,828	920,828
Financial assets included in prepayments, other receivables and other assets					
— Normal**	80,267	—	—	—	80,267
— Doubtful**	—	7,151	20,000	—	27,151
Pledged deposits					
— Not yet past due	213,203	—	—	—	213,203
Cash and cash equivalents					
— Not yet past due	229,905	—	—	—	229,905
Guarantees given to banks in connection with facilities granted to joint ventures					
— not yet drawn by joint ventures	130,000	—	—	—	130,000
— Facilities drawn by joint ventures					
— Not yet past due	400,000	—	—	—	400,000
	1,053,375	7,151	20,000	1,925,748	3,006,274

* *For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 and 22 to the financial statements, respectively.*

** *The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

Notes to Financial Statements (Continued)

40. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds, lease liabilities and other interest-bearing loans. The Group's policy is that not more than 75% of borrowings should mature in any 12-month period. 60% of the Group's debts would mature in less than one year as at 31 December 2020 (2019: 66%) based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the Reporting Period, based on the contractual undiscounted payments, was as follows:

31 December 2020

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Corporate bonds	—	11,745	207,492	—	—	219,237
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	52,000	234,032	74,632	328,913	689,577
Lease liabilities	—	458	1,308	—	—	1,766
Trade and bills payables	953,379	—	—	—	—	953,379
Other payables	127,795	—	—	—	—	127,795
	1,081,174	64,203	442,832	74,632	328,913	1,991,754

31 December 2019

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Corporate bonds	—	47,438	258,817	—	—	306,255
Interest-bearing bank and other borrowings (excluding lease liabilities)	184,211	20,055	342,604	14,563	—	561,433
Lease liabilities	—	458	1,222	1,766	—	3,446
Trade and bills payables	965,861	—	—	—	—	965,861
Other payables	390,256	—	—	—	—	390,256
	1,540,328	67,951	602,643	16,329	—	2,227,251

40. Financial Risk Management Objectives and Policies (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, corporate bonds, trade and bills payables, other payables and accruals, less cash and cash equivalents. Capital represents total equity. The gearing ratios as at the end of the Reporting Period were as follows:

	2020 RMB'000	2019 RMB'000
Interest-bearing bank and other borrowings	**547,948**	514,786
Corporate bonds	**196,947**	282,132
Trade and bills payables	**953,379**	965,861
Other payables and accruals	**127,795**	170,403
Less: Cash and cash equivalents	**(309,292)**	(229,905)
Net debt	**1,516,777**	1,703,277
Equity attributable to owners of the parent	**995,931**	884,240
Capital and net debt	**2,512,708**	2,587,517
Gearing ratio	**60%**	66%

41. Events After the Reporting Period

There was no material subsequent event undertaken by the Group after 31 December 2020.

Notes to Financial Statements (Continued)

42. Statement of Financial Position of the Company

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	3	3
Investments in subsidiaries	608,359	608,359
Total non-current assets	608,362	608,362
CURRENT ASSETS		
Cash and cash equivalents	130	196
Prepayments, other receivables and other assets	562	566
Total current assets	692	762
CURRENT LIABILITIES		
Corporate bonds	196,947	282,132
Interest-bearing bank and other borrowings	70,238	14,692
Other payables and accruals	269,649	224,375
Total current liabilities	536,834	521,199
NET CURRENT LIABILITIES	(536,142)	(520,437)
TOTAL ASSETS LESS CURRENT LIABILITIES	72,220	87,925
Interest-bearing bank and other borrowings	–	14,064
Net assets	72,220	73,861
EQUITY		
Equity attributable to owners of the parent		
Share capital	66,396	66,396
Other reserves	5,824	7,465
Total equity	72,220	73,861

42. Statement of Financial Position of the Company (Continued)

Note:

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

	Share premium account RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019	151,609	5,690	3,471	18,404	(107,863)	71,311
Total comprehensive loss for the year	—	—	—	(29,745)	(28,411)	(58,156)
Transfer of share option reserve upon the forfeiture of share options	—	(5,690)	—	—	—	(5,690)
At 31 December 2019 and 1 January 2020	151,609	—	3,471	(11,341)	(136,274)	7,465
Total comprehensive loss for the year	—	—	—	33,396	(35,037)	(1,641)
At 31 December 2020	151,609	—	3,471	22,055	(171,311)	5,824

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

Definitions

"2015 Company Share Charge"	the share charge entered into between the Company and Greenland Financial on 15 October 2015 in relation to the charge of all rights, entitlements, interests and benefits in the entire issued share capital of Greenstate Times, in favour of Greenland Financial
"2015 Greenstate Times Share Charge"	the share charge entered into between Greenstate Times and Greenland Financial on 15 October 2015 in relation to the charge of all rights, entitlements, interests and benefits in the entire issued share capital of Greenstate International, in favor of Greenland Financial
"2015 Note Instrument"	the instrument issued by the Company on 15 October 2015 for the creation and issue of the 2015 Notes in favour of Greenland Financial
"2015 Notes"	the redeemable fixed coupon promissory note with a principal amount of US$40,000,000 at the rate of 9.00% per annum issued pursuant to the terms and conditions set out in the 2015 Note Instrument
"2015 Share Charge"	the 2015 Company Share Charge and the 2015 Greenstate Times Share Charge
"2017 Company Share Charge"	the charge of all rights, entitlements, interests and benefits in 50,000 ordinary shares of Greenstate Times, representing 50% of the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the 2017 Deed of Consent and charged in favor of Greenland Financial
"2017 Deed of Consent"	the deed of consent entered into between the Company and Greenland Financial on 15 November 2017 in relation to, among others, the execution of 2017 Note Instrument and 2017 Share Charges
"2017 Greenstate Times Share Charge"	the charge of all rights, entitlements, interests and benefits in 5,000 ordinary shares of Greenstate International, representing 50% of the entire issued share capital of Greenstate International, legally and beneficially held by Greenstate Times as at the date of the 2017 Deed of Consent and charged in favor of Greenland Financial
"2017 Note Instrument"	the instrument executed by the Company on 15 January 2018 for the reissue of the 2017 Notes in favor of Greenland Financial pursuant to the 2017 Deed of Consent
"2017 Notes"	the redeemable fixed coupon promissory note with a principal amount of US$40,000,000 at the rate of 9.00% per annum issued pursuant to the terms and conditions set out in the 2015 Note Instrument and reissued pursuant to the terms and conditions set out in the 2017 Note Instrument
"2017 Share Charges"	the 2017 Company Share Charge and the 2017 Greenstate Times Share Charge
"2019 Company Share Charge"	the charge of all rights, entitlements, interests and benefits in 43,000 ordinary shares of Greenstate Times, representing 43% of the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the 2019 Deed of Consent and charged in favour of Greenland Financial

Definitions (Continued)

"2019 Deed of Consent"	the deed of consent entered into between the Company and Greenland Financial on 4 December 2019 in relation to, among others, the execution of 2019 Note Instrument and 2019 Share Charges
"2019 Greenstate Times Share Charge"	the charge of all rights, entitlements, interests and benefits in 4,300 ordinary shares of Greenstate International, representing 43% of the entire issued share capital of Greenstate International, legally and beneficially held by Greenstate Times as at the date of the 2019 Deed of Consent and charged in favour of Greenland Financial
"2019 Note Instrument"	the instrument executed by the Company on 4 December 2019 for the reissue of the 2019 Notes in favor of Greenland Financial pursuant to the 2019 Deed of Consent
"2019 Notes"	the redeemable fixed coupon promissory note with a principal amount of US$35,000,000 at the rate of 12.00% per annum reissued pursuant to the terms and conditions set out in the 2019 Note Instrument
"2019 Share Charge"	the 2019 Company Share Charge and the 2019 Greenstate Times Share Charge
"Articles of Association"	the articles of association of the Company conditionally adopted on 25 June 2014 and became unconditionally effective on the Listing Date and as amended from time to time
"associates"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the Board of directors of the Company
"Broad Greenstate Ecological"	Broad Greenstate Ecological Construction Group Company Limited* (博大綠澤生態建設集團有限公司) (formerly known as Shanghai Broad Landscape Construction and Development Company Limited* (上海博大園林建設發展有限公司)), a company established in the PRC with limited liability on 1 July 1999, which is a wholly-owned subsidiary of Shanghai Qianyi and an indirect wholly-owned subsidiary of our Company
"Broad Landscape International"	Broad Landscape International Company Limited (博大國際有限公司), a company incorporated in BVI on 8 October 2013 and is owned as to 86.92% by Mr. Wu Zhengping (吳正平) and 13.08% by Ms. Xiao Li (肖莉)
"BVI"	the British Virgin Islands
"CG Code"	Corporate Governance Code as amended from time to time contained in Appendix 14 to the Listing Rules
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

Definitions (Continued)

"Company", "Parent", "we", "us" or "our"	China Greenland Broad Greenstate Group Company Limited (中國綠地博大綠澤集團有限公司), a company incorporated in the Cayman Islands on 22 October 2013
"Company Charged Shares"	100,000 ordinary shares of Greenstate Times, representing the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under the Company Share Charge
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules
"Deed of Novation"	the deed of novation entered into on 11 September 2015 between the Company, Greenland Leasing and Greenland Financial, pursuant to which Greenland Leasing shall novate all its rights, obligations and liabilities under the Note Purchase Agreement to the Purchaser
"Directors"	director(s) of the Company
"Eastern Greenstate International"	Eastern Greenstate International Company Limited (綠澤東方國際有限公司), a company incorporated in BVI on 9 October 2013, which is owned as to 2.81% by Ms. Zhu Wen (朱雯) and 97.19% by other parties
"Greenland"	Greenland Holdings Group Corporation Limited (綠地控股集團股份有限公司), a company incorporated under the laws of the PRC
"Greenland Financial"	Greenland Financial Overseas Investment Group Co., Ltd. (綠地金融海外投資集團有限公司), a company incorporated under the laws of the BVI, an indirectly wholly-owned subsidiary of Greenland
"Greenland Leasing"	Greenland Financial Leasing Co., Ltd. (綠地融資租賃有限公司), a company incorporated under the laws of the PRC, an indirectly wholly-owned subsidiary of Greenland
"Greenstate Business"	Shanghai Greenstate Business Management Company Limited* (上海綠澤商業管理有限公司 (formerly known as Shanghai Greenstate Landscape Properties Company Limited* (上海綠澤景觀置業有限公司), a company established in the PRC with limited liability on 15 June 2004, which is a wholly-owned subsidiary of Shanghai Qianyi and an indirect wholly-owned subsidiary of the Company
"Greenstate Gardening"	Shanghai Greenstate Gardening Company Limited* (上海綠澤園藝有限公司), a company established in the PRC with limited liability on 17 September 2004, which is a wholly-owned subsidiary of Shanghai Qianyi
"Greenstate International"	Greenstate International Company Limited (綠澤國際有限公司), a company incorporated in Hong Kong with limited liability on 12 November 2013 and a wholly-owned subsidiary of the Company

Definitions (Continued)

"Greenstate Times"	Greenstate Times International Company Limited (綠澤時代國際有限公司), a company incorporated in BVI on 30 October 2013 and a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	a person(s) or company(ies) who/which is or are independent of and not connected (within the meaning of the Listing Rules) with the Company and our connected persons
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	21 July 2014, the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Non-competition Deed"	a deed of non-competition dated 25 June 2014 executed by the Controlling Shareholders and the Company
"PPP"	Public-Private Partnership
"Prospectus"	the prospectus of the Company dated 30 June 2014 issued in connection with the initial public offering and listing of shares of the Company on the main board of Stock Exchange on 21 July 2014
"Reissue of Notes"	the reissue of the Notes by the Company to Greenland Financial on the terms and subject to the conditions set out in the 2017 Note Instrument
"Remuneration Committee"	the remuneration committee of the Company
"Renminbi" or "RMB"	the lawful currency of China
"Reporting Period"	for the year ended 31 December 2020
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions (Continued)

"Shanghai Qianyi"	Shanghai Qianyi Landscape Engineering Company Limited* (上海千頤景觀工程有限公司), a wholly foreign owned enterprise established in the PRC with limited liability on 26 December 2013, and an indirect wholly-owned subsidiary of the Company
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 25 June 2014 which became unconditionally effective on the Listing Date, the principal terms of which are summarised in the subsection headed "Share Option Scheme — Summary of terms" in Appendix V to the Prospectus
"Shareholders"	holder(s) of our Share(s) from time to time
"Shares"	ordinary shares of HK$0.025 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules

In this annual report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with "*" is for identification purpose only.