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## Broad Greenstate International Company Limited

博大綠澤國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1253)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

#### FINANCIAL HIGHLIGHTS

		Year ended 31 December		Change
		2015	2014	
		Audited	Audited	
Revenue	RMB'000	622,693	530,109	17.5%
Gross profit	RMB'000	228,232	189,932	20.2%
Net profit attributable to owners of the Parent	RMB'000	150,506	109,342	37.6%
Gross profit margin	%	36.7	35.8	+0.9% point
Net profit margin	%	24.2	20.6	+3.6% points
Proposed final dividend per share <sup>(1)</sup>	HK\$ cents	1.4	4.5	N/A
Dividend payout ratio	%	25	25	N/A

Note:

- (1) On 25 June 2015, the Company issued an aggregate of 59,440,000 new ordinary shares of HK\$0.1 each in the share capital of the Company to Greenland Financial Overseas Investment Group Co., Ltd. ("Greenland Financial"). On 19 August 2015, each of the existing issued and unissued shares of par value of HK\$0.1 each in the share capital of the Company was subdivided into four shares of par value of HK\$0.025 each. As at 31 December 2015, the total number of ordinary shares of the Company was 3,306,616,000 ordinary shares of HK\$0.025 each (31 December 2014: 767,214,000 ordinary shares of HK\$0.1 each).

In this announcement, "we", "us" and "our" refer to the Company (as defined below) and, where the context otherwise requires, the Group (as defined below).

The board (the "Board") of directors (the "Directors") of Broad Greenstate International Company Limited (the "Company" or the "Parent") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015 (the "Reporting Period"), together with audited comparative figures for the preceding financial year.

# AUDITED ANNUAL RESULTS OF THE GROUP FOR THE REPORTING PERIOD

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
<b>REVENUE</b>	2(a)	<b>622,693</b>	530,109
Cost of sales		<u>(394,461)</u>	<u>(340,177)</u>
Gross profit		<b>228,232</b>	189,932
Other income and gains	2(b)	<b>27,398</b>	9,294
Administrative expenses		<b>(42,214)</b>	(42,202)
Finance costs	4	<b>(12,667)</b>	(9,475)
Share of profits and losses of:			
A joint venture		<b>(19)</b>	70
An associate		<u><b>5</b></u>	<u>640</u>
<b>PROFIT BEFORE TAX</b>		<b>200,735</b>	148,259
Income tax expense	7	<u><b>(50,229)</b></u>	<u>(38,917)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>150,506</b></u>	<u>109,342</u>
Profit for the year attributable to:			
Owners of the Parent		<u><b>150,506</b></u>	<u>109,342</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u><b>(5,325)</b></u>	<u>(753)</u>
<b>OTHER COMPREHENSIVE LOSSES FOR THE YEAR, NET OF TAX</b>		<u><b>(5,325)</b></u>	<u>(753)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>145,181</b></u>	<u>108,589</u>
Total comprehensive income attributable to:			
Owners of the Parent		<u><b>145,181</b></u>	<u>108,589</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>			(Restated)
Basic			
— For profit for the year	9	<u><b>RMB0.05</b></u>	<u>RMB0.05</u>
Diluted			
— For profit for the year	9	<u><b>RMB0.05</b></u>	<u>RMB0.05</u>

Details of the dividends payable and proposed for the year are disclosed in note 8 to financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2015*

	<b>31 December 2015 RMB'000</b>	31 December 2014 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>20,751</b>	10,323
Goodwill	<b>1,916</b>	1,916
Other intangible assets	<b>25,960</b>	5,546
Investment in a joint venture	<b>5,306</b>	5,325
Investment in an associate	<b>—</b>	8,507
Construction contracts	<b>305,032</b>	—
Deferred tax assets	<b>4,903</b>	2,925
	<hr/>	<hr/>
Total non-current assets	<b>363,868</b>	34,542
	<hr/>	<hr/>
<b>CURRENT ASSETS</b>		
Construction contracts	<b>425,010</b>	324,939
Trade receivables	<b>281,270</b>	209,900
Prepayments, deposits and other receivables	<b>45,617</b>	44,571
Pledged deposits	<b>—</b>	62,520
Cash and cash equivalents	<b>257,367</b>	143,919
	<hr/>	<hr/>
Total current assets	<b>1,009,264</b>	785,849
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Corporate bonds	<b>248,908</b>	—
Trade and bills payables	<b>355,490</b>	228,366
Other payables and accruals	<b>96,053</b>	47,869
Interest-bearing bank borrowings	<b>28,925</b>	50,000
Tax payable	<b>82,927</b>	50,012
	<hr/>	<hr/>
Total current liabilities	<b>812,303</b>	376,247
	<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>	<b>196,961</b>	409,602
	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>560,829</b>	444,144
	<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	<b>—</b>	110,000
Deferred tax liabilities	<b>6,481</b>	1,378
	<hr/>	<hr/>
Total non-current liabilities	<b>6,481</b>	111,378
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>554,348</b>	332,766
	<hr/>	<hr/>

	31 December 2015 RMB'000	31 December 2014 RMB'000
<b>EQUITY</b>		
<b>Equity attributable to owners of the Parent</b>		
Share capital	285,312	212,140
Other reserves	<u>268,136</u>	<u>119,726</u>
	<u>553,448</u>	<u>331,866</u>
<b>Non-controlling interests</b>	<u>900</u>	<u>900</u>
<b>Total equity</b>	<u><u>554,348</u></u>	<u><u>332,766</u></u>

## 1. OPERATING SEGMENT INFORMATION

The Group's principal business is the providing of landscape design and gardening and related services. 100% of the Group's revenue and operating profit were generated from providing the service of landscape gardening in Mainland China and 100% of the Group's identifiable assets and liabilities were located in Mainland China. Accordingly, no analysis by business and geographical segments is provided for the Reporting Period.

### 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:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Customer A	243,708	116,181
Customer B	222,271	199,284
Customer C	*	73,042
Customer D	*	59,312

\* Less than 10% of the total revenue.

## 2. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion of contract revenue of construction contracts and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

### (a) Revenue:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Construction contracts	620,246	522,914
Rendering of services	2,447	7,195
	<u>622,693</u>	<u>530,109</u>

**(b) Other income and gains:**

	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Bank interest income	<b>3,123</b>	653
Other interest income <sup>^</sup>	<b>19,255</b>	4,471
Government grants*	<b>5,427</b>	3,021
Loss on disposal of an associate	<b>(407)</b>	—
Foreign exchange difference, net	<u>—</u>	<u>1,149</u>
	<b><u>27,398</u></b>	<b><u>9,294</u></b>

<sup>^</sup> The construction revenues is measured at the fair value of the consideration received or receivable, which is determined by discounting all future receipts using an imputed rate of interest. The different between the fair value and the nominal amount of the consideration is recognized as other interest income.

\* Government grants have been received from the local fiscal bureau in Mainland China for the bureau's support to the growth enterprises.

**3. PROFIT BEFORE TAX**

The Group's profit before tax is arrived after charging:

	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of construction contracts	<b>392,326</b>	333,108
Cost of services provided	<b>2,135</b>	7,069
Employee benefit expenses (including directors' and chief executives' remuneration as set out in note 5)		
Wages and salaries	<b>11,551</b>	7,944
Equity-settled share option expense	<b>3,229</b>	—
Pension scheme contributions	<u><b>5,278</b></u>	<u>2,457</u>
	<b><u>20,058</u></b>	<b><u>10,401</u></b>
Depreciation	<b>1,365</b>	1,504
Amortisation of other intangible assets <sup>^</sup>	<b>339</b>	335
Impairment of trade receivables	<b>1,716</b>	4,688
Consulting fees	<b>7,048</b>	1,889
Auditors' remuneration	<b>1,742</b>	1,900
Loss on disposal of items of property, plant and equipment	<b>237</b>	—
Minimum lease payments under operating lease:	<u><b>1,499</b></u>	<u>454</u>

<sup>^</sup> The amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

#### 4. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans	7,173	8,113
Interest on domestic corporate bonds	5,494	—
Other finance costs	—	1,362
	<u>12,667</u>	<u>9,475</u>

#### 5. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and 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:

	2015 RMB'000	2014 RMB'000
Fees	<u>240</u>	<u>104</u>
Other emoluments:		
Salaries, allowances and benefits in kind	3,986	3,923
Equity-settled share option expense	2,236	—
Pension scheme contributions	<u>392</u>	<u>297</u>
	<u>6,854</u>	<u>4,324</u>

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

The remuneration of each director and senior management is set out below:

Name of director and senior management	Fees RMB'000	Salaries RMB'000	Pension and other social welfare RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
For the year ended 31 December 2015					
<i>Executive directors</i>					
Mr. Wu Zhengping (a)	—	960	90	883	1,933
Ms. Xiao Li (a)	—	960	90	662	1,712
Mr. Wang Lei (a)	—	600	90	147	837
Ms. Zhu Wen (a)	—	600	90	147	837
<i>Non-executive directors</i>					
Mr. Dai Guoqiang (b)	80	—	—	—	80
Mr. Zhang Qing (b)	80	—	—	—	80
Dr. Jin Hexian (c)	80	—	—	—	80
<i>Senior management</i>					
Mr. Zhang Yihua (e)	—	230	19	397	646
Mr. Wong Wai Ming (d)	—	636	13	—	649
Total	240	3,986	392	2,236	6,854

Notes:

(a) Appointed on 3 January 2014

(b) Appointed on 25 June 2014

(c) Appointed on 29 August 2014

(d) Appointed on 13 January 2014 and resigned on 31 August 2015

(e) Appointed on 31 August 2015

## 6. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four executive directors and the chief financial officer, details of whose remuneration are set out in Note 5 above.

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	3,756	3,923
Equity-settled share option expense	1,839	—
Pension scheme contributions	373	297
	<u>5,968</u>	<u>4,220</u>

The remuneration of the non-director and non-chief executive highest paid employee fell within the band of nil to RMB1 million during the year.



## 7. 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 countries (or jurisdictions) in which the Group operates.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current — the People's Republic of China ("PRC")		
Charge for the year	50,567	40,616
Deferred tax	<u>(338)</u>	<u>(1,699)</u>
Total tax charge for the year	<u><u>50,229</u></u>	<u><u>38,917</u></u>

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law") by order No. 63 of the President of the PRC which became effective from 1 January 2008. On 6 December 2007, the State Council issued the Implementation Regulation of the New EIT Law. Pursuant to the New EIT Law and Implementation Regulation, a uniform income tax rate of 25% was imposed on both domestic and foreign-invested enterprises from 1 January 2008.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit before tax	200,735	148,259
Tax at the statutory tax rate (25%)	50,184	37,065
Profits and losses attributable to a joint venture and an associate	5	(177)
Lower tax rate enacted by local authority	(3,881)	—
Tax losses not recognised	2,811	1,260
Expenses not deductible for tax	<u>1,110</u>	<u>769</u>
Tax charge at the Group's effective rate	<u><u>50,229</u></u>	<u><u>38,917</u></u>

## 8. DIVIDENDS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Proposed final — HK\$1.4 cents (2014: HK\$4.5 cents) per ordinary share	<u><u>38,784</u></u>	<u><u>27,606</u></u>

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

## 9. 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 3,191,318,684 (2014: 2,436,143,516) in issue during the year, as adjusted to reflect the share subscription during the year.

The weighted average number of ordinary shares in issue during the year ended 31 December 2015 used to calculate the basic earnings per share has accounted for the share subdivision which was effective from 19 August 2015, where each share of the Company of HK\$0.10 per share was subdivided into 4 shares of HK\$0.025 per share. The corresponding weighted average number of ordinary shares of 2014 has been retrospectively adjusted to reflect the said share subdivision.

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

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

	2015 RMB'000	2014 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Parent, used in the basic earnings per share calculation	<u>150,506</u>	<u>109,342</u>
	<b>Number of shares</b>	
	2015	2014 (Restated)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>3,191,318,684</u>	<u>2,436,143,516</u>
Effect of dilution — weighted average number of ordinary shares:		
Share options	3,198,831	—
Basic earnings per share (RMB)	<u>0.05</u>	<u>0.05</u>
Diluted earnings per share (RMB)	<u>0.05</u>	<u>0.05</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

As a fast-growing integrated landscape architecture design service provider in China, the Company always focuses on municipal and urban landscape projects and offers our customers “one-stop” project-based landscape architecture service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance. The Group serves as the general contractor responsible for the overall management of landscape projects. Driven by the robust market development and proactive government policy support, the Group recorded better-than-expected performance in 2015.

## **INDUSTRY REVIEW**

### **Government Projects**

At the end of 2014, the Ministry of Finance of the State Council successively issued documents to regulate debt financing mechanism of local government and required Public-Private-Partnership (“PPP”) mode to be actively and extensively applied in infrastructure and public service areas. The promotion of PPP mode in landscape industry brought more development opportunities for landscape companies which were heavily restrained by payment collection. Compared to original Build-and-Transfer (“BT”) mode, in PPP mode, companies establish project companies with capital contributed by partners to operate relevant projects, which could help to stabilize project revenue and conduct project financing by attracting long-term equity or debt investments, so as to avoid receivables risk.

In 2015, upon the recommendation by various provincial finance departments and National Development and Reform Commission, there are a total of 7110 PPP projects published nationwide with a total investment of RMB8.3 trillion, covering multiple areas of energy, road transport, water conservancy construction, environment protection, urban public utilities and other 19 industries. During the first quarter of 2016, the total investment on PPP projects increased by approximately RMB3 trillion. The continuous growth in the number of projects and the total amount of investment reflects the government’s support towards the PPP projects, and is in line with the development idea of “supply side structural reforms” currently in practice in China today.

### **Private Projects**

The private landscape projects in China involve mainly real estate development projects. Under the overall trend of consumption promotion and de-stocking in the real estate in 2015, the eased policies on both supply and demand promoted a steady recovery of the quantity and prices in the real estate market, and the policy has significantly improved the real estate environment. On the demand side, the central government has repeatedly reduced the purchase cost of housing by lowering reserve required rate, interest rates, down payment, tax and so on, in order to boost market demand; local policies are flexibly adjusted, and consumption is stimulated by the adoption of a number of measures such as tax concession, financial subsidies, and cancellation of purchasing and external limitations and so on. On the supply side, the scale of land supply has been improved with structure being adjusted, and the

monetary indemnity for resettlement of housing is intensified to improve the market environment. However, under the slower overall economic growth and pressure from high inventory, the growth of newly built housing was dragged significantly except in first-tier cities.

## **BUSINESS REVIEW**

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

Currently, Our customers are classified into two categories: 1. the public sector, including urban public green areas and various theme parks; and 2. the private sector, including residential and resort landscape. We have a strong and well-established customer base. Our customers mainly consist of state and local government as well as state-invested enterprises, and the projects awarded by these customers have contributed approximately 97% of our total revenue for the year ended 31 December 2015 as compared to 98% for the comparable period in 2014.

### **Contribution of the acquisition of Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. to the Company**

In early December 2015, the Group acquired the entire equity of Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. (“**Dongjiang Design**”) at a consideration of RMB3 million through its indirect wholly-owned subsidiary, Shanghai Greenstate Landscape Properties Company Limited (上海綠澤景觀置業). Dongjiang Design is currently in possession of the Construction Engineering Professional Grade One Design Qualification (建築行業建築工程專業設計甲級資質) and the Landscape Design Grade Two Qualification (風景園林設計乙級資質). Coupled with its excellent designer team, the construction and design capabilities of the Group will be enhanced and the overall competitiveness of the Group will be strengthened. In the process of future PPP projects development, project contracting will set higher requirements on the Group’s business integration capabilities, and improvement in the building design capacity and landscape design capacity will effectively bring great benefits to the business contracting and cost control of the Company. Moreover, excellent team of designers will provide an important foundation for the sound expansion of the entire design department.

### **Project Cooperation with Greenland Group**

The Group is in discussion with the project department of 綠地控股集團有限公司 Greenland Holding Group Company Limited and its subsidiaries (“**Greenland Group**”) to work on landscaping projects in certain large scale property projects and to conduct the government landscaping projects in certain prime land projects of Greenland Group in response to the overall land development strategy of Greenland Group in the future.

## Research and Development Center of New Varieties of Seedlings

The Group has invested in and has completed the establishment of the seedlings research and development centre. In 2015, the Group contracted with a number of domestic and foreign research institutions and nurseries for introduction of new varieties of domestic green plants. 66 varieties were confirmed to be introduced, and a total of more than 30,000 plants of 29 varieties were being introduced from the Netherlands and other countries.

## MAJOR LARGE PROJECTS

### Completed Major Landscape Projects

During the Reporting Period, the Group has completed 5 major projects with the details set out in the following table.

Project	Customer type	Initial contract value <i>RMB'000</i>	Contract value after renewed <i>RMB'000</i>	Commencement	Expected completion year	Revenue recognized during the Reporting Period <i>RMB'000</i>
Project A	Government	101,690	101,690	December 2013	2015	34,832
Project B	Private enterprise	50,000	50,000	April 2013	2015	—
Project C	Government	39,860	39,860	December 2010	2015	9,921
Project D	State-invested enterprise	26,397	26,397	January 2008	2015	471
Project E	State-invested enterprise	19,698	19,698	July 2014	2015	—

### Major Landscape Projects in Progress

The following table sets out our major landscape projects which commenced but were not completed during the Reporting Period. These landscape projects in progress contributed 88.8% of the total revenue recognized for the same period.

Project	Customer type	Initial contract value <i>RMB'000</i>	Updated contract value <i>RMB'000</i>	Commencement	Expected completion year	Revenue recognized during the Reporting Period <i>RMB'000</i>
Project F	State-invested enterprise	360,000	360,000	November 2014	2016	243,708
Project G	State-invested enterprise	350,000	441,000	March 2014	2016	228,095
Project H	State-invested enterprise	166,352	172,082	December 2012	2016	38,934
Project I	State-invested enterprise	39,300	39,300	May 2013	2016	15,795
Project J	State-invested enterprise	26,397	26,397	January 2015	2016	26,397
Project K	State-invested enterprise	7,139	7,139	July 2014	2016	4,798

## New Major Landscape Projects Awarded but not yet Commenced

The following table sets out our new major landscape projects which were awarded to us in 2015 but were not commenced, or no relevant revenue was recognized during the Reporting Period.

Project	Customer type	Initial contract value <i>RMB'000</i>	Commencement	Expected completion year
Project L	Private enterprise	17,095	March 2016	2016
Project M	PPP Company	300,000	March 2016	2017
Project N	PPP Company	1,000,000	June 2016	2018
Project O	PPP Company	500,000	June 2016	2018

## Qualifications and Licenses

On 4 February 2016, the Group obtained the Grade One qualification in scenery landscape design from the Ministry of Housing and Urban-Rural Development of the PRC, which allows the Group to undertake all scale of design work for landscape projects and enhances the Group's ability to undertake large-scale municipal and city level public sector projects.

The Group is currently holding multiple qualifications including a Grade One qualification in urban landscape construction, a Grade One qualification in scenery landscape design and a Grade One qualification for construction engineering professional design. The Group currently has completed more than 67 large scale landscape projects.

The Group currently holds the following major licenses/qualifications in the PRC:

Issue authority	Category	License class
Ministry of Housing and Urban-Rural Development of the PRC	Urban landscape construction enterprises qualification certificate	Grade One
Ministry of Housing and Urban-Rural Development of the PRC	Scenery landscape design	Grade One
Ministry of Housing and Urban-Rural Development of the PRC	Design qualification for construction engineering professional design	Grade One
Shanghai Urban Construction and Communications Commission	Construction enterprise qualification certificate	Grade Three

## **Cost Control of the Group**

During the Reporting Period, the Group continued to strictly control the sales costs effectively in the following 3 aspects. Firstly, the Group took advantage of the updated project information management system in February 2015, and strictly conducted an integrated and systematic management of the whole operating process comprising of design, procurement and construction at our headquarters to improve our operational efficiency. Secondly, the Group enhanced the management of construction procedure, and suspension of purchase cost, and improved the efficiency of engineering operations by employing talents with professional management experience in respective areas, so as to reduce the Group's cost and expenditure. Meanwhile, the Group successfully implemented a comprehensive budget control system. All business related data such as budgets, control, supervision, analysis and assessment are taken into account in the budget management process for improving capital utilization efficiency.

## **Quality Control**

The Group has always been focusing on quality control in construction since its incorporation. In respect of human resources, the Group has a team of project managers with rich dealing experience in undertaking various large landscape construction projects. In respect of systems, the Group owns a comprehensive quality management system and is accredited with ISO9001, ISO14001, and OHSAS18001 standards. In respect of the management of technology, operation, human resource and file management, a complete and constantly effective management policy has been established. The Group also carried out training and established management system in various aspects including management of quality of staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of the Group's projects.

## **Research and Development**

In order to enhance our competitive advantage, the Group invested substantial amount of funds in our research and development, which primarily focuses on 1) new breeds for landscaping, new products research and development, trial production, production and reserve; 2) research and development and reserve of new technologies, new architecture and new construction methods; 3) skill-consultation on field investigation and sampling, testing and analysis and project design, and have recorded satisfactory results.

Currently, major research and development projects of the Group include: conducting introduction and selection of new and high-quality greening plant breeds to select breeds with high adaptability, good visual effect and high market value and producing low-cost, new and high-quality plants through efficient management and optimized allocation, so as to improve our market competitiveness in respect of planning, design and construction.

In addition, the Group has launched a project for the research, production and reserve of cultivation medium, rooting agent, nutrient solution, preservative, anti-transpiration agent, cladding material etc. which are suitable for our projects to offer material assurance on improving the construction quality of our greening projects.



The Group has carried out research and development on ancillary construction technology including full crown transplant, out-of-season construction, salt and alkali afforestation and fast plant growing, focusing on tackling skill difficulties related to construction of unconventional projects, in order to raise project quality and reduce construction cost.

## **OUTLOOK**

Looking ahead, the management believes that PPP projects model will dominate the market. The Group will continue to focus on the development of landscaping projects at the municipal and city level by taking advantage of our existing business foundation and competitive advantages.

The Group believes that with a deeper understanding of PPP projects model across the society, extended efforts in promotion by the government and the strong involvement of the financial institutions, as well as consultation between the government and early-stage investors from the community, market forecast and the preliminary recognition conducted by the government etc. being gradually in place, it is expected that the PPP projects throughout the country is about to enter its peak period of project implementation in 2016.

The Chinese government plans to launch the third batch of PPP demonstration projects in a newer and more transparent manner in 2016. The relevant government departments all stated that in 2016, they will serve as an information platform and perform their regulatory function in a practical manner. In next year, under the constantly improving policy guidance for PPP project policies and the active development of such projects, there will be more opportunities for the Group under the PPP projects mode; which can effectively balance the negative effects brought by the continuous declining real estate investment market since the beginning of the first half of 2015.

To better align with the Group's future development and the needs of the market, the Group will focus on the development of three major businesses, including the core business of scenery landscape, PPP projects and ecological restoration business. The management has also established clear development goals. In the aspects of the development of our core scenery landscaping business and PPP projects, the Group will focus on the development of landscaping projects with higher gross margin and the public sector projects which the Group currently specializes in.

As affected by the relevant policies relating to the control of local debts launched in 2014, projects under BT model will not continue to be carried out. The remaining new projects will be projects under progress payment and PPP cooperation mode. According to the Group's recent understanding obtained from local governments, large landscape projects of the government will be promoted by using PPP cooperation model in the future. Therefore, in the future, PPP projects will become the core part of the Company's development. For PPP projects, it is required that the successful bidders shall demonstrate the multiple abilities in the area of design, construction, operation, financing and so on. PPP projects include a number of different types of projects such as landscaping, truth, ancient buildings and so on; hence requiring a very high standard of overall integration ability. To this end, the Group will continue strengthening the integration of the upstream and downstream companies in related fields, in order to consolidate its current leading industry position as a one-stop service provider.



In terms of the development goals for the ecological restoration business, the ecological restoration industry is mainly divided into two parts: sewage treatment and soil improvement, of which the sewage treatment market has been in a stage with relatively mature technology, and the business competition is very keen; on the contrary, the soil improvement industry is still in a stage of technology development, and it has a greater technological development potential and fewer market competitors. Therefore, in the future, the Group's research focus will be mainly concentrated in the field related to soil restoration technology.

The Group believes that the landscaping design and construction industry will be one of the key industries of strategic development by the State in the future. According to the Outline for the Development Planning of Urban Landscaping in the "13th Five-year Plan" jointly published by the Ministry of Housing, China Academy of Urban Construction Co., Ltd., China Academy of Planning and Design and Beijing Forestry University, the government has expanded the overall layout of the development strategy from the "four-in-one" of economic development, political development, cultural development and social development into the "five-in-one" with the inclusion of the development of ecological civilization. Faced with the severe situation of reducing social resources, worsening environmental pollution and degrading ecosystem, ecological civilization has been placed as a key national development goal. The increasingly tightened resources and environmental constraints result in the urgent demand for the promotion of the development of ecological civilization and the simultaneous development of new urbanization reduced and thus lead to the higher requirements and needs for the development of the urban landscape industry.

The Group endeavors to becoming one of the top ten enterprises within China's landscaping sector by 2021.

## **FINANCIAL REVIEW**

### **Revenue**

During the Reporting Period, the Group proactively participated in undertaking several large scale municipal and city level ecological landscaping projects, completed a total of five projects and accepted two new projects, brought in proud results during the year.

The Group's total income increased from RMB530.1 million in the same period of 2014 to RMB622.7 million for the year ended 31 December 2015, representing an increase of 17.5%. 28 projects in total contributed to the income, 9 of which had an initial contract value of RMB5 million or above, contributing 96% of income for the Group. Net profit was RMB150.5 million, representing an increase of 37.6% as compared to RMB109.3 million in the same period of 2014.

## **Gross Profit and Gross Profit Margin**

For the year ended 31 December 2015, the Group's gross profit was RMB228.2 million as compared to RMB189.9 million in the comparable period in 2014, representing an increase of 20.2%. Our gross profit margin increased by 0.9% from 35.8% for the year ended 31 December 2014 to 36.7% for the comparable period in 2015, which was mainly due to the slight increase in income contributed from larger projects which have higher gross profit margin as the projects are more complex and require more integrated management.

## **Other Income and Gains**

For the year ended 31 December 2015, the other income and gains increased to RMB27.4 million as compared to RMB9.3 million in the comparable period in 2014, which was mainly due to the increase of the other interest income of RMB14.8 million. The other interest income is recognized for the difference between the fair value and the nominal amount of the trade receivables. As the fair value of the trade receivables increased due to the approaching of the receipts, more other interest income was recognized during 2015.

## **Administrative Expenses**

Our administrative expenses consist principally of salaries and benefits for administrative staff, consultation fees, depreciation and amortization, travelling and business meeting expenses, equipment expenses and other expenses. During the Reporting Period, administrative expenses of the Group was RMB42.21 million as compared to RMB42.20 million for the comparable period in 2014, representing an increase of RMB0.01 million, which was mainly attributable to the expansion of our overall business and increase in management remuneration and other consulting fees resulting from the enhancement of management quality and expansion of management team. Separately, there is no listing expense for the Reporting Period as compared to RMB19.3 million during the listing process in 2014.

## **Financial Cost**

For the year ended 31 December 2015, the financial cost of the Group was RMB12.7 million as compared to RMB9.5 million in the comparable period in 2014. The increase was attributable to the provision of capital for existing and potential projects, distribution of final dividend and replenishing general working capital with increase on various interest-bearing borrowings including the short-term finance notes in issue to Greenland Financial.

## **Income Tax**

The income tax of the Group increased from RMB38.9 million for the same period of last year to RMB50.5 million for the year ended 31 December 2015, mainly due to the increased assessable profit of the Group. During the Reporting Period, the effective tax rate of the Group was 25.08% as compared to 26.25% for the comparable period in 2014.

## **Net Profit and Net Profit Margin**

During the Reporting Period, net profit attributable to the owners of the Parent increased by RMB41.2 million from RMB109.3 million for the same period of last year to RMB150.5 million, representing an increase of 37.6%. The net profit margin was 24.2% as compared to 20.6% for the comparable period in 2014.

## **LIQUIDITY AND CAPITAL RESOURCES**

Historically, we generally satisfied our liquidity requirements through cash flows from operations, bank borrowings and obtaining credit terms from suppliers. Our primary liquidity requirements are to finance working capital, fund the payments of interests and principal due on our indebtedness and fund capital expenditure for the expansion of our facilities and operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may also use a portion of the proceeds from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (“**Listing**”) to finance a portion of our capital requirements.

As at 31 December 2015, cash and cash equivalents of the Group was RMB257.3 million as compared to RMB143.9 million as at 31 December 2014, the interest-bearing bank borrowing and long term loan of the Group was RMB28.9 million as compared to RMB160.0 million as at 31 December 2014. As at 31 December 2015, the unutilized and unrestricted banking facilities of the Group amounted to RMB150 million.

## **GEARING RATIO**

As at 31 December 2015, the Group’s gearing ratio was 40.9% as compared to 69.3% as at 31 December 2014, which is calculated as the net debt divided by the equity plus net debt.

## **CAPITAL EXPENDITURE AND CAPITAL COMMITMENT**

During the Reporting Period, the Group had no material capital expenditure.

## **PLEDGE OF ASSETS**

As at 31 December 2015, 100% of the issue share capital of Greenstate Times International Company Limited and Greenstate International Company Limited, each of which a wholly-owned subsidiary of the Company, were subject to share charges as security of the redeemable fixed coupon promissory note with a principal amount of US\$40,000,000 issued to Greenland Financial.

## **MARKET RISKS**

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates, credit risk and liquidity risk. We manage our exposure to these and other market risks through regular operating and financial activities.

### **Interest Rate Risk**

We are exposed to the risk of changes in market interest rates which relates primarily to our interest-bearing bank borrowings with a floating interest rate. We currently do not have any interest rate hedging policy. However, we monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

## **Credit Risk**

Our maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations during the year ended 31 December 2015 in relation to each class of recognized financial assets was the carrying amount of those assets as stated in the statement of financial position. In order to minimize the credit risk, we review recoverable amount of each individual trade and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 December 2015, our cash and cash equivalents were deposited in high quality financial institutions and thus have no significant credit risk.

## **Liquidity Risk**

We monitor our risk to shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both of our financial instruments and financial assets such as trade receivables and projected cash flows from operations. We also manage our capital structure and make 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, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We do not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital for the year ended 31 December 2015.

## **Foreign Exchange Risk**

The Group's businesses are located in the PRC and substantially all of its transactions are denominated in RMB. The Group reviews its foreign currency exposures regularly and considers no significant exposure on its foreign exchange risk. The Group has not currently engaged in hedging to manage its foreign exchange risk.

## USE OF PROCEEDS FROM LISTING

The aggregate net proceeds of the Group from Listing (after deducting underwriting commission, the Stock Exchange fee and Securities and Futures Commission transaction levy, and road show expenses) were approximately HK\$211.9 million (approximately RMB168.3 million). Currently, the net proceeds are used for the following purposes:

Purposes	Proportion	Proceeds RMB'000	Utilized amount RMB'000
Offering to finance the completion of Chenzhou Project	20%	33,659	33,659
For our potential future projects	30%	50,488	50,038
For the potential acquisition of landscape architecture service companies or design companies	20%	33,659	3,000
For the expansion of our geographical coverage in China by establishing more subsidiaries and branches	10%	16,829	16,829
For our research & development activities	10%	16,829	16,829
Used as general working capital of the Group	10%	<u>16,829</u>	<u>16,829</u>
		<u>168,293</u>	<u>137,184</u>

## CORPORATE INFORMATION

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

On 25 June 2015, the Company issued an aggregate of 59,440,000 new ordinary shares of HK\$0.10 each (237,760,000 shares of HK\$0.025 each after the share subdivision becoming effective from 19 August 2015) in the share capital of the Company to Greenland Financial at the issue price of HK\$2.15 (HK\$0.5375 after the share subdivision) per ordinary share pursuant to the subscription agreement entered into between the Company and Greenland Financial on 7 May 2015 (the “**Share Subscription**”). Details of the Share Subscription have been disclosed in the Company’s announcement and circular dated 7 May 2015, 8 June 2015 and 25 June 2015.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange during the Reporting Period.

## 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.

For the year ended 31 December 2015, the Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) (as in effect from time to time) as the basis of the Company’s corporate governance practices. The Company has complied with all the applicable code provisions of the CG Code with the exception of code provision A.2.1.

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.

The Company, however, 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.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors’ dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company throughout the Reporting Period.

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

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

## **REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE**

The Audit Committee was established with terms of reference in compliance with the CG Code. As at the date of this annual results announcement, it comprises three members, namely Mr. Zhang Qing, Mr. Dai Guoqiang and Dr. Jin Hexian. The Audit Committee has reviewed together with the management and the external auditors the accounting principles and policies adopted by the Group and the audited annual results for the Reporting Period.

## **ANNUAL GENERAL MEETING (“AGM”)**

The 2016 AGM will be held on Friday, 6 May 2016. A notice convening the AGM will be published and dispatched to the shareholders of the Company (“**Shareholders**”) in accordance with the requirements of the Listing Rules in due course.

## **FINAL DIVIDEND**

The Board proposed to declare a final dividend of HK\$0.014 (equivalent to approximately RMB0.012) per Share, approximately HK\$46,292,624 (equivalent to approximately RMB38,784,000) in aggregate for the Reporting Period, which will be payable to Shareholders whose names appear on the register of members of the Company on Tuesday, 24 May 2016, subject to Shareholders’ approval in the forthcoming 2016 AGM of the Company. The proposed final dividend is expected to be paid to the Shareholders by Wednesday, 8 June 2016.

## **RECORD DATE**

For the purpose of determining the Shareholders’ eligibility to attend and vote at the forthcoming 2016 AGM, the record date will be on Thursday, 5 May 2016. 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 share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 5 May 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the Shareholders’ entitlement to the final dividend, the Company’s register of members will be closed from Monday, 23 May 2016 to Tuesday, 24 May 2016, during which period no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Friday, 20 May 2016.



## **PUBLICATION OF ANNUAL RESULTS AND 2015 ANNUAL REPORT**

This announcement is published on the websites of the Company ([www.broad-greenstate.com.cn](http://www.broad-greenstate.com.cn)) and the Stock Exchange (<http://www.hkexnews.hk>). The 2015 Annual Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange as and when appropriate.

By order of the Board  
**Broad Greenstate International Company Limited**  
**Wu Zhengping**  
*Chairman and Executive Director*

Shanghai, the PRC  
21 March 2016

*As of the date of this announcement, our executive Directors are Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen and Mr. Wang Lei and our independent non-executive Directors are Mr. Dai Guoqiang, Mr. Zhang Qing and Dr. Jin Hexian.*