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China Greenland Broad Greenstate Group Company Limited

中國綠地博大綠澤集團有限公司

(formerly known as 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 2016

FINANCIAL HIGHLIGHTS

		Year ended 31 December		Change
		2016 Audited	2015 Audited	
Revenue	RMB'000	724,805	622,693	102,112
Gross profit	RMB'000	271,090	228,232	42,858
Net profit attributable to owners of the Parent	RMB'000	151,707	150,506	1,201
Gross profit margin	%	37.4	36.7	+0.7% point
Net profit margin	%	20.9	24.2	-3.3% points
Proposed final dividend per share ⁽¹⁾	HK\$ cents	1.2	1.4	N/A
Dividend payout ratio		25	25	N/A

Note:

- (1) After the year ended 31 December 2016 (the “Reporting Period”), the Company has issued and allotted 35,920,957 new ordinary shares of HK\$0.025 each in the share capital of the Company to a third party on 15 February 2017. The Company’s issued shares have therefore increased to 3,342,536,957 shares from 3,306,616,000 shares on 15 February 2017 (31 December 2015: 3,306,616,000 ordinary shares of HK\$0.025 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 China Greenland Broad Greenstate Group 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 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 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	2(a)	724,805	622,693
Cost of sales		<u>(453,715)</u>	<u>(394,461)</u>
Gross profit		<u>271,090</u>	<u>228,232</u>
Other income and gains	2(b)	17,607	27,398
Administrative expenses		(56,031)	(42,214)
Finance costs	4	(27,494)	(12,667)
Share of profits and losses of:			
A joint venture		150	(19)
An associate		<u>—</u>	<u>5</u>
PROFIT BEFORE TAX	3	<u>205,322</u>	<u>200,735</u>
Income tax expense	6	<u>(53,615)</u>	<u>(50,229)</u>
PROFIT FOR THE YEAR		<u>151,707</u>	<u>150,506</u>
Profit for the year attributable to:			
Owners of the Parent		<u>151,707</u>	<u>150,506</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(21,163)</u>	<u>(5,325)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		<u>(21,163)</u>	<u>(5,325)</u>
OTHER COMPREHENSIVE LOSSES FOR THE YEAR, NET OF TAX		<u>(21,163)</u>	<u>(5,325)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>130,544</u>	<u>145,181</u>

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income attributable to:			
Owners of the Parent		<u>130,544</u>	<u>145,181</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic			
— For profit for the year	8	<u>RMB0.05</u>	<u>RMB0.05</u>
Diluted			
— For profit for the year	8	<u>RMB0.05</u>	<u>RMB0.05</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

		31 December 2016 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		20,443	20,751
Goodwill		1,916	1,916
Other intangible assets		24,646	25,960
Investment in a joint venture		5,456	5,306
Construction contracts		486,921	305,032
Deferred tax assets		<u>6,948</u>	<u>4,903</u>
Total non-current assets		<u>546,330</u>	<u>363,868</u>
CURRENT ASSETS			
Construction contracts		377,984	425,010
Trade receivables	9	691,464	281,270
Prepayments, deposits and other receivables		67,816	45,617
Cash and cash equivalents		<u>127,860</u>	<u>257,367</u>
Total current assets		<u>1,265,124</u>	<u>1,009,264</u>
CURRENT LIABILITIES			
Corporate bonds		277,422	248,908
Trade and bills payables	10	520,018	355,490
Other payables and accruals		106,793	96,053
Interest-bearing bank borrowings		127,758	28,925
Tax payable		<u>121,301</u>	<u>82,927</u>
Total current liabilities		<u>1,153,292</u>	<u>812,303</u>
NET CURRENT ASSETS		<u>111,832</u>	<u>196,961</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>658,162</u>	<u>560,829</u>

	31 December 2016	31 December 2015
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>6,145</u>	<u>6,481</u>
Total non-current liabilities	<u>6,145</u>	<u>6,481</u>
NET ASSETS	<u>652,017</u>	<u>554,348</u>
EQUITY		
Equity attributable to owners of the Parent		
Share capital	65,602	65,602
Other reserves	<u>585,515</u>	<u>487,846</u>
	<u>651,117</u>	<u>553,448</u>
Non-controlling interests	<u>900</u>	<u>900</u>
Total equity	<u>652,017</u>	<u>554,348</u>

1. 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 landscape. No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since over 90% of the Group's revenue and operating profit were generated from Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with Hong Kong Financial Reporting Standard 8 *Operating Segments*.

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:

	2016 RMB'000	2015 RMB'000
Customer A	472,739	—
Customer B	136,475	—
Customer C	*	243,708
Customer D	*	228,095

* 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:

	2016 RMB'000	2015 RMB'000
Construction contracts	721,004	620,246
Rendering of services	3,801	2,447
	<u>724,805</u>	<u>622,693</u>

(b) Other income and gains:

	2016 RMB'000	2015 RMB'000
Bank interest income	2,918	3,123
Other interest income*	12,921	19,255
Government grants**	2,004	5,427
Loss on disposal of an associate	—	(407)
Foreign exchange difference, net	(236)	—
	<u>17,607</u>	<u>27,398</u>

* The construction revenue 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 difference between the fair value and the nominal amount of the consideration is recognised as other interest income.

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

3. PROFIT BEFORE TAX

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

	2016 RMB'000	2015 RMB'000
Cost of construction contracts	450,206	392,326
Cost of services provided	3,509	2,135
Employee benefit expenses (including directors' and chief executives' remuneration as set out in note 5)		
Wages and salaries	12,008	11,551
Equity-settled share option expense	6,299	3,229
Pension scheme contributions	6,651	5,278
	<u>24,958</u>	<u>20,058</u>
Depreciation	1,866	1,365
Amortisation of other intangible assets^	1,314	339
Impairment of trade receivables	4,060	1,716
Consulting fees	10,664	7,048
Auditor's remuneration	1,800	1,742
Loss on disposal of items of property, plant and equipment	22	237
Minimum lease payments under operating lease	1,258	1,499

^ 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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest on bank loans	4,046	7,173
Interest on corporate bonds	<u>23,448</u>	<u>5,494</u>
	<u>27,494</u>	<u>12,667</u>

5. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Fees	<u>240</u>	<u>240</u>
Other emoluments:		
Salaries, allowances and benefits in kind	3,720	3,986
Equity-settled share option expense	4,862	2,236
Pension scheme contributions	<u>450</u>	<u>392</u>
	<u>9,272</u>	<u>6,854</u>

During the year ended 31 December 2015, 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 executives' remuneration disclosures.

6. 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.

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current — the People's Republic of China ("PRC")		
Charge for the year	55,996	50,567
Deferred tax	<u>(2,381)</u>	<u>(338)</u>
Total tax charge for the year	<u>53,615</u>	<u>50,229</u>

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

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 rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
Profit before tax	205,322	200,735
Tax at the statutory tax rate (25%)	51,331	50,184
Profits and losses attributable to a joint venture and an associate	(38)	5
Lower tax rate enacted by local authority	8,631	(3,881)
Tax losses not recognised	473	2,811
Adjustments in respect of current tax of previous periods	(7,953)	—
Expenses not deductible for tax	<u>1,171</u>	<u>1,110</u>
Tax charge at the Group's effective rate	<u>53,615</u>	<u>50,229</u>

7. DIVIDENDS

	2016 RMB'000	2015 <i>RMB'000</i>
Proposed final — HK1.2 cents (2015: HK1.4 cents) per ordinary share	<u>35,879</u>	<u>39,174</u>

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

8. 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 3,306,616,000 (2015: 3,191,318,684) in issue during the Reporting Period, as adjusted to reflect the rights issue during the year.

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 Reporting Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed 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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Parent, used in the basic and diluted earnings per share calculations	<u>151,707</u>	<u>150,506</u>
	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	3,306,616,000	3,191,318,684
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>10,007,092</u>	<u>3,198,831</u>
	<u>3,316,623,092</u>	<u>3,194,517,515</u>
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>

9. TRADE RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	704,345	290,091
Impairment	<u>(12,881)</u>	<u>(8,821)</u>
	<u>691,464</u>	<u>281,270</u>

The Group's trading terms with its customers are mainly on credit. The credit period varies with actual projects, ranging from 7 to 42 days (excluding retention money receivables). 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 concentrated to government authorities. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the Reporting Period, based on the transaction date and net of provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within one year	625,356	225,724
Over one year but within two years	45,878	48,736
Over two years	20,230	6,810
	<u>691,464</u>	<u>281,270</u>

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

	2016 RMB'000	2015 RMB'000
At 1 January 2016	8,821	4,914
Impairment losses recognised (<i>note 3</i>)	4,060	1,716
Acquisition of a subsidiary	—	2,191
	<u>12,881</u>	<u>8,821</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB12,881,000 (2015: RMB8,821,000) with a carrying amount before provision of approximately RMB301,918,000 (2015: RMB276,777,000).

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

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 2016, retention money held by customers included in trade receivables amounted to approximately RMB37,234,000 (2015: RMB8,248,000) expected to be recovered after more than twelve months.

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

Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of Reporting Period, based on the transaction date, is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within one year	300,267	220,060
Over one year but within two years	120,110	134,883
Over two years	99,641	547
	520,018	355,490

The trade payables are non-interest-bearing.

MANAGEMENT DISCUSSION AND ANALYSIS

As a fast-growing integrated landscape construction and design service provider in China, the Group focuses on municipal and city level landscape projects across China and provides our customers with “one-stop” solutions of landscaping services, including design and planning, design refinement, construction, seedlings cultivation and maintenance. As a general contractor, the Group takes charge of implementing the overall management and progress of landscape projects to ensure our projects being properly completed. Under the stable development of the industry and the favorable policies from the government, the Group’s overall performance grew steadily in 2016 which meets with our expectation.

INDUSTRY REVIEW

Government Projects

Ministry of Finance, Development and Reform Commission and other departments started actively promoting the Public-Private Partnership (“PPP”) model since the end of 2014, and by 2015, “Beautiful China” was officially being included in the “13th Five-year Plan” strategy. PPP project has been experiencing rapid development with accelerated implementation under the supportive government measures.

In October 2016, the Ministry of Finance of the PRC issued the “Joint Announcement of the third batch of government and social capital cooperation demonstration projects to speed up the promotion of demonstration project construction notice”. The notice confirmed 516 projects to be the third batch of PPP demonstration projects with total planned investment of approximately RMB1.17 trillion. This third batch marked remarkable breakthroughs in terms of the number of PPP projects, the total investment size, the number of provinces and cities involved as well as the industries covered, among which, ecological construction and environmental protection industry ranked top three with a total number of 46 projects (9%) and the ecological construction and environmental protection project value reaching RMB112 billion, showing their importance in PPP segment upon economic restructuring and the rising of green concept.

Private Projects

In China, private landscaping projects are mainly real estate development projects. Looking back into the first half of 2016, the real estate market in the PRC continued to perform as promising as of the end of 2015. The transaction volume in first and second tier cities remained high whereas for third and fourth tier cities, which were under severe inventory pressure, were stable. Under the economic downturn and the de-stocking pressure, the Central Government insisted cities to adopt policies appropriate to their local conditions only. While continuing the loose policies throughout the nation, the Central Government also introduced certain tightening local regulations to maintain the healthy development of the property market. Therefore, despite the uncertain macroeconomic condition, the real estate industry is expected to be benefitting from the accelerated urbanization, household reform, full liberalization of two-children policy, and continue to prosper.

BUSINESS REVIEW

Currently, the Group's major customers remain similar as of last year, and are mainly classified into two categories: (i) local governments and state-owned enterprises, who work with the Group on projects including municipal greening, public green space, theme parks, etc. Upon the active promotion of PPP project model, these customers will be transformed into PPP project companies which possess special franchise authorized by local government; (ii) real estate developers and property owners in the private market, who work with the Group on residential and auxiliary greening projects. For the Reporting Period, the Group's customers mainly consisted of the local governments and state-owned enterprises, accounting for approximately 91% of the Group's total revenue, as compared with 97% in 2015.

Acquisition of 60% interest in Hangzhou Xiaoshan Jiangnan Garden Construction Company Limited

On 30 November 2016, the Company entered into a share purchase agreement pursuant to which the Company agreed to acquire 100% equity interest of National Landscape Limited (“**National Landscape**”) from Golden Spring Landscape Limited (“**Golden Landscape**”) at a price of approximately RMB38,085,836, which shall be satisfied by the allotment and issue of 35,920,957 shares to Golden Landscape. On the same day, the Company's wholly owned subsidiary, Shanghai Greenstate Business Management Company Limited (“**Greenstate Business**”) entered into a share purchase agreement pursuant to which Greenstate Business agreed to acquire 20% equity interest of Hangzhou Xiaoshan Jiangnan Garden Construction Company Limited (杭州蕭山江南園林工程有限公司) (“**Jiangnan Garden Construction**”) from Zhejiang Yulin Holding Group Company Limited (浙江雨林控股集團有限公司) (an independent third party) at a consideration of RMB19,042,918, which shall be satisfied by cash. Both acquisitions were completed in February 2017. After completion of the acquisitions, the Group indirectly holds 60% equity interest in Jiangnan Garden Construction.

Jiangnan Garden Construction mainly engages in nurturing, developing, wholesaling and retailing seedlings; selling and planting bonsai; landscaping projects, municipal projects, urban lighting projects, building construction and excavation works, and the design and construction of Chinese-style gardens and ancient architecture. The acquisition of Jiangnan Garden Construction will help strengthen the Group's large-scale landscaping project undertaking abilities, further boost the Group's overall competitiveness and drive business diversification.

Cooperative projects with Greenland Holding Group Corporation Limited (“Greenland Group”)

During the Reporting Period, the Group and the Greenland Group formed project companies to participate in the bidding for large-scale domestic urban public greening projects, successful projects include:

- (1) On 22 September 2016, Shanghai Broad Landscape Construction and Development Company Limited (上海博大園林建設發展有限公司) (a wholly-owned subsidiary of the Company) (“**Broad Landscape**”), together with Shanghai Greenland Construction (Group) Company Limited (上海綠地建設(集團)有限公司) (“**Shanghai Greenland Construction**”) and Greenland City Investment Group Company Limited (綠地城市投資集團有限公司) (“**Greenland City Investment**”) (collectively, the “**Private Parties**”), successfully won a bid for PPP project for the construction of Phase One of Taiyuan Botanical Garden (太原植物園). Pursuant to the tender, the Private

Parties and Taiyuan Botanical Garden will establish a joint venture (“**JV**”) company with a registered capital of RMB100 million, which is owned as to 70% by the Private Parties and 30% by Taiyuan Botanical Garden. Estimated amount of investment was approximately RMB2.355 billion and total land area is around 1,828.89 mu. Upon completion of construction, the PPP project will be operated in Build-Operate-Transfer model with concessionary period of 14 years.

- (2) On 1 November 2016, Broad Landscape, together with Greenland Metro Investment & Development Company Limited (綠地地鐵投資發展有限公司) (collectively, the “**Private Parties**”), successfully won a bid for the PPP project for the construction of Jue River Wetland Park in Changning New District, Xi’an (西安市常寧新區潏河濕地公園) and construction of other ancillary facilities. Pursuant to the tender, the Private Parties and Xi’an Changning Development and Construction Company Limited (西安市常寧開發建設有限公司) will establish a JV company to develop the PPP Project. The total land area is 2,634 mu and the estimated amount of investment is approximately RMB1,175.61 million.

Research and Development Center for New Varieties of Seedlings

During the Reporting Period, to closely follow national trend of industry upgrade, the Group has been in the process of introducing and developing new greenway tree types, key greening plants for special habitats and plants with high ornamental value. Further the Group has introduced 32 new species of greening plants from Europe and United States of America as well as developing and growing over 700,000 various seedlings. The Group also cooperated with the Shanghai University of Applied Technology for academic research and development jointly, established a breeding base for new varieties of *Hemerocallis fulva*, and collected more than 300 varieties of *Hemerocallis fulva*. Further, the Group also actively carried out project declaration during the Reporting Period and was awarded Huzhou City “NanTaihu Elite Program” project sponsorship.

Major Large Projects

Completed Major Landscape Projects

During the Reporting Period, the Group has completed 4 major projects with the details set out in the following table.

Project	Customer type	Initial contract value RMB'000	Contract value after renewed RMB'000	Date of commencing construction	Completion year	Revenue recognized during the Reporting Period RMB'000
Project A	State-invested enterprise	350,000	441,000	March 2014	2016	—
Project B	State-invested enterprise	39,300	39,300	May 2013	2016	—
Project C	State-invested enterprise	26,397	26,397	January 2015	2016	—
Project D	State-invested enterprise	7,139	7,139	July 2014	2016	5,890

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 96.6% of the total revenue recognized for the same period.

Project	Customer type	Initial contract value <i>RMB'000</i>	Contract value after renewed <i>RMB'000</i>	Date of commencing construction	Expected completion year	Revenue recognized during the Reporting Period <i>RMB'000</i>
Project E	Government	500,000	500,000	April 2016	2018	472,739
Project F	Government	214,561	214,561	July 2016	2017	136,475
Project G	Government	42,189	42,189	January 2016	2017	40,960
Project H	Business unit	34,979	34,979	January 2016	2017	33,960
Project I	Private enterprise	17,095	17,095	March 2016	2017	15,828
Project J	State-invested enterprise	360,000	360,000	November 2014	2017	—
Project K	State-invested enterprise	166,352	172,082	December 2012	2017	—

New Major Landscape Projects Awarded But Construction Not Yet Commenced

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

Project	Customer type	Contract value <i>RMB'000</i>	Date of commencing construction	Expected completion year
Project L	State-invested Enterprise	1,484,504	March 2017	2019
Project M	State-invested Enterprise	1,097,697	March 2017	2018
Project N	Government	513,200	April 2017	2019

Qualifications and Licenses

On 4 February 2016, the Ministry of Housing and Urban-Rural Development of the PRC granted the Group with Grade One qualification for scenery landscape design, enabling the Group to proceed with the design of landscape projects of any scales. This strengthens the Group's capability of undertaking large-scale municipal and city level public section projects. The Group also possesses Grade One qualification for urban landscape construction enterprises, Grade One qualification for construction engineering professional design and Grade Two qualification for urban-rural planning. More than 70 large-scale landscape projects have been completed so far.

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

Issue authority	Category	License category
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 Municipal Administration of Planning and Land Resources	Qualification for urban-rural planning	Grade Two

As the Group continues to expand carbon-rural planning with a fully-established whole industry chain, the Group will acquire more qualifications and licenses through active mergers and acquisitions to strengthen its project undertaking capability. Among which, the Group plans to obtain the qualification for general construction of buildings, the qualification for general contracting for municipal public projects, the qualification for contracting decorations, the qualification for steel structure engineering, the qualification for installation of mechanical and electrical equipment as well as the qualification for contracting basic construction.

Design and Construction Ability

With respect to design, in early December 2015, the Group acquired the entire equity interests and other related investments of Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. (上海東江建築勘察設計工程有限公司), resulting in the possession of several design-related professional qualifications, including Grade One qualification for scenery landscape design and Grade One design qualification for construction engineering professional design issued by Ministry of Housing and Urban-Rural Development of the PRC, and Grade Two qualification for urban-rural planning issued by Shanghai Municipal Administration of Planning and Land Resources. With respect to construction, the Group was awarded Grade One qualification for urban landscape construction enterprises qualification certificate issued by the Ministry of Housing and Urban-Rural Development of the PRC in February 2016, and is one of the very few enterprises with dual Grade One qualifications for both design and construction.

Cost Control

The Group has always adhered to reasonable operation policy to execute cost control in three different aspects which include policy, system and manpower. In respect of policy, the Group carried out comprehensive budget management covering budget, control, supervision, analysis and appraisal in order to increase the efficiency of funds application; in respect of system, the Group invested and researched a new project information management system to conduct comprehensive supervision and control of projects at different stages comprising design in the early stage, procurement in the middle stage and construction in the final stage; as for manpower, the Company employed a group of

management personnel with rich experiences in procurement and engineering management to strengthen process management and cost supervision. The adoption of above cost control measures during the Reporting Period was proved to be effective.

Quality Control

Landscape construction is the Group's core business and quality control is of the utmost importance for the Group. The Group has conducted quality control in three aspects, which include policy, system and manpower similar to that of cost control. As for the system and policy, sound and comprehensive processes were established, coupled with optimized systems for quality control. As for manpower, a well-experienced project manager was employed to control engineering quality on a comprehensive basis. Quality management system of the Company has already passed the certification of ISO9001, ISO14001 and OHSAS18001.

Research and Development

To enhance its competitive advantage, the Group has invested a lot of resources in research and development. In addition to the revamp of the Research and Development Center for New Varieties of Seedlings, the Group and Tongji University jointly established the "Greenland Broad Greenstate — Tongji Joint Technology Innovation Center" ("**the Technology Innovation Center**") in 2016. The Technology Innovation Center, under the support from a team of experts and technical staffs, will serve as a technology platform for the Group's eco-development sector, providing a comprehensive solution based on the Group's development needs. It will also promote the transformation of related technology of Tongji University. The Technology Innovation Center will be set up at Tongji University campus, and will adopt Council management system. At the same time, the Group and Tongji University have jointly set up the "Greenland Broad Greenstate — Tongji R&D Fund" to sponsor the construction of the center, promote transformation of technology as well as to launch academic research and promote application for landscaping industry.

Research direction and goals for the Technology Innovation Center:

- Planning, design and construction of eco-town and beautiful rural area: to promote planning research, organization of expert guidance, provide a more comprehensive and specific planning system architecture;
- Urban-rural historical and cultural site protection: to carry out cultural heritage research, enhance protection and development of historical buildings, neighborhoods, towns and villages from technical aspects;
- Ecological restoration and management: to carry out research on pollution prevention technologies, set up greening technology standard system, establish assessment tools and research methods for pollution prevention and greening technology;
- Scenic and theme park construction: to make suggestion for the construction planning and design of the theme park scenic area, strengthen research on global tourism and guide the implementation of the project;

- Sponge city research: to carry out research on sponge city technology integration and complete demonstration projects;
- Green infrastructure research: research and development of new greening technologies in the urban-rural infrastructure area;
- Green finance research: integration into the national greening technology bank, continuous empirical summary and dynamic assessment; and
- International exchange and cooperation: carry out information exchange and cooperation with global advanced research institutions and enterprises on landscaping related academic and technical aspects.

PROSPECT

In the face of the tightening of resources, the increasingly serious environmental pollution and the grim situation of ecological degradation, ecological civilization construction has always been an important topic. In view of this, the Chinese government has put in much emphasis on ecological civilization construction and sustainable development in the past few years. Under favorable policies, China's landscaping design and construction industry is expected to become one of the major industries in the country's future development plan.

As a long-established landscaping enterprise, the Group has become the industry leader due to its rich experience accumulated in China's landscaping architecture and construction, its prominent industry position, mature management style as well as high recognition gained from projects completed and delivered. The closer cooperation with Greenland Group in 2016, created transformational synergies and huge potential for breakthrough for the Group, and pushed the Group to a more favorable position within the industry.

The Group will, by leveraging a more in-depth cooperation with Greenland Group, in particular the stronger innovative capabilities and resources integration, to lead the China landscaping industry to a broader and brighter future. The Group will adopt the three-wheel drive model of "Ecological Construction", "Investment, Merger and Acquisition " and "Whole Industry Chain Development", promote innovation and core business of ecological construction. Looking ahead, the Group hopes to continue boosting our market value and business diversification, especially in planning and design, tourism, management and conservation, cultural restoration and rehabilitation, sponge city and other professional areas to become one of the Top 3 enterprises within the China landscaping industry in the coming five years.

Finally, the Group will work best at building "Beautiful China" by adhering to the philosophy of preserving nature and building greener planet for a more humanistic home and sustainable environment.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group actively took part in undertaking various domestic large-scale municipal and city level ecological landscape projects and recorded remarkable results in the year with a total of 4 completed large projects and coupled with the conclusion of 6 newly contracted large projects.

For the Reporting Period, the Group's total income increased 16.4% from RMB622.7 million in the comparable period of 2015 to RMB724.8 million. There were 21 projects in total which made a contribution to the revenue, 6 of which with initial contract value of RMB5 million or above, contributing nearly 97.4% of revenue for the Group. The net profit was RMB151.7 million, increased by 0.8% as compared to RMB150.5 million in the corresponding period of 2015.

Gross profit and gross profit margin

For the Reporting Period, the Group's gross profit was RMB271.1 million as compared to RMB228.2 million in the comparable period in 2015, representing an increase of 18.8%. The gross profit margin for the year ended 31 December 2016 was 37.4%, representing an increase of 0.7% as compared to 36.7% for the comparable period in 2015, which was mainly due to the slight increase in revenue contributed from larger projects which have higher gross profit margin as the projects are more complex and require more integrated management.

Administrative expenses

The administrative expenses principally consist of salaries and benefits of administrative staff, consultation fees, depreciation and amortization, travelling and business meeting expenses, equipment expenses and other expenses. During the Reporting Period, the Group's administrative expenses amounted to RMB56.0 million as compared to RMB42.2 million for the comparable period in 2015, representing an increase of RMB13.8 million, which was mainly attributable to the increase in the scale of the entire business.

Financial cost

For the Reporting Period, the Group's financial cost was RMB27.5 million as compared to RMB12.7 million in the comparable period in 2015. The increase was attributable to the provision of capital for existing and potential projects, distribution of final dividend and replenishing general work capital with increase on various interest-bearing borrowings including a redeemable fixed coupon promissory note with a principal amount of US\$40,000,000 at the rate of 9.00% per annum issued to Greenland Financial Overseas Investment Group Co., Ltd. ("**Greenland Financial**").

Income tax

The income tax of the Group increased from RMB50.2 million of the comparable period in 2015 to RMB53.6 million for the Reporting Period, mainly due to the increased assessable profit of the Group. During the Reporting Period, the effective tax rate of the Group was 26.1% as compared to 25.0% for the comparable period in 2015.

Net profit and net profit margin

During the Reporting Period, the net profit attributable to the owners of the Parent increased by RMB1.2 million from RMB150.5 million of the same period last year to RMB151.7 million, representing an increase of 0.8%. The net profit margin was 20.9% as compared to 24.2% for the comparable period in 2015.

LIQUIDITY AND CAPITAL RESOURCES

In general, we have historically met our liquidity requirements through cash flows from operations, bank borrowings and obtaining the credit term from suppliers. Our primary liquidity requirements are to finance working capital, fund the payments of interests and principal due on our indebtedness and capital expenditure, and provide funds for the expansion of our facilities and operations. In the future, we expect those sources will continue to be our principal sources of liquidity.

As at 31 December 2016, cash and cash equivalents of the Group was RMB127.9 million as compared to RMB257.4 million as at 31 December 2015, and the interest-bearing bank borrowings of the Group amounted to RMB127.8 million as compared to RMB28.9 million as at 31 December 2015. As at 31 December 2016, we had RMB120 million of unrestricted banking facilities available but not yet utilised.

GEARING RATIO

As at 31 December 2016, the Group's gearing ratio was 58.1% compared to 42.9% as at 31 December 2015, which was calculated at the net debt divided by the capital plus net debt.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

During the Reporting Period, the Group had no material capital expenditure nor material capital commitment.

PLEDGE OF ASSETS

As at 31 December 2016, the entire issued shares of Greenstate Times International Company Limited and Greenstate International Company Limited, both of which were subsidiaries wholly owned by the Company, were pledged to secure the issuance of a redeemable fixed coupon promissory note with a principal amount of US\$40,000,000 to Greenland Financial.

CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group did not have any material contingent liabilities.

MARKET RISKS

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

Interest rate risk

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

Credit risk

As at 31 December 2016, our maximum exposure to credit risk due to the counterparties' failure to perform their obligations in relation to each class of recognized financial assets is the carrying amount of those assets as set forth in the statement of financial position. In order to minimize the credit risk, we will 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 2016, our cash and cash equivalents were deposited in high quality financial institutions without significant credit risk accordingly.

Liquidity risk

We make use of a recurring liquidity planning tool to monitor our risk to shortage of funds. Such 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 the capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital for the Reporting Period.

Foreign exchange risk

The Group's businesses are located in China 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 made use of 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 (“SFC”) transaction levy and road show expenses) were approximately HK\$211.9 million (approximately RMB168.3 million). As at 31 December 2016, 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	50,488
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>137,634</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 of Hong Kong Limited (the “Stock Exchange”) on 21 July 2014 (the “Listing Date”).

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

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 the shareholders of the Company (“Shareholders”) and to enhance corporate value, accountability and transparency of the Company.

For the Reporting Period, the Company has applied the principles and code provisions of 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, save and except for the code provisions A.2.1 and E.1.2.

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.

Pursuant to code provision E.1.2, the external auditor should attend the annual general meeting to answer questions about the conduct of the audit. The external auditor of the Company, Messrs. Ernst & Young, did not attend the Company's 2016 annual general meeting held on 6 May 2016 due to delay of flight. Our auditors will arrange a more flexible schedule in order to attend the Company's annual general meeting in the future so as to assist the Directors in addressing queries from Shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditor's Report.

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 all 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 auditor the accounting principles and policies adopted by the Group and the audited annual results for the Reporting Period.

ANNUAL GENERAL MEETING (“AGM”)

The 2017 AGM will be held on Friday, 12 May 2017. A notice convening the AGM will be published and dispatched to the 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\$0.012 (equivalent to approximately RMB0.011) per Share, approximately HK\$40,110,443 (equivalent to approximately RMB35,879,000) 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, 23 May 2017, subject to Shareholders’ approval in the forthcoming 2017 AGM of the Company. The proposed final dividend is expected to be paid to the Shareholders by Friday, 16 June 2017.

RECORD DATE

For the purpose of determining the Shareholders’ eligibility to attend and vote at the forthcoming 2017 AGM, the record date will be on Friday, 5 May 2017. 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 Friday, 5 May 2017.

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, 22 May 2017 to Tuesday, 23 May 2017, 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, 19 May 2017.

PUBLICATION OF ANNUAL RESULTS AND 2016 ANNUAL REPORT

This announcement is published on the websites of the Company (www.greenland-broadgreenstate.com.cn) and the Stock Exchange (<http://www.hkexnews.hk>). The 2016 Annual Report will be despatched to the Shareholders and will be made available on the websites of the Company and the Stock Exchange as and when appropriate.

By order of the Board
China Greenland Broad Greenstate Group Company Limited
Wu Zhengping
Chairman and Executive Director

Shanghai, the People’s Republic of China
21 March 2017

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.