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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS		Six months ended 30 June		Change
		2016 Unaudited	2015 Unaudited	
Revenue	RMB'000	430,281	327,823	+31.3%
Gross profit	RMB'000	148,523	115,445	+28.7%
Net profit attributable to owners of the Parent	RMB'000	79,528	71,263	+11.6%
Gross profit margin	%	34.5	35.2	-0.7% point
Net profit margin	%	18.5	21.7	-3.2% points

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 unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016 (the “**Reporting Period**”), together with unaudited comparative figures for the corresponding period in 2015.

UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE REPORTING PERIOD

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income For the six-month period ended 30 June 2016

	Notes	Six-month period ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE	5(a)	430,281	327,823
Cost of sales		<u>(281,758)</u>	<u>(212,378)</u>
Gross profit		148,523	115,445
Other income and gains	5(b)	4,327	3,803
Administrative expenses		(33,841)	(18,909)
Finance costs	7	(9,391)	(4,524)
Share of profits and losses of:			
A joint venture		(245)	(22)
An associate		<u>—</u>	<u>(1)</u>
Profit before tax		109,373	95,792
Income tax expense	8	<u>(29,848)</u>	<u>(24,529)</u>
Profit for the period		<u>79,525</u>	<u>71,263</u>
Attributable to:			
Owners of the Parent		79,528	71,263
Non-controlling interest		(3)	—
Exchange differences on translation of foreign operations		<u>(5,787)</u>	<u>(222)</u>
Other comprehensive income for the period, net of tax		<u>(5,787)</u>	<u>(222)</u>
Total comprehensive income for the period		<u>73,738</u>	<u>71,041</u>
			(Restated)
Earnings per share attributable to ordinary equity holders of the Parent:			
Basic and diluted			
— For profit for the period	9	<u>RMB0.02</u>	<u>RMB0.02</u>

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2016

		30 June	31 December
		2016	2015
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		20,942	20,751
Goodwill		1,916	1,916
Other intangible assets		25,273	25,960
Investment in a joint venture		5,061	5,306
Available-for-sale investments		60,000	—
Construction contracts		254,205	305,032
Deferred tax assets		6,402	4,903
		<u>373,799</u>	<u>363,868</u>
CURRENT ASSETS			
Construction contracts	<i>10</i>	703,933	425,010
Trade receivables	<i>11</i>	313,809	281,270
Prepayments, deposits and other receivables		53,703	45,617
Cash and cash equivalents		121,522	257,367
		<u>1,192,967</u>	<u>1,009,264</u>
CURRENT LIABILITIES			
Corporate bonds		261,989	248,908
Trade and bills payables	<i>12</i>	441,518	355,490
Other payables and accruals		91,622	96,053
Interest-bearing bank borrowings	<i>13</i>	73,124	28,925
Tax payable		97,063	82,927
		<u>965,316</u>	<u>812,303</u>
NET CURRENT ASSETS		<u>227,651</u>	<u>196,961</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>601,450</u>	<u>560,829</u>

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>6,310</u>	<u>6,481</u>
Total non-current liabilities	<u>6,310</u>	<u>6,481</u>
NET ASSETS	<u>595,140</u>	<u>554,348</u>
EQUITY		
Equity attributable to owners of the Parent		
Share capital	246,137	285,312
Other reserves	<u>348,476</u>	<u>268,136</u>
	594,613	553,448
Non-controlling interests	<u>527</u>	<u>900</u>
Total equity	<u>595,140</u>	<u>554,348</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six-month period ended 30 June 2016

1. CORPORATE INFORMATION

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

The Company is an investing holding company. During the six months ended 30 June 2016 (the “**Reporting Period**”), the Company’s subsidiaries were principally engaged in the services of landscape designing and gardening and the related services.

Particulars of the subsidiaries now comprising the Group are as follows:

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				2016		2015		
				direct	indirect	direct	indirect	
Greenstate Times International Company Limited	British Virgin Islands	30 October 2013	USD50,000	100%	—	100%	—	Investment holding
Greenstate International Company Limited	Hong Kong	12 November 2013	HKD10,000	—	100%	—	100%	Investment holding
Shanghai Qianyi Landscape Engineering Company Limited [#]	People’s Republic of China (The “PRC” or “China”)/ Mainland China	26 December 2013	USD37,000,000	—	100%	—	100%	Investment holding
Shanghai Qianyi Investing Company Limited [#]	PRC/Mainland China	20 May 2015	RMB2,000,000	—	100%	—	100%	Investment holding
Shanghai Greenstate Landscape Properties Company Limited [#]	PRC/Mainland China	15 June 2004	RMB32,000,000	—	100%	—	100%	Landscaping
Shanghai Broad Landscape Construction and Development Company Limited (“Shanghai Broad”) [#]	PRC/Mainland China	1 June 1999	RMB400,000,000	—	100%	—	100%	Landscaping
Shanghai Greenstate Gardening Company Limited (“Shanghai Greenstate”) [#]	PRC/Mainland China	17 September 2004	RMB5,000,000	—	100%	—	100%	Landscaping
Shanxi Broad Weiye Landscape Engineering Company Limited (“Shanxi Broad”) ^{*#}	PRC/Mainland China	11 September 2013	RMB2,000,000	—	55%	—	55%	Landscaping
Zhejiang Greenstate Ecological Gardening Company Limited (“Zhejiang Greenstate”) [#]	PRC/Mainland China	14 April 2015	RMB30,000,000	—	100%	—	100%	Landscaping
Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. (“Shanghai Dongjiang”) ^{***}	PRC/Mainland China	26 March 2010	RMB13,000,000	—	90%	—	100%	Design
Shanghai Dongjiang Building Landscape Engineering Co., Ltd. (“Dongjiang Landscape”) ^{***#}	PRC/Mainland China	25 May 2010	RMB10,000,000	—	90%	—	100%	Landscaping

- * Shanxi Broad was incorporated as a subsidiary of a non-wholly-owned subsidiary of the Shanghai Broad and accordingly, is accounted for as a subsidiary by virtue of the Shanghai Broad's control over it.
- ** In the Reporting Period, 10% of Shanghai Dongjiang shares are transferred to a non-controlling-shareholder. Dongjiang Landscape is a wholly-owned subsidiary of Shanghai Dongjiang.
- # Registered as domestic companies with limited liability under the laws of the PRC.

2.1 BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim financial reporting and the disclosure requirements of the Rules Governing the listing of securities on the Stock Exchange.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved and authorized for issue by the Board on 25 August 2016.

The interim financial information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

The Group has adopted the following revised standards for the first time for the financial year beginning 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012–2014 Cycle	<i>Amendments to a number of HKFRSs</i>

The adoption of these revised HKFRSs had no significant financial effect on these financial statements.

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

Amendments to HKAS 7	<i>Statement of Cash Flows</i> ¹
Amendments to HKAS 12	<i>Income Taxes</i> ¹
HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKFRS10 and HKAS28 (Revised)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

4. OPERATING SEGMENT INFORMATION

The Group's principal business is the service of landscape gardening. 100% of the Group's revenue and operating profit were generated from 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 geographic segments is provided for the period.

Information about major customers

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

	Six-month period ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Customer A	297,768	—
Customer B	40,960	—
Customer C	*	131,716
Customer D	*	109,819

* Less than 10% of the total revenue.

5. REVENUE, OTHER INCOME AND GAINS

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

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

(a) Revenue:

	Six-month period ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Construction contracts	428,087	326,143
Rendering of services	2,194	1,680
	<u>430,281</u>	<u>327,823</u>

(b) Other income and gains:

	Six-month period ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Bank interest income	907	54
Other interest income	1,353	2,735
Government grants*	1,724	863
Others	343	151
	<u>4,327</u>	<u>3,803</u>

* Government grants have been received for supporting the development of growth enterprises from local fiscal bureau in Mainland China.

6. PROFIT BEFORE TAX

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

	Notes	Six-month period ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of construction contracts		277,381	210,798
Cost of services provided		2,336	1,580
Employee benefit expenses			
Wages and salaries		5,372	4,499
Pension scheme contribution		1,523	1,114
Share option contributions		4,929	—
		<u>11,824</u>	<u>5,613</u>
Depreciation		415	623
Amortisation of other intangible assets*		687	169
Impairment of trade receivables	11	5,976	1,277
Consulting fees		4,832	3,556
Auditors' remuneration		850	756
Loss on disposal of items of property, plant and equipment		400	237
Minimum lease payments under operating lease:			
Land and buildings		366	187

* The amortisation of other intangible assets for the Reporting Period is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	1,490	4,524
Interest on corporate bonds	<u>7,901</u>	<u>—</u>
	<u>9,391</u>	<u>4,524</u>

8. INCOME TAX EXPENSE

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 Reporting Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — PRC		
Charge for the period	31,518	24,629
Deferred tax	<u>(1,670)</u>	<u>(100)</u>
Total tax charge for the period	<u>29,848</u>	<u>24,529</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 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 jurisdiction) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	109,373	95,792
Tax at the statutory tax rate (25%)	27,343	23,948
Profits and losses attributable to a joint venture and an associate	(62)	6
Tax losses not recognised	2,221	—
Expenses not deductible for tax	346	575
	29,848	24,529
Tax charge at the Group's effective rate	29,848	24,529

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

The calculation of the basic earnings per share amounts for the Reporting Period is based on the profit attributable to ordinary equity holders of the Parent, and the weighted average number of ordinary shares of 3,306,616,000 (30 June 2015: 3,075,460,000 retrospectively adjusted to reflect the share subdivision effective from 19 August 2015) in issue during the Reporting Period.

The calculation of the diluted earnings per share amounts for the Reporting Period is based on the profit 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 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:

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	79,528	71,263

	Six-month period ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
		(Restated)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,306,616	3,075,460
Effect of dilution — weighted average number of ordinary shares		
Share option	20,207	—
Basic earnings per share (RMB per share)	<u>0.02</u>	<u>0.02</u>
Diluted earnings per share (RMB per share)	<u>0.02</u>	<u>0.02</u>
10. CONSTRUCTION CONTRACTS		
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Current	703,933	425,010
Non-current	<u>254,205</u>	<u>305,032</u>
Gross amount due from contract customers	<u>958,138</u>	<u>730,042</u>
Contract costs incurred plus recognised profits less recognised losses to date	1,281,978	1,110,347
Less: Progress billings	<u>(323,840)</u>	<u>(380,305)</u>
	<u>958,138</u>	<u>730,042</u>
11. TRADE RECEIVABLES		
	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade receivables	328,606	290,091
Impairment	<u>(14,797)</u>	<u>(8,821)</u>
	<u>313,809</u>	<u>281,270</u>

The Group's trading terms with its customers are mainly on credit. The credit period is based on actual projects, ranging from 7 to 42 days (excluding retention money receivable). 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within one year	194,877	225,724
Over one year but within two years	117,492	48,736
Over two years	1,440	6,810
	<u>313,809</u>	<u>281,270</u>

Provision for impairment of trade receivables is RMB5,976,000 during the Reporting Period.

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB14,797,000 (31 December 2015: RMB8,821,000) with a carrying amount before provision of RMB320,358,000 at 30 June 2016 (31 December 2015: RMB276,777,000).

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 30 June 2016, retention money held by customers included in trade receivables amounted to approximately RMB8,248,000 as compared to RMB8,248,000 as at 31 December 2015.

12. TRADE AND BILLS PAYABLES

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within one year	284,774	220,060
Over one year but within two years	156,244	134,883
Over two years	500	547
	<u>441,518</u>	<u>355,490</u>

The trade payables are non-interest-bearing and are normally settled on terms of three to nine months.

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 (Unaudited)				31 December 2015 (Audited)			
	Notes	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	
Current								
Bank loans — unsecured		4.35	2017	33,558	—	—	—	
Bank loans — secured	(i)	3.25	2017	<u>39,566</u>	3.00	2016	<u>28,925</u>	
				<u>73,124</u>			<u>28,925</u>	

Notes:

- (i) Certain of the Group's bank loans are secured by the share charge over the 300,000,000 shares of the Company held by the Company's controlling shareholder.
- (ii) The secured bank loan is denominated in Hong Kong dollars (“HKD”) while the unsecured bank loans are denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

As a fast growing integrated landscape architecture 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 landscape architecture design services, including design and planning, design refinement, construction, seedlings cultivation and maintenance. As the general contractor, the Group takes charge of implementing the overall management and progress of landscape projects so as to ensure that the projects obtained are properly completed. Under the stable development of market and proactive policy support from the government, the Group’s overall performance grew steadily in the first half of 2016, and the major landscape architecture business has progressed smoothly.

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 that the PPP project mode to be actively and extensively applied in infrastructure and public service areas. Since then, the PPP project mode has been vigorously promoted in the landscape industry. Starting from the fourth quarter of 2015, the PPP progress has been further expedited in the landscape industry. With a continuous increase in the number of signed-on projects, it provided greater room of development for all landscape companies.

According to the statistics of Public-Private-Partnership Center under the Ministry of Finance, as of 31 May 2016, there was a total of 8,644 projects in the pipeline of national PPP integrated information platform with a total project sum of over RMB10 trillion. In particular, there was a total of 453 projects under the category of ecological construction and environmental protection. On 28 May 2016, the National Development and Reform Commission under the Ministry of Finance of the PRC further issued the “Notice on Further Joint Efforts of Relevant Work for Public-Private-Partnership (PPP) (《關於進一步共同做好政府和社會資本合作(PPP)有關工作的通知》)” (the “**Notice**”). The Notice has raised seven requirements for how to vigorously promote the PPP project mode, endeavoring to further improve the relevant work for PPP. As such, the implementation of the PPP project mode has still been supported by the state policy with good development trend. As at the end of May 2016, the total investment in PPP projects in the pipeline of the Ministry of Finance reached RMB9.9 trillion. The continuous increase in the number of projects and the on-going effective growth in the total investment represented the strength of the government support for PPP projects, and this also complied with the development concept of the “structural reform of the supply-side” currently implemented in China.

Private Projects

In China, private landscape projects are mainly real estate development projects. In the first half of 2016, with the regulatory policy of the property market being appropriately deregulated in China, the major property indices were on the rise persistently. As for the supply, with the sales market heating up persistently, there was an obvious progress in real estate destocking. Stimulated by the steady rally of real estate quantities and prices, the real estate development and investment continued to speed up as

well. Meanwhile, the government also increased the scale of land supply and adjusted the structure, with monetized resettlement for indemnificatory apartments, leading to the obvious improvement in the overall real estate environment. As for the demand, the central government has repeatedly cut the Requirement Reserve Ratio (RRR) and lowered key interest rates, reduced down payment, granted remission of taxes and so on to lower the cost of house purchase, which successfully promoted market demand. The flexible adjustment of local policies and various measures including adoption of reduced interest rates for taxation, financial subsidy, and elimination of restriction on house purchase and on foreign purchasers also aroused positive consumer sentiment. However, the problem of city disintegration has remained severe with the high level of destocking pressure for the non-major cities and towns, which has brought potential problems for the overall recovery of China's real estate market.

BUSINESS REVIEW

The Group's current customers are mainly classified into two categories: (1) Landscape projects in the public sector, such as urban public green areas and various types of theme parks; (2) Landscape projects in the private sector, such as greening of residential areas and holiday resorts. The Group has a strong and well established customer base. Our customers mainly consist of state and local governments as well as state-invested enterprises, and the projects granted by those customers have contributed approximately 94.5% of the Group's total revenue for the six months ended 30 June 2016, compared to 90.3% in the corresponding period of 2015.

Contribution to the Company from the acquired 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)

In early December 2015, the Group acquired the entire interests equity 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) (“**Shanghai Dongjiang**”) at the price of RMB3 million through Shanghai Greenstate Landscape Properties Company Limited (上海綠澤景觀置業有限公司), an indirect wholly-owned subsidiary of the Group. Both Shanghai Dongjiang and its subsidiary Shanghai Dongjiang Building Landscape Engineering Co., Ltd. (上海東江建築園林工程有限公司) have possessed an experienced and excellent team of designers obtained Grade A qualification for the Construction Industry (Construction Engineering Design), Grade B qualification for Landscape Architecture Design and Grade 2 qualification for Urban Landscape Greening at the time of acquisition, and Grade B qualification for Urban-rural Planning in the first half of 2016. Such qualifications significantly increased the Group's capability and standard for undertaking relevant landscape design and planning business, and enhanced the overall competitiveness of the Group, with material contribution to the Group's “one-stop” landscape architecture design services. The strengthened capability in construction design and landscape design will effectively bring tremendous benefits for the Company's business capacity and cost control. With ever-demanding requirements of projects of different scales on the business integration capability in the course of developing PPP, the possession of more powerful teams of designers is beneficial to the Group in undertaking projects.

Projects in Cooperation with Greenland Group

The Group and Greenland Group have formed the consortium to participate in the bidding for a number of domestic large-scale city public greening projects. At present, the tender invitations for those projects are under preparation on schedule. It is expected that the bidding will be completed in the third quarter of this year.

Research and Development Center for New Varieties of Seedlings

The Group has completed the research and development base for seedlings and executed the contracts for introducing new species of greening plants with a number of scientific research institutions and domestic and overseas seed ranches. As at 30 June 2016, it was confirmed that 66 species were newly introduced, in which 29 species of green plants are being introduced from Netherlands and other places for a total of over 30,000 green plants from countries including Netherlands.

Major Large-scale Projects

Completed Major Landscape Projects

During the Reporting Period, the Group has completed 3 major projects with the details set out in the following table.

Project	Customer type	Contract value <i>RMB'000</i>	Commencement	Completion Year	Revenue recognised during the Reporting Period <i>RMB'000</i>
Project A	State-invested enterprise	7,139	July 2014	2016	48
Project B	State-invested enterprise	39,300	May 2013	2016	—
Project C	State-invested enterprise	26,397	January 2015	2016	—

Major Landscape Projects in Progress

The following table sets forth the Group's major landscape projects commenced during the Reporting Period but not yet completed. Such landscape projects have contributed 94% of the total revenue recognised for landscape projects under construction confirmed in the Reporting Period.

Project	Customer type	Initial contract value <i>RMB'000</i>	Updated contract value <i>RMB'000</i>	Date of commencing construction	Expected year of completion	Revenue recognised during the Reporting Period <i>RMB'000</i>
Project D	State-invested enterprise	350,000	441,000	March 2014	2016	16,387
Project E	State-invested enterprise	166,352	172,082	December 2012	2016	—
Project F	PPP company	500,000	500,000	April 2016	2017	297,768
Project G	State-invested enterprise	360,000	360,000	November 2014	2016	—
Project H	Government	42,189	42,189	January 2016	2016	40,960
Project I	Business unit	34,979	34,979	January 2016	2016	34,056
Project J	Private enterprise	17,095	17,095	March 2016	2016	16,662

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	Expect year of completion
Project K	PPP company	300,000	March 2017	2018
Project L	PPP company	<u>1,000,000</u>	June 2017	2018
Total		<u><u>1,300,000</u></u>		

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 department projects. The Group also possesses Grade One qualification for urban landscape construction enterprises, Grade One qualification for construction engineering professional design 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 licenses/qualifications 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

Cost Control

During the Reporting Period, the Group adhered to reasonable style of operation method in order to erect cost control in three different aspects which include policy, system and manpower. As for the system, the Group carried out a comprehensive budget management covering budget, control, supervision, analysis and appraisal in order to increase the application efficiency of funds; the Group updated the project information management system in February 2015, to conduct the comprehensive supervision and control of various project 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 abundant experiences in procurement and engineering management last year to strengthen process management and cost supervision. The adoption of above cost control measures during the Reporting Period proved to be effective.

Quality Control

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

Research and Development

In order to enhance our competitive advantage, the Group has made use of large quantities of resources in our research and development. For the six months ended 30 June 2016, the primary directions of the Group's research and development were: (i) introduction and cultivation of new varieties of seedlings to solve the problem of scarcity and shortage of excellent local plant species; (ii) relevant technologies in the concept of "sponge city", such as the water self-purification system, the sewage interception and treatment, and the diversion of rain and sewage in separate flow.

OUTLOOK

Since the concept of "Beautiful China" was raised for the first time in November 2012 at China's 18th Party Congress, the Chinese government has increased attention in the concepts of ecological civilization construction and sustainable development. Vigorously driven by the favorable policies, the Group believed that landscape greening design and the construction industry will definitely become one of the important industries subject to the deployment of national development strategy in future. According to the content of the joint promulgation of "Outline of Urban-rural Landscape Development Planning "13th Five-year Plan" launched by the Ministry of Housing and Urban-Rural Development, China Urban Construction Design & Research Institute Limited, China Academy of Urban Planning and Design and Beijing Forestry University, the government has expanded the overall layout of strategical development of the so-called "Four-in-One" model which comprising ecological economic, political, cultural and society constructions to a "Five-in-One" model by adding ecological civilisation construction. Driven by the implementation of this policy, ecological restoration, green building, environmental protection and so on which are relevant to the landscape industry will be vigorously developed and opportunities of having more continuous projects will be increased.

Meanwhile, confronted with the harsh environment of increasing resource constraints, ever-worsening environmental pollution, and ecosystem degradation, ecological civilization construction has been placed at the conspicuous position. The synchronous development of implementing the ecological civilization construction and the new urbanization construction is the pressing need due to the ever-increasing constraints for resources and environment currently. Hence, even higher demands and requirements have been raised for the development of urban landscape industry, and such will bring unprecedented opportunities for the industry.

Judging from the development trend of the industry, PPP project mode has become dominant in the market is an undeniable truth. Contrary to the Build-and-Transfer mode, PPP has definitely made tremendous progress. PPP project mode has led to a win-win situation among the government, the social capital and the enterprises, and integrated the respective advantages of the participating parties, resulting in the higher project efficiency at the implementation stage and operating benefits at the later stage. As of end March 2016, there was a total of 165 landscape projects in the library of the PPP Center under the Ministry of Finance, amounting to a total investment of RMB117.3 billion. In addition, the downstream investment in ecological restoration and tourism will also bring about opportunities for PPP projects. To cope with the market development trend, the Group will continue to focus on the development of greening PPP projects at the municipal and city level. For the six months

ended 30 June 2016, the Group has won one tender for the PPP project with construction commenced. The Group expects to accumulate experiences, and build up good reputation with public recognition to lay good foundation for launching even more PPP projects in future.

As for the cooperation with Greenland Group, both parties have actively launched strategic cooperation and formed a consortium with participation in the bidding for various large-scale domestic urban greening projects so as to sufficiently seize market opportunities brought about by PPP projects. In the future, if these projects are implemented smoothly, it will have a very positive impact on the Group's income and profits. Furthermore, with the advantages of the powerful financing platform and channels established by Greenland Group, as well as cost advantages, the Group will possess more advantages to build up cooperation platforms with financial institutions, so as to optimize the financial structure and upgrade the level of capital operation.

Looking forward, under the guidance and support of the Chinese government for ecological civilization construction, and the power platform and abundant resources of Greenland Group, it will be favorable for the Group to further expand the scope of business and increase the quantity of projects. Hence, the Group is definitely confident in developing the landscaping industry. Broad Greenstate is determined to turn into a provider of "One-Stop" landscape architecture design services, including a series of services such as design and planning, design refinement, construction, seedlings cultivation and maintenance, and endeavors to become one of the top 10 enterprises in China's landscaping industry by 2021.

FINANCE 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 3 completed projects and coupled with the conclusion of 4 new projects.

For the six months ended 30 June 2016, the Group's total income increased 31.3% from RMB327.8 million in the corresponding period of 2015 to RMB430.3 million. There were 12 projects in total which made a contribution to the income, 7 of which with initial contract value of RMB5 million or above, contributing nearly 98% of income for the Group. The net profit was RMB79.5 million, increased by 11.5% as compared to RMB71.3 million in the corresponding period of 2015.

Gross profit and gross profit margin

For the six months ended 30 June 2016, the Group's gross profit was RMB148.5 million as compared to RMB115.4 million in the comparable period in 2015, representing an increase of 28.7%. The gross profit margin for the six months ended 30 June 2016 was 34.5%, representing a decrease of 0.7 percentage point as compared to 35.2% for the comparable period in 2015, which was mainly due to the slight decrease in income 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 RMB33.8 million as compared to RMB18.9 million for the comparable period in 2015, representing an increase of RMB14.9 million, which was mainly attributable to the increase in the scale of the entire business.

Financial cost

For the six months ended 30 June 2016, the Group's financial cost was RMB9.4million as compared to RMB4.5 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 the short-term finance notes in issue to Greenland Financial Overseas Investment Group Co., Ltd.

Income tax

The income tax of the Group increased from RMB24.5 million of the comparative period in 2015 to RMB29.8 million for the six months ended 30 June 2016, mainly due to the increased assessable profit of the Group. During the Reporting Period, the effective tax rate of the Group was 27.3% as compared to 25.6% 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 Company increased by RMB8.3 million from RMB71.3 million of the same period last year to RMB79.5 million, representing an increase of 11.7%. The net profit margin was 18.5% as compared to 21.7% 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 future, we expect those sources will still continue to be our principal sources of liquidity.

As at 30 June 2016, cash and cash equivalents of the Group was RMB121.5 million as compared to RMB257.4 million as at 31 December 2015, and the interest-bearing bank borrowings and long-term loans of the Group amounted to RMB73.1 million as compared to RMB28.9 million as at 31 December 2015. As at 30 June 2016, we had RMB65 million of banking facilities available but not yet used and without restriction.

GEARING RATIO

As at 30 June 2016, the Group's gearing ratio was 54.0% compared to 42.9% as at 31 December 2015, which was calculated at 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 nor material capital commitment.

PLEDGE OF ASSETS

As at 30 June 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.

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 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

For the six months ended 30 June 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 the balance sheet date, 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 six months ended 30 June 2016.

Foreign exchange risk

The Group's businesses are located in China and substantially all of its transactions are denominated in Renminbi. 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.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 22 October 2013 as an exempted company with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange 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 purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange throughout 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.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as the basis of the Company's corporate governance practices since the Listing Date. Throughout the Reporting Period, the Company has been in compliance with all the applicable code provisions of the CG Code with the exception of code provision A.2.1 and E.1.2.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Wu Zhengping currently performs these two roles. 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 auditors should attend the annual general meeting to answer questions about the conduct of the audit. The external auditors of the Company did not attend the Company's 2016 annual general meeting held on 6 May 2016 due to delay of flight. It is expected that the auditors will arrange a flexible schedule in order to attend the annual general meetings in future.

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.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee was established with terms of reference in compliance with the CG Code, and comprises three members, namely Mr. Zhang Qing, Mr. Dai Guoqiang and Dr. Jin Hexian. The audit committee has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited interim results for the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND 2016 INTERIM REPORT

This announcement is published on the websites of the Company (www.broad-greenstate.com.cn) and the Stock Exchange (<http://www.hkexnews.hk>). The 2016 interim 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 People's Republic of China
25 August 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.