



China Greenland Broad Greenstate Group Company Limited

中國綠地博大綠澤集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1253



# ANNUAL REPORT 2016



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博採眾長 ECLECTIC

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# CORPORATE INFORMATION

## COMPANY NAME

China Greenland Broad Greenstate Group Company Limited

## AUTHORIZED REPRESENTATIVES

Ms. Zhu Wen  
Ms. Ho Siu Pik

## PLACE OF LISTING OF SHARES

The Stock Exchange of Hong Kong Limited — main board

## AUDIT COMMITTEE

Mr. Zhang Qing (*Chairman*)  
Mr. Dai Guoqiang  
Dr. Jin Hexian

## STOCK CODE

1253

## REMUNERATION COMMITTEE

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

## STOCK NAME

GREENLAND BROAD

## NOMINATION COMMITTEE

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

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wu Zhengping (*Chairman and chief executive officer*)  
Ms. Xiao Li (*Deputy general manager*)  
Ms. Zhu Wen (*Administrative manager*)  
Mr. Wang Lei (*Head of engineering department*)

## REGISTERED OFFICE

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

### Independent Non-executive Directors

Mr. Dai Guoqiang  
Mr. Zhang Qing  
Dr. Jin Hexian

## COMPANY SECRETARY

Ms. Ho Siu Pik, *FCIS, FCS(PE)*

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 8, Hong Quan Building  
No. 1357, Mei Chuan Road  
Putuo District  
Shanghai, PRC

## CORPORATE INFORMATION (CONTINUED)

### PLACE OF BUSINESS IN HONG KONG

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

### HONG KONG LEGAL ADVISOR

Morrison & Foerster  
33/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### AUDITOR

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

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANK

Bank of Shanghai Changning Branch

### COMPANY WEBSITE

[www.greenland-broadgreenstate.com.cn](http://www.greenland-broadgreenstate.com.cn)

# FINANCIAL HIGHLIGHTS

## For the year ended 31 December

	2016 RMB'000	2015 RMB'000	Change RMB'000	%
Revenue	<b>724,805</b>	622,693	102,112	16.4
Gross profit	<b>271,090</b>	228,232	42,858	18.8
Profit before tax	<b>205,322</b>	200,735	4,587	2.3
Net profit attributable to owners of the Parent	<b>151,707</b>	150,506	1,201	0.8

## 31 December

	2016 RMB'000	2015 RMB'000	Change RMB'000	%
Total assets	<b>1,811,454</b>	1,373,132	438,232	24.2
Total equity attribute to owners of the Parent	<b>651,117</b>	553,448	97,669	17.6

## For the year ended 31 December

	2016	2015
<b>Profitability ratio (%)</b>		
Gross profit margin	<b>37.4%</b>	36.7%
Net profit margin	<b>20.9%</b>	24.2%
Return on assets	<b>8.4%</b>	11.0%
Return on equity	<b>23.3%</b>	27.2%

## 31 December

	2016	2015
<b>Working capital data</b>		
Current ratio (time)	<b>1.1</b>	1.2
Gearing ratio (%)	<b>58.1</b>	42.9

## FIVE-YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
<b>Profitability data (RMB'000)</b>					
Revenue	<b>724,805</b>	622,693	530,109	289,883	221,550
Gross profit	<b>271,090</b>	228,232	189,932	83,315	44,522
Profit before tax	<b>205,322</b>	200,735	148,259	71,598	32,942
Net profit attributable to owners of the Parent	<b>151,707</b>	150,506	109,342	53,500	24,528
<b>Profitability ratios (%)</b>					
Gross profit margin	<b>37.4</b>	36.7	35.8	28.7	20.1
Net profit margin	<b>20.9</b>	24.2	20.6	18.5	11.1
<b>Assets and liabilities data (RMB'000)</b>					
Non-current assets	<b>546,330</b>	363,868	34,542	33,626	24,788
Current assets	<b>1,265,124</b>	1,009,264	785,849	247,861	171,919
Current liabilities	<b>1,153,292</b>	812,303	376,247	271,074	96,318
Non-current liabilities	<b>6,145</b>	6,481	111,378	1,542	1,608
Total equity attributable to owners of the Parent	<b>651,117</b>	553,448	331,866	8,871	98,781
<b>Working capital data</b>					
Current ratio (time)	<b>1.1</b>	1.2	2.1	0.9	1.8
Gearing ratio (%)	<b>58.1</b>	42.9	69.3	96.4	26.6

# CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD (THE “BOARD”) OF DIRECTORS (THE “DIRECTORS”) OF CHINA GREENLAND BROAD GREENSTATE GROUP COMPANY LIMITED (“CHINA GREENLAND BROAD GREENSTATE” OR THE “COMPANY”), AND ITS SUBSIDIARIES (COLLECTIVELY, THE “GROUP”), I AM PLEASED TO PRESENT TO OUR SHAREHOLDERS THE AUDITED CONSOLIDATED ANNUAL RESULTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016 (THE “REPORTING PERIOD”). 2016 WAS A LANDMARK YEAR FOR CHINA GREENLAND BROAD GREENSTATE. GREENLAND GROUP, ONE OF THE GLOBAL FORTUNE 500 COMPANIES, INCREASED THEIR HOLDINGS IN THE GROUP TO 29.66% AT THE DATE OF APPROVAL OF THIS ANNUAL REPORT AND BECAME THE GROUP’S MOST IMPORTANT STRATEGIC SHAREHOLDER. THE GROUP WAS ALSO OFFICIALLY RENAMED AS “CHINA GREENLAND BROAD GREENSTATE GROUP”.



## CHAIRMAN'S STATEMENT (CONTINUED)

During the Reporting Period, the Group completed 4 large projects and contracted 6 new large projects, total revenue was RMB724.8 million, up 16.4% from the same period of 2015, the Group's gross profit and gross profit margin was RMB271.1 million and 37.4% respectively, net profit was RMB151.7 million, resulting in the satisfactory results during the Reporting Period.

### MARKET REVIEW

The government's emphasis on the sustainability of the ecological environment, the support towards the greening infrastructure projects, as well as the active implementation of the Public-Private Partnership (“PPP”) model gave a strong push towards the development of the China landscaping industry. The industry is expected to experience another development wave. During recent years, China Greenland Broad Greenstate followed the policy closely, kept track of the market changes, and actively docked and invested in the local government PPP infrastructure projects through the formation of project companies to grasp more project opportunities. In addition to the corresponding investment benefits, the business performance was also being widely recognized within the industry and the community.

#### To gain leading position in China's landscaping market with Greenland Group

After 18 years of hard work, the Group has developed into an integrated landscaping and eco-friendly enterprise covering planning, investment, construction and operation of the industry chain. The joining of Greenland Group will facilitate an even more effective consolidation of resources and further promote our market competitiveness. We believe the development of municipal landscaping projects will enhance the value of the real estate development projects in the surrounding area. The cooperation between the Group and Greenland Group will drive more businesses and generate greater income for both parties, resulting in good synergies. In addition, being the one and only landscaping business platform under Greenland Group, China Greenland Broad Greenstate can leverage on the financial strength and the leading advantages of Greenland Group, as well as the perfect integration of the business and financing channels of both parties, to actively seize the market opportunities and promote future development.

#### Developing the whole industry chain and promoting the diversification strategy

The Group, on the other hand, is also actively developing the whole industry chain during the Reporting Period. On the basis of continuously expanding the core business of ecological landscaping projects construction, the Group made great efforts in developing different kinds of theme parks, scenery enhancement, preservation of old towns and cities, construction of featured towns and villages, sponge cities, environmental protection and ecological restoration projects through self-development, investment and acquisition. Various business lines have experienced good growths with innovative development. During the Reporting Period, the Group also actively formed regional business units across the country. Under the current group management model, the regional business units, by leveraging their own strengths, continue to grow strong and big within their own geographical areas, which enhanced the Group's overall competitiveness in China.

The Group entered into the share purchase agreements for acquiring 60% equity interest in Hangzhou Xiaoshan Jiangnan Garden Construction Engineering Co., Ltd.\* (杭州蕭山江南園林工程有限公司) (“**Jiangnan Garden Construction**”) during the Reporting Period. 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, as well as 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.

## CHAIRMAN'S STATEMENT (CONTINUED)

### Following the market trend to continue exploring landscaping PPP projects

The Ministry of Finance, Development and Reform Commission and other government departments have issued a series of policy documents since the end of 2014 about promoting the PPP model, reflecting its determination towards the implementation of PPP model in various infrastructure projects during the 13th Five-Year Plan period.

In view of the development of PPP business, the Group won the bids of the Taiyuan Botanical Garden Project, Quanzhou Botanical Garden Project and the PPP Project of Jue River Wetland Park in Changning New District, Xi'an during the Reporting Period. The Taiyuan Botanical Garden Project will become the first international-grade large-scale botanical garden in Taiyuan, marking the Group's important step in the development of China's green environment. We foresee that China's future public and municipal projects will be developed mainly through PPP model. At the same time, according to "National PPP Integrated Information Platform Project Quarterly Report No. 4", which was issued by the Ministry of Finance and the Center for Social Capital Cooperation (PPP), by the end of September 2016, the number of all recorded PPP projects was 10,471 and the total investment reached RMB12.46 trillion. The development of PPP in China is in full swing, the Group will continue focusing on the development of PPP projects in the pursuit of increasing the Group's market share and consolidating the leading position in the industry.

### Focusing on scientific research and innovation

Adhering to the Group's focus on scientific research and following the national trend of industry upgrade in the seedling industry, 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. Furthermore, 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 Shanghai University of Applied Technology for academic research and development and have jointly set up a breeding base for new varieties of *Hemerocallis fulva* and have collected more than 300 varieties of *Hemerocallis fulva*.

During the Reporting Period, the Group also established the "Greenland Broad Greenstate — Tongji Joint Technology Innovation Center" with Tongji University and jointly set up the "Greenland Broad Greenstate — Tongji R&D Fund" to carry out academic research and application development of landscaping industry for the Group's future development. We believe scientific research will help continuously improve our overall standard and to stay ahead of the market for more business opportunities.

## PROSPECT

Upon the official name change into China Greenland Broad Greenstate, we have made substantial and prudent adjustments in our business positioning, strategic planning and long-term goals, and have entered into a new stage of development. Looking ahead, we will focus on 3 core principles namely "Ecological Construction", "Investment, Merger and Acquisition" and "Whole Industry Chain Development", to promote innovative development, and to actively expand our core business of ecological construction.

By leveraging the strong platform of Greenland Group, the Group will deploy 4 major strategies for higher revenue and industry rankings, which include (i) business transformation and synergies; (ii) resources consolidation and balanced development; (iii) talents introduction and brand-building; and (iv) results evaluation and risk management for continuous upgrade.

## CHAIRMAN'S STATEMENT (CONTINUED)

For the coming five years, China Greenland Broad Greenstate will grow into a comprehensive enterprise with roles as investor, constructor and business operator, and strive to becoming a first tier player and hopefully amongst the top 3 of China's landscaping industry. As an investor, the Company's investment business will mainly include financial investment, project investment and asset investment; as a constructor, the Company will focus on construction of landscaping PPP projects, design and planning, while committing to the 4 key business sectors including municipal parks, wetland parks (including nature reserves), old town renovation and theme parks with the aims to strengthen the construction business as well as to build and expand the "one-stop service provider" image and regional brand influence by capturing the first and second tier cities. As a business operator, the Company will actively seek and explore innovative profit models, build a strong operational and strategic planning team for the exploration and business expansion into park maintenance and business operations, as well as to commence parks operation, conservation and related business operations. The Group will also further strengthen its market share and overall competitiveness through active merger and acquisitions.

### ACKNOWLEDGEMENT

The Group's steady development over the years is inseparable from the support from various parties. I would like to, on behalf of the Board of Directors, express my heartfelt gratitude to the Group's investors, business partners and customers for their continued trust and support. At the same time, the Board is also grateful for the Board members for their dedication and the staff for their hard work. The Group will continue adhering to the core values of "Virtue, Tenacity, Cooperation and Dedication" to fulfill the social responsibility of building "Beautiful China", creating better future for younger generation and promoting the importance of ecological living. The Group will strive to become the advocate and practitioner for greener environment, as well as to generate more satisfactory returns to shareholders and investors while creating greater value for the community.

**Mr. Wu Zhengping**

*Chairman and Chief Executive Officer*

21 March 2017

# 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Acquisition of 60% interest in Jiangnan Garden Construction

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, Greenstate Business entered into a share purchase agreement pursuant to which Greenstate Business agreed to acquire 20% equity interest of 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

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

- (1) On 22 September 2016, Broad Landscape, together with Shanghai Greenland Construction (Group) Company Limited\* (上海綠地建設(集團)有限公司) and Greenland City Investment Group Company Limited\* (綠地城市投資集團有限公司) (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\* (西安市常寧新區灤河濕地公園) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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	Date of	Completion	Revenue
		contract	value after	commencing		recognized
		value	renewed	construction	year	during the
		RMB'000	RMB'000			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	Date of	Expected	Revenue
		contract	value after	commencing	completion	recognized
		value	renewed	construction	year	during the
		RMB'000	RMB'000			Reporting
						Period
						RMB'000
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	—

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 RMB'000	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 urban-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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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, 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", and 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finally, the Group will work best at building “Beautiful China” by adhering to the philosophy of preserving nature and building a 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 the Notes issued to 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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.

Details of our bank borrowings are set out in note 24 to the financial statements on page 117 of this annual report.

### 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 and Greenstate International, both of which were subsidiaries wholly owned by the Company, were pledged to secure the issuance of the Notes to Greenland Financial.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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:

<b>Purposes</b>	<b>Proportion</b>	<b>Proceeds</b> RMB'000	<b>Utilized</b> <b>amount</b> 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%	16,829	16,829
		168,293	137,634

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

For the Reporting Period, the Company has applied the principles and code provisions of the CG Code contained in Appendix 14 of 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. Details of the deviations from the code provisions A.2.1 and E.1.2 are explained in the sections "Chairman and Chief Executive Officer" and "Communication with Shareholders and Investors" of this corporate governance report respectively.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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.

## BOARD OF DIRECTORS

### Composition

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

The composition of the Board is set out below:

#### Executive Directors:

Mr. Wu Zhengping, chairman and chief executive officer  
Ms. Xiao Li  
Ms. Zhu Wen  
Mr. Wang Lei

#### Independent Non-executive Directors:

Mr. Dai Guoqiang  
Mr. Zhang Qing  
Dr. Jin Hexian



## CORPORATE GOVERNANCE REPORT (CONTINUED)

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed “Directors and Senior Management” on pages 39 to 42 of this annual report.

### **Chairman and Chief Executive Officer**

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

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.

### **Independent Non-executive Directors**

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

### **Non-executive Directors and Re-election of Directors**

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

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

In accordance with the Articles of Association, Mr. Dai Guoqiang, Mr. Zhang Qing and Dr. Jin Hexian will retire as independent non-executive Directors and being eligible, have offered themselves to be re-elected and re-appointed at the forthcoming 2017 annual general meeting (“AGM”).



### **Responsibilities, Accountabilities and Contributions of the Board and Management**

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

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

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

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

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

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

### **Continuous Professional Development of Directors**

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

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

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



## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the Directors of the Company have studied the reading materials/attending training or seminar conducted by the qualified professionals or government authorities on relevant topics, such as the corporate governance, development of the landscape industry and managerial skills etc. In addition, the Company has provided legal and regulatory update to the Directors as part of the continuous professional development for the Directors' reference and studying.

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

### **BOARD COMMITTEES**

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

#### **Audit Committee**

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

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

During the Reporting Period, the Audit Committee reviewed the annual results and report for the year ended 31 December 2015, interim financial results and report for the six months ended 30 June 2016, significant issues on the financial reporting procedures and arrangements for employees to raise concerns about possible improprieties. The Audit Committee also reviewed the effectiveness of the risk management and internal control systems and the internal audit function. The requirements for Environment, Social and Governance Reporting were duly noted by the Audit Committee.

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

### Remuneration Committee

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

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

During the Reporting Period, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, remuneration packages of the executive Directors and senior management and the evaluation system for the performance of executive Directors.

The Remuneration Committee met once during the Reporting Period.

### Nomination Committee

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

The roles and functions of the Nomination Committee are set out in its terms of reference which are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, develop and formulate relevant procedures for the nomination and appointment of Directors, assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of the Directors and succession plan of the Board.

In assessing the Board composition and identifying and selecting suitable candidates for directorships, the Nomination Committee would take into account various aspects set out in the board diversity policy ("**the Policy**"), including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the Reporting Period, the Nomination Committee reviewed the Policy, structure, size and composition of the Board, the independence of the independent non-executive Directors.

The Nomination Committee met once during the Reporting Period.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### **Board Diversity Policy**

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

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

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

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

### **Corporate Governance Functions**

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

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

## **BOARD MEETINGS**

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

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

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

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

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

Name of Director	Attendance/Number of Meetings					Annual General Meeting	Other General Meetings
	Nomination		Remuneration	Audit			
	Board	Committee	Committee	Committee			
WU Zhengping ( <i>Chairman</i> )	4/4	N/A	N/A	N/A	1/1	0/1	
XIAO Li	4/4	1/1	N/A	N/A	1/1	1/1	
ZHU Wen	4/4	N/A	1/1	N/A	1/1	1/1	
WANG Lei	4/4	N/A	N/A	N/A	0/1	0/1	
DAI Guoqiang	4/4	1/1	1/1	3/3	0/1	0/1	
ZHANG Qing	4/4	N/A	N/A	3/3	1/1	0/1	
JIN Hexian	4/4	1/1	1/1	3/3	0/1	0/1	

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

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

#### Principles of Risk Management

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

- (1) identifying matters that may have potential impacts on the Company and controlling risks according to its risk appetite.
- (2) providing the Board and the management of the Company with reasonable assurance to achieve the Company's business objectives. This includes but not limited to: utilising resources in an efficient and effective way; preventing the loss of assets; maintaining the reliability and integrity of information; ensuring consistency between policies, plans, procedures, laws and regulations.

### **Features and Processes of Risk Management and Internal Control:**

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

- (1) Setting up objectives: setting up objectives for the Company and classifying them into various objectives, including strategic objective, business objective, reporting objective and compliance objective allows the Board and the management of the Company to identify and manage risks in different aspects.
- (2) Identifying and dealing with matters: management of the Company will identify matters with uncertainties and decide the degree of risks therefrom. We have comprehensive procedures in place for dealing with specific risks such as demand risk, technical risk, resource risk, management risk, communication risk and environmental risk.
- (3) Risk assessment: the Company identifies risks from a long-term perspective and assesses different risk parameters while analysing relevant information collected for this purpose.
- (4) Critical risk control points of internal control in each business segment: the Company carries out its risk management based on its other internal control systems and strictly complies with the internal control system of each business segment while implementing measures for each risk control points.
- (5) Accounting control: the Company rigorously conforms to the Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong, the disclosure requirement of the Hong Kong Companies Ordinance, the Accounting Standards for Business Enterprises and major accounting policies of the Company, so as to ensure the safety and integrity of its assets and give a true view of its financial position.

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

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

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

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

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

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

### **DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the Reporting Period.

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

The statement of the independent auditor of the Company about their reporting responsibilities for the audit of the consolidated financial statements is set out in the independent auditor's report on pages 64 to 66.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Messrs. Ernst & Young, in respect of audit services and non-audit services for the Reporting Period is disclosed on note 6 to the financial statements on page 99.

### COMPANY SECRETARY

Ms. Ho Siu Pik of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Her primary contact at the Company is Mr. Zhang Yihua, the Chief Financial Officer of the Company.

### SHAREHOLDERS' RIGHTS

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

#### Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

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

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

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

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



### Procedures for Shareholders to Put Forward Proposals at General Meeting

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

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

*Note: Any such written notice from the Shareholders should be marked “Shareholders’ Communication” on the envelope.*

### Procedures for Shareholders to Put Forward Enquiries to the Board

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

### Contact Details

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

Address: Floor 8, Hong Quan Building, No. 1357, Mei Chuan Road  
Putuo District, Shanghai, PRC  
(For the attention of Mr. Zhang Yihua , Chief Financial Officer)

Email: [ir@broad-greenstate.cn](mailto:ir@broad-greenstate.cn)

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



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

At the annual general meeting, the Chairman of the Board as well as the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, their duly appointed delegates are available to answer questions at the Shareholders' meetings. Auditor of the Company are also invited to attend the Company's annual general meeting pursuant to code provision E.1.2. 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 auditor 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.

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (“**ESG Guide**”) of the Stock Exchange set out in Appendix 27 of the Listing Rules, with an aim to inform relevant parties and stakeholders of our policies, measures and performance regarding environmental, social and governance (“**ESG**”) issues.

This report covers the Reporting Period. We have required our management and employees of each department to review the operation of the Company based on their functions, identify relevant ESG issues and assess the materiality/correlation of such issues to our business.

During the Reporting Period, the Company has complied with the “comply or explain” provisions set out in the ESG Guide.

## A. ENVIRONMENT

### A1. Emissions

The Company is committed to complying with requirements stipulated in local environmental laws and regulations, including but not limited to the Law of the PRC on Environmental Protection, the Law of the PRC on Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Atmospheric Pollution and the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste.

As an integrated landscape architecture construction and design service provider, we always focus on municipal and urban landscape projects and offer our customers “one-stop” project-based service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance. We supervise on-site constructions carried out by external sub-contractors and, therefore, will not discharge air pollutions directly during its course of business.

We have set up correspondent requirements and criteria for selection of project sub-contractors as they may produce gas emission and harmless waste and discharge waste into water and land during construction.

In addition, we encourage our employees to communicate through telephone (or video conference) and e-mail in the ordinary course of business to minimise carbon-emissions that may be produced during their business trips by plane and vehicle.

During the Reporting Period, we were not aware of any material non-compliance with the environmental laws and regulations.

### A2. Use of Resources

The Company has always attached great importance to the efficient use of resources, to protect environment and to improve operational efficiency. We generally use resources such as electricity, petroleum, diesel fuel, gas or petroleum gas, water resources and paper. We have provided certain guidances regarding the efficient use of resource in the employee manual and required our employees to enhance their cost consciousness and to use office supplies, water and electricity in an efficient manner.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Apart from written guidances, we have implemented initiatives on efficient use of resources, for example:

- equipping the washing room with automatic faucets and dryers
- keeping doors and windows closed when air conditioners are in use, and maintaining the temperature at 25.5℃ inside offices
- utilizing natural light in offices and installing energy saving lamps
- turning off all lights, computers, office equipment and air conditioners when not necessary to use them
- implementing the 3R principle, which is “Reducing, Reusing and Recycling”, in the ordinary course of business.

Moreover, the construction team of our sub-contractors will make use of materials available at the project site to build the landscapes there. For instance, dirt dug out from the construction site will be used to create the rockery.

The Company does not consume large amount of packaging materials in the ordinary course of business as we are not a consumer goods manufacturer.

### **A3. Environment and Natural Resources**

The Company has insisted on operating its business in an environmental friendly manner at all times and implemented various measures to minimize the impact of its production and operation on the environment.

We procure and select materials used in our projects, such as paint, based on their safety and toxicity and whether they meet the environmental protection requirements.

We also assign our specialists to the construction site to supervise the compliance of environmental protection requirements by the construction teams of our sub-contractors.

We mainly undertake construction projects on landscape improvement and living environment improvement, which may have certain impact on the surroundings and people living around during their construction. However, our external sub-contractors will take active measures to minimize the impact by all means.

For example, the construction team of our sub-contractors adopts the following approaches to reduce its impact on environment and its consumption of natural resources:

- applying noise-reduction machines in noisy conditions and adopt automated and hermetic technologies to reduce mechanical noise
- filling landscape ponds with rainwater and irrigating landscape plants with approved natural water source nearby as much as possible in the course of construction
- transplanting existing trees in the construction sites to specific locations and replanting them when the project is almost completed

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Besides, in the study of key greening technology for inland saline-alkali soil, the research & development department of the Company screened the cultivation medium suitable to the saline-alkali soil in Zhao Yue Mountain by comparing the soil in which organic fertiliser, gypsum, turf are added, and eventually invented the techniques to restore inland saline-alkali soil for greening purpose that solves the soil problem in wetland park construction. We combined the physical improvement methods with chemical ones to improve the soil structure and increase organics to eliminate salinization.

In 2015, we completed the establishment of the seedlings research and development base and contracted with a number of domestic and foreign research institutions and nurseries for introduction of new varieties of domestic green plants.

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

In terms of environmental protection, we are also endeavoring to identify companies with first-class technologies in soil improvement, and are planning to acquire the latest technologies from the market through acquisition.

We also invested substantial amount of funds in our research and development, which primarily focuses on (1) new breeds for landscaping, new products research and development, trial production, production and reserve; (2) research and development and reserve of new technologies, new processes and new construction methods; and (3) skill-consultation on field investigation and sampling, testing and analysis and project design, and have recorded satisfactory results.

## B. SOCIAL

### Employment and Labour Practices

#### B1. Employment

The Company is dedicated to promoting fair and ethical labour policies. We have established human resource systems relating to compensation and dismissal, recruitment and promotion, working hours, leave application, equal opportunity and other benefits and welfare, and circulated clearly such policies to all employees. The Company has complied with requirements set out in relevant laws and regulations all the times, including the Labour Law of the PRC, the Social Insurance Law of the PRC and the Trade Union Law of the PRC.

The employee remuneration policies were determined with reference to factors such as salary information available in local markets, overall salary standards in the industry, inflation level, operational efficiency of the Company and the employees' qualification, position, length of service and performance. Employee remuneration package is comprised of basic salary, allowance, bonus and other compensation.

During the Reporting Period, the Company was not aware of any material non-compliance with labour practices.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### **B2. Health and Safety**

By adhering to the safety production principle of “Safety First, Preventative Measures, and Comprehensive Governance”, the Company formulated the Safety Work Management Handbook to provide for the safety work management of other parties such as the project departments and other departments of the Company. The project departments are not only in charge of organising and implementing the safety work in detail, but also supervise and monitor the execution of safety requirements by construction teams of the sub-contractors as per the requirements of the Safety Work Management Handbook.

The Company has developed the Safety Work Management Handbook and Employee Manual for on-site construction teams and employees working in offices, both of which clearly specify work flows, all kinds of safety measures and guidances as well as employees’ responsibilities for their health and safety at our workplace. We have also established systems to monitor and manage relevant risks in our operations. Besides, the Company offers equipment in compliance with the safety requirements and standards and arranges the body checks for our employees regularly.

During the Reporting Period, the Company was not aware of any material non-compliance with the health and safety laws and regulations.

### **B3. Development and Training**

The Company believes that our employees are valuable assets. Competition for excellent employees is fierce in the landscape architecture service industry in China, and we offer competitive remuneration to attract and retain the talented ones. Regular review on remuneration of employees is carried out in order to retain outstanding employees and attract external talents that are valuable.

The Company lays emphasis on the development of our employees and we try our best to help them realising their career goals while making efforts to meet the business targets. We monitor our employees in the construction sites for safety purpose, and regularly provide them with safety and skill trainings. We also have correspondent requirements in place for our sub-contractors’ employee safety management.

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

### **B4. Labour Standards**

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

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

During the Reporting Period, the Company was not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

### Operating Practices

#### B5. Supply Chain Management

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

We procure our construction machinery, materials and services by means of impartial and open competitions to ensure that the selected products and service providers can satisfy our needs. In addition to the consideration of the quality of products or services as well as business factors in our bidding process for supplier selection, the Company prefers green product suppliers and service providers who proactively fulfill their social responsibilities with an aim to improve the sustainable development of the Company.

The Company is impartial to every product/service provider to facilitate long-term cooperation. Further, the Company reviews its product and service providers regularly based on their pricing, quality and after-sales service, to ensure that we are continuously provided with high-quality products and services.

#### B6. Product Responsibility

The Company is committed to providing high-quality services and guarantees that the quality of our projects is in line with quality standards and sustainability requirements. We also pursue to meet higher criteria all the time. The Company has always been focusing on quality control in project construction since its incorporation. In respect of human resources, we have a team of project managers with rich experience in undertaking various large landscape construction projects. In respect of systems, we own a comprehensive quality management system and are accredited with ISO9001, ISO14001, and OHSAS18001 standards. In respect of the management of technology, operation, human resource and file management, a complete and constantly effective management policy has been established. We also carry out trainings and established a management system covering various aspects including management of quality of construction staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of our projects.

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

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

We have standard procedures in place to deal with client's complaints. Upon receiving any complaint, we will take timely action to keep track of its settlement, ensuring every complaint being handled properly.

We have set rules for the completion check for acceptance as well as the repair and maintenance during the warranty period. Moreover, after delivery of the projects, the project management department and the business department shall visit the owners and users of the projects every six months, to find out their needs and level of satisfaction as well as to collect their feedbacks, which will help improve the construction and service quality in projects thereafter.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### B7. Anti-corruption

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

We value honesty and integrity and prevent ourselves from corruption or violation of rules such as bribery, money laundering, extortion and fraud. We believe that it is necessary to enhance the morality in the Company, so as to maintain our sustainability and to win the confidence of our employees, clients, suppliers and other business partners.

Paying high attention to anti-fraud, we formed the corporate culture featuring with integrity and fairness inside the Company.

We may unconditionally dismiss any employee who is involved in corruption or bribery or deceives the Company by means of forgery, and take legal action against such person whether or not the Company suffers from any loss because of such misconducts.

We have whistle-blowing procedures in effect, including a mail box for employees to report directly to the Company's senior management any misconduct and dishonest behaviour, such as bribery, fraud and other offences. Furthermore, we have specified in the employees' handbook that we are entitled to terminate the employment contract with any employee who is bribed with money, gifts or commission, etc., and reserve the right to take further legal actions against such person.

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

## Community

### B8. Community Investment

The Company has been actively involved in charitable activities in the communities and cities where our projects are operating and constructing, and encourages the employees to participate in in-house or external community activities. We played an important role in supporting a number of disaster rescue plans and made considerable investments to adolescent education and physical development plans, including:

- donating to victims of natural disasters, such as the Wenchuan earthquake;
- donating to Yedian Middle School (野店中學), Gaodu Middle School (高都中學) and Jiepai Middle School (界牌中學) in Meng Yin County as well as Yuzhai Primary School (魚寨小學) in Kaili City, Guizhou Province;
- participating in a charity auction with the theme of "Charity has the way, Benefit Auction for Supporting the Students ('瓷'善有道·義拍助學)" in support of the construction and development of the Jiangxi Gongqing Hope Primary School (江西共青希望小學);
- contributing to six consecutive sessions of the Board Landscape Cup Sports Competition held in the Nanjing Forestry University and making donation to the Northeast Forestry University;
- donating RMB2 million to the "Shanghai Special Fund of the China Green Foundation (中國綠化基金會綠色上海專項基金)" on 12 March 2016, to facilitate the afforestation, ecological development and other environmental protection activities in Shanghai and encourage the citizens to protect the greenery in their daily life.



# DIRECTORS AND SENIOR MANAGEMENT

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

## EXECUTIVE DIRECTORS

**Mr. Wu Zhengping (吳正平) (“Mr. Wu”)**, aged 53, is the chairman of the Board and an executive Director of the Company since 3 January 2014. Mr. Wu is also the chief executive officer and the director of Broad Landscape, Greenstate Business and Greenstate Gardening. Mr. Wu is also the director of Broad Landscape International since 8 October 2013. Mr. Wu founded the Group with Ms. Xiao Li (“**Ms. Xiao**”) in 2004 and is one of the Controlling Shareholders of the Company. He is responsible for the overall strategy, business and investment planning of the Group. Mr. Wu has extensive experience in the landscape architecture service industry, and has been engaged in such business for over ten years.

Mr. Wu received a bachelor’s degree in Nanjing Forestry University\* (南京林業大學) in July 1985. He was qualified as engineer in December 1992. Mr. Wu served as a tutor at Shanghai Gardening School\* (上海市園林學校) (currently known as Shanghai Urban Construction and Engineering School\* (上海市城市建設工程學校)) from August 1985 to December 2000 and served as a tutor at Shanghai Gardening Vocational School\* (上海園林職工學校) from January 2001 to May 2004. When Mr. Wu founded the Group, he served as director and general manager of Greenstate Business since June 2004 and director and general manager of Greenstate Gardening since June 2007. Mr. Wu served as director of Greenstate Business from 12 March 2004 to 8 June 2013. Mr. Wu resigned as the executive director of Greenstate Business on 8 June 2013 and his wife, Ms. Xiao, was appointed as the executive director on even date. However, Mr. Wu has remained as the supervisor of Greenstate Business and is responsible for the operation, management and finance of Greenstate Business. Mr. Wu was re-appointed as the director of Greenstate Business on 31 December 2013. Mr. Wu has also been the director of Broad Landscape since 2 August 2011. Mr. Wu is the spouse of Ms. Xiao, the executive Director of the Company.

**Ms. Xiao Li (肖莉)**, aged 45, is an executive Director of the Company since 3 January 2014 and a member of nomination committee since 25 June 2014. Ms. Xiao founded the Group with Mr. Wu in 2004 and is one of the Controlling Shareholders of the Company. She is currently a director of Broad Landscape, Greenstate Business, Broad Landscape International since 9 March 2017 and Greenstate International since 12 September 2016. She is responsible for overseeing the financial matters and daily operations of the Group.

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

**Ms. Zhu Wen (朱雯) (“Ms. Zhu”)**, aged 33, is an executive Director of the Company since 3 January 2014 and a member of remuneration committee since 25 June 2014. She joined the Group for almost thirteen years since 15 June 2004. She is currently the manager of the administrative department in Greenstate Business. She is also the director of Broad Landscape and the manager of the administrative department of the Company since August 2011. She was appointed as the director of Eastern Greenstate International on 9 October 2013. Ms. Zhu is responsible for overseeing the administration matters of the Group.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. Zhu graduated with a master degree in Business Administration from East China University of Science and Technology in Shanghai, China in March 2012.

**Mr. Wang Lei (王磊) (“Mr. Wang”)**, aged 44, is an executive Director of the Company since 3 January 2014. He is currently the director of Board Landscape and the manager of construction department. Mr. Wang is responsible for overseeing the landscape architecture projects of the Group. Mr. Wang obtained a diploma in industrial and civil architecture from Wuhan Industrial University\* (武漢工業大學), currently known as the Wuhan University of Technology (武漢理工大學), in December 1997. He was qualified as an engineer in April 2002. Mr. Wang has over 16 years of experience in civil engineering. He joined Huangshi City Landscape Architecture Engineering Ltd\* (黃石市園林建築工程有限公司), is currently renamed as Hubei Green Yun Landscape Engineering Co., Ltd\* (湖北綠之韻景觀工程有限公司) in July 1991 and served as an assistant engineer. He was later promoted to engineer in April 2002 and worked there until April 2006. He joined the Group for almost eleven years since 11 May 2006. He has been the assistant manager under the construction department of Greenstate Business since he joined the Group. He has also been the director and the manager under the construction department of Broad Landscape since August 2011.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Dai Guoqiang (戴國強) (“Mr. Dai”)**, aged 64, is an independent non-executive Director of the Company since 25 June 2014. He is also the chairman of nomination committee and a member of both audit and remuneration committees since 25 June 2014. Mr. Dai has nearly eleven years of experience in Finance and Economics. Mr. Dai graduated with a bachelor and a master degree in Economics from Shanghai School of Finance and Economics\* (上海財經學院), currently known as Shanghai University of Finance and Economics (上海財經大學), in January 1983 and July 1987 respectively. Following which Mr. Dai obtained a PH.D. in Economics from Fudan University (復旦大學) in Shanghai, China in July 1994.

From March 1999 to April 2006, he was the Dean of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China. He was the party secretary\* (黨委書記) of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to July 2007. From July 2007 to April 2011, he served as the Dean and secretary of the Master of Business Administration School of Shanghai University of Finance and Economics (上海財經大學). Mr. Dai has served as a finance professor since June 1995, the party branch secretary and vice president\* (黨支部書記兼部院長) of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China from April 2011 to March 2016 respectively. Mr. Dai worked as the independent non-executive Director from February 2004 to June 2009 and external supervisor of Bank of Shanghai Co., Ltd (上海銀行股份有限公司) since June 2009. He has also been an independent non-executive Director of Shanghai Fudan Forward Science and Technology Co., Ltd. (上海復旦複華科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600624) since March 2008 to June 2014. From May 2012 to April 2015, Mr. Dai was also an arbitrator on the panel of China International Economic and Trade Arbitration Commission. Mr. Dai was a member (委員) of National Economics Universities Teaching Guidance Committee under the Ministry of Education\* (教育部高等學校經濟學類學科教學指導委員會委員) from 2006 to 2010. He also serves as a member of Master of Finance Teaching Guidance under the Ministry of Education (教育部金融專業碩士教學指導委員會委員) since March 2011.

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

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

**Mr. Zhang Qing (張清) (“Mr. Zhang”)**, aged 48, is an independent non-executive Director of the Company since 25 June 2014. He is also the chairman of audit committee since 25 June 2014. Mr. Zhang graduated from Shanghai Jiao Tong University, China (上海交通大學) with a bachelor degree of Industrial Engineering Management (工業管理工程本科) in 1991. He also obtained a Master’s degree in Business Administration from the University of Illinois, Chicago of USA in May 2000. Mr. Zhang has over 20 years of experience in finance and accounting industry. From August 1991 to April 1994, Mr. Zhang was a dealer on behalf of the Industrial Bank of Japan (IBJ), Shanghai Branch (日本興業銀行上海分行) in China Foreign Exchange Centre. Mr. Zhang then served as the regional finance officer (華中區域財務主任) of British American Tobacco China Company (英美煙草中國公司) from April 1994 to August 1995. From September 1995 to March 1999, Mr. Zhang was the finance manager of Dow Chemical (China) Investment Co., Ltd (陶氏化學(中國)投資有限公司). Mr. Zhang was the manager of financial analysis in the finance department of Avis & Budget Car Rental, LLC from July 2000 to May 2005. He was then the corporate finance manager of Kraton Polymers US LLC from May 2005 to July 2008. From July 2008 to March 2012, he served as the chief financial officer of China in Elkay (China) Kitchen Solutions Co. Ltd. He is the group chief financial officer of Asia Timber Products Ltd since March 2012. From August 2014 to October 2016, he was the VP of Finance — Asia of Xerium Technologies, Inc..

Mr. Zhang has been a member of the Association of Chartered Certified Accountants since March 2003 and a fellow member of the Association of Chartered Certified Accountants since March 2008. He also has been a fellow member of Chartered Institute of Management Accountants since December 2016.

**Dr. Jin Hexian (金荷仙) (“Dr. Jin”)**, aged 52, is an independent non-executive Director of the Company since 29 August 2014. She is also the chairman of the remuneration committee and a member of both audit and nomination committees since 29 August 2014. She obtained a bachelor’s degree in landscape architecture from Nanjing Forestry University (南京林業大學), and a master’s degree and doctor’s degree in landscape architecture from Beijing Forestry University (北京林業大學). Dr. Jin worked as a lecturer in Zhejiang Forestry College (浙江林業學院) and as a post-doctoral researcher at the Chinese Academy of Forestry (中國林業科學研究院). Dr. Jin is currently an instructor to the students of the master program of Zhejiang Agricultural and Forestry University (浙江農林大學), a guest professor of Beijing Forestry University (北京林業大學) and a part-time instructor to the students of the master program of Harbin Institute of Technology (哈爾濱工業大學). Dr. Jin is also an independent director of Huilv Landscape Construction Co., Ltd. (匯綠園林建設股份有限公司), a company incorporated in the PRC and mainly engaging in landscape construction business.

Dr. Jin held various positions including deputy secretary-general of Chinese Society of Landscape Architecture (中國風景園林學會), vice-president and executive editor-in-chief of the Journal of Chinese Landscape Architecture (《中國園林》雜誌社), deputy group head of the Guidance Group of Landscape Architecture on Civil Engineering Discipline in Colleges and Universities under the Ministry of Housing and Urban-Rural Development, PRC (住房和城鄉建設部高等學校土建學科風景園林專業指導委員會), deputy secretary-general of Flower Culture Committee of China Flower Society (中國花卉協會花文化專業委員會), member of Landscape Architecture Terminology Committee of China National Committee for Terminologies in Sciences and Technologies (全國科學技術名詞審定委員會風景園林學名詞審定委員會). Dr. Jin has published over 70 articles, edited multiple books and chaired and given speeches at various domestic and international academic conferences including the International Federation of Landscape Architects (IFLA), World Horticultural Conference, Global Botanic Gardens Congress.



## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### SENIOR MANAGEMENT

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

**Mr. Zhang Yihua (張軼華) (“Mr. Zhang”)**, aged 34, is the chief financial officer of the Group since 31 August 2015. Mr. Zhang, has over 12 years of experience in financial management, merger and acquisition and investor relations. Mr. Zhang joined the Company as Investor Relations Director in March 2015. He is currently responsible for the financial control and reporting, corporate finance, tax and risk management of the Company and its subsidiaries. Prior to joining the Company, Mr. Zhang has served as a senior manager of the assurance business unit at Ernst & Young. Mr. Zhang participated in the audit work of a number of Hong Kong listed companies and A-share listed companies in China.

Mr. Zhang graduated from Shanghai University with a Bachelor of Management majoring in accounting in 2005. Mr. Zhang became a member of the Chinese Institute of Certified Public Accountants in 2008.

### COMPANY SECRETARY

**Ms. Ho Siu Pik (何小碧) (“Ms. Ho”)**, is a director, Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Ho has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ho is a Chartered Secretary and a Fellow member of both The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ho is a holder of the Practitioner’s Endorsement from HKICS.

# REPORT OF THE DIRECTORS

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

## CORPORATE INFORMATION AND GLOBAL OFFERING

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

## PRINCIPAL ACTIVITIES

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

## RESULTS AND FINAL DIVIDENDS

The consolidated results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 67 of this annual report. 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.

## FINANCIAL SUMMARY

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

## BUSINESS REVIEW

A fair review of the business of the Company and a discussion and analysis of the Group’s performance during the Reporting Period and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis section from pages 10 to 20 of this annual report. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report, particularly in the Market Risks section from pages 19 to 20. Particulars of important events affecting the Group that have occurred since the end of the financial year 2016, if any, can also be found in the abovementioned sections and the notes to the financial statements. The outlook of the Group’s business is discussed throughout this annual report including in the Chairman’s Statement from pages 6 to 9 of this annual report. An account of the Group’s relationships with its key stakeholders is included in the Relationship with Employees, Suppliers and Customers section on page 57 to 58 of this annual report. Details of the Company’s environmental policies and performance can be found in the Environmental, Social and Governance Report from pages 33 to 38 of this annual report.

## REPORT OF THE DIRECTORS (CONTINUED)

### SHARE CAPITAL

There was no movement in the Company's issued capital during the Reporting Period.

After the Reporting Period, the Company had issued and allotted 35,920,957 new Shares of HK\$0.025 each in the share capital of the Company to a third party on 15 February 2017. For details of such issuance and allotment of Shares, please refer to the announcements of the Company dated 30 November 2016, 17 January 2017 and 15 February 2017.

Details of movements in the share capital of the Company during the Reporting Period are set out in note 26 to the financial statements on page 119 of this annual report.

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

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

### PRE-EMPTIVE RIGHTS

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

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements on page 106 of this annual report.

### PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As disclosed in the announcement of the Company dated 9 May 2016, Broad Landscape International, the then controlling shareholder of the Company, entered into a share charge with Bank of Shanghai (Hong Kong) Limited (the "Lender") on 6 May 2016 (the "**2016 Share Charge**"), pursuant to which Broad Landscape International agreed to charge by way of first mortgage all the rights, title and interest in and to 330,000,000 ordinary shares in the Shares of the Company (representing approximately 9.98% of the total issued share capital of the Company as at the date of the 2016 Share Charge) in favour of the Lender as security for the one year credit loan facility of RMB207,000,000 and HK\$47,000,000 (the "**2016 Facility**") entered into between the Company and the Lender for the purpose of financing existing and potential projects, paying final dividend and general working capital of the Company. On the same day, Broad Landscape International entered into a charge with the Lender, pursuant to which Broad Landscape International agreed to charge by way of first fixed charge a bank account of Broad Landscape International with the Lender (the "**Account**"), all its present and future rights, title and interest in or to the Account and all moneys (including interest standing to the credit of the Account as security for the 2016 Facility) belong to the Lender (the "**2016 Account Charge**").

The drawdown of the 2016 Facility in the principal amount of RMB\$86,349,000 and HK\$46,293,000 has been made. The entering of the 2016 Share Charge and the 2016 Account Charge is a condition precedent to the drawdown of the 2016 Facility. As at the date of this annual report, the 2016 Share Charge and the 2016 Account Charge have not been released.

### MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

On 30 November 2016, the Company, Golden Landscape, Zhejiang Yulin and Mr. Ling Jijiang (凌紀江) entered into a share purchase agreement, pursuant to which the Company has conditionally agreed to acquire 100% share capital in the National Landscape at the consideration of RMB38,085,836 (equivalent to approximately HK\$42,656,136), which shall be satisfied by the allotment and issue of 35,920,957 new Shares to Golden Landscape which is 100% owned by Mr. Ling Jiayuan (凌佳淵) who is the son of Mr. Ling Jijiang. On the same day, Greenstate Business and Zhejiang Yulin entered into the onshore share purchase agreement, pursuant to which Greenstate Business has conditionally agreed to acquire 20% equity interest in Jiangnan Garden Construction at the consideration of RMB19,042,918 (equivalent to approximately HK\$21,328,068), which shall be satisfied by cash. The acquisitions were completed on 15 February 2017. Upon completion of the acquisitions, Jiangnan Garden Construction is indirectly owned as to 60% equity interest by the Company.

Save as disclosed above, during the Reporting Period, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 31 December 2016, the Group did not hold any significant investments.

### RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 71 to 72 of this annual report and the note 37 to the financial statements on page 131 of this annual report.

### BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in the notes 21 and 24 to the financial statements on page 115 to 117 of this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the percentage of turnover attributable to the Group's five largest customers from the sales of properties in its projects was approximately 96.6%, and the percentage of turnover attributable to its largest customer from the sales of properties in its projects was approximately 65.2%.

Purchases from the Group's five largest suppliers accounted for 22.7% of the total purchase for the Reporting Period and purchase from the Group's largest supplier included therein amounted to 5.4% of the total purchases for the year.

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

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS

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

#### Executive Directors

Mr. Wu Zhengping (吳正平) (*Chairman and chief executive officer*) (*appointed on 3 January 2014*)

Ms. Xiao Li (肖莉) (*Deputy general manager*) (*appointed on 3 January 2014*)

Ms. Zhu Wen (朱雯) (*Administrative manager*) (*appointed on 3 January 2014*)

Mr. Wang Lei (王磊) (*Head of engineering department*) (*appointed on 3 January 2014*)

#### Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強) (*appointed on 25 June 2014*)

Mr. Zhang Qing (張清) (*appointed on 25 June 2014*)

Dr. Jin Hexian (金荷仙) (*appointed on 29 August 2014*)

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

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which shall continue thereafter unless terminated by not less than six month’s written notice served by either party on the other. Mr. Dai Guoqiang and Mr. Zhang Qing have entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date and Dr. Jin Hexian has entered into a letter of appointment with the Company for a term commencing from 29 August 2014 and ending on 20 July 2017.

On 21 March 2017, the appointment of all the executive Directors and independent non-executive Directors have been renewed for a successive term of three years under their respective service contracts/appointment letters.

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

### CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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



### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

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

### **PERMITTED INDEMNITY**

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

### **MANAGEMENT CONTRACTS**

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

### **NON-COMPETITION UNDERTAKINGS**

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

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

### **REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Details of the emoluments of the Directors and the five highest paid individuals for the Reporting Period are set out in note 8 and 9 to the financial statements on page 100 to 102 of this annual report.

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

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The requirement for disclosure of interests or short positions of any Directors or chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) under the provisions of Divisions 7 and 8 of Part XV of the SFO became applicable to the Company with effect from the Listing Date.

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director/ Chief Executive	Personal interest	Nature and Number of Shares/ underlying Shares held <sup>(1)</sup>			Approximate Percentage of Issued Share Capital
		Corporate interest	Spouse interest	Total interest	
Mr. Wu Zhengping <sup>(2)(3)(4)(5)(6)(7)</sup>	30,000,000 (L)	1,153,321,041(L) 162,000,000 (S)	22,500,000(L)	1,205,821,041(L) 162,000,000 (S)	36.46% 4.89%
Ms. Xiao Li <sup>(2)(3)(4)(5)(6)(7)</sup>	22,500,000 (L)	—	1,183,321,041 (L) 162,000,000 (S) <sup>(5)</sup>	1,205,821,041 (L) 162,000,000 (S)	36.46% 4.89%
Ms. Zhu Wen <sup>(4)(7)</sup>	5,000,000 (L)	—	—	5,000,000 (L)	0.15%
Mr. Wang Lei <sup>(4)(7)</sup>	5,000,000 (L)	—	—	5,000,000 (L)	0.15%
Mr. Zhang Yihua <sup>(4)</sup>	13,500,000 (L)	—	—	13,500,000 (L)	0.40%

**Notes:**

- (1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.
- (2) Broad Landscape International is owned as to 86.92% and 13.08% by Mr. Wu Zhengping and Ms. Xiao Li and under the SFO, Mr. Wu Zhengping is deemed to be interested in the 1,153,321,041 Shares by Broad Landscape International.
- (3) Mr. Wu Zhengping is the spouse of Ms. Xiao Li. Under the SFO, Mr. Wu Zhengping is deemed to be interested in the same number of Shares in which Ms. Xiao Li is interested and Ms. Xiao Li is deemed to be interested in the same number of Shares in which Mr. Wu Zhengping is interested.
- (4) The number of underlying Shares in which the Directors and chief executives hold under the Share Option Scheme are detailed in "Share Option Scheme" section of this annual report.
- (5) On 30 December 2016, Broad Landscape International and Greenland Financial (both substantial shareholders of the Company) entered into a share purchase agreement, pursuant to which Broad Landscape International conditionally agreed to sell, and Greenland Financial conditionally agreed to purchase, 162,000,000 Shares (the "Share Purchase Agreement"). On 13 February 2017, Broad Landscape International and Greenland Financial have entered into a supplemental agreement to amend certain terms of the Share Purchase Agreement (the "Supplemental Agreement"). Pursuant to the terms of the Supplemental Agreement, the parties agreed to revise certain terms of the Share Purchase Agreement. The transaction under the Share Purchase Agreement (as supplemented by the Supplemental Agreement) was completed on 27 February 2017.
- (6) After completion of the transaction mentioned in note (5) above on 27 February 2017, Broad Landscape International had delivered 162,000,000 Shares to Greenland Financial and therefore, Broad Landscape International's long and short positions in such shares were no longer existed. Accordingly, the long position of Mr. Wu Zhengping and Ms. Xiao Li in the Shares indicated above was decreased by 162,000,000 to 1,043,821,041 Shares from 1,205,821,041 Shares whereas their short positions were no longer existed since 27 February 2017.
- (7) After the Reporting Period, the Company has issued and allotted 35,920,957 new 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 capital has therefore increased to 3,342,536,957 Shares from 3,306,616,000 Shares on 15 February 2017. Due to the completion of the transaction mentioned in note (5) above and the increase of issued Shares of the Company, the percentage of Shares held by Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen, Mr. Wang Lei and Mr. Zhang Yihua had been reduced to 31.23%, 31.23%, 0.15%, 0.15% and 0.40% respectively as at the date of this annual report.

## REPORT OF THE DIRECTORS (CONTINUED)

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

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

The provisions under Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO became applicable to the Company as from the Listing Date.

As at 31 December 2016, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register required referred to therein, were as follows:

Name of Shareholder	Nature of Interest	Number of Shares/ underlying Shares held <sup>(1)</sup>	Approximate Percentage of Issued Shares
Broad Landscape International <sup>(2) (4) (5) (6)</sup>	Beneficial owner	1,153,321,041 (L) 162,000,000 (S) <sup>(4)</sup>	34.87% 4.89%
Eastern Greenstate International <sup>(6)</sup>	Beneficial owner	306,313,662 (L)	9.26%
Greenland Holding Group Company Limited (綠地控股集團有限公司) <sup>(3) (6)</sup>	Interest in a controlled corporation	991,321,041 (L)	29.97%
Greenland Financial Holdings Company Limited (綠地金融投資控股集團有限公司) <sup>(3) (6)</sup>	Interest in a controlled corporation	991,321,041 (L)	29.97%
Greenland Financial <sup>(3) (4) (5) (6)</sup>	Beneficial owner	991,321,041 (L)	29.97%

Notes:

- (1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.
- (2) Broad Landscape International is owned as to 86.92% and 13.08% by Mr. Wu Zhengping and Ms. Xiao Li and its interest duplicate certain interests of Mr. Wu Zhengping disclosed under the section "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures".
- (3) Greenland Holding Group Company Limited wholly owns Greenland Financial Holdings Company Limited which in turn wholly owns Greenland Financial so that Greenland and Greenland Financial Holdings Company Limited are deemed to be interested in the Shares in which Greenland Financial is interested for the purpose of Part XV of the SFO.
- (4) On 30 December 2016, Broad Landscape International and Greenland Financial (both substantial shareholders of the Company) entered into a share purchase agreement, pursuant to which Broad Landscape International conditionally agreed to sell, and Greenland Financial conditionally agreed to purchase, 162,000,000 Shares (the "Share Purchase Agreement"). On 13 February 2017, Broad Landscape International and Greenland Financial have entered into a supplemental agreement to amend certain terms of the Share Purchase Agreement (the "Supplemental Agreement"). Pursuant to the terms of the Supplemental Agreement, the parties agreed to revise certain terms of the Share Purchase Agreement. The transaction under the Share Purchase Agreement (as supplemented by the Supplemental Agreement) was completed on 27 February 2017.
- (5) After completion of the transaction mentioned in note (4) above on 27 February 2017, Broad Landscape International had delivered 162,000,000 Shares to Greenland Financial and therefore, the long position of Broad Landscape International indicated above was decreased by 162,000,000 to 991,321,041 Shares from 1,153,321,041 Shares whereas its short position of 162,000,000 was no longer existed since 27 February 2017.
- (6) After the Reporting Period, the Company has issued and allotted 35,920,957 new 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 capital has therefore increased to 3,342,536,957 Shares from 3,306,616,000 Shares on 15 February 2017. Due to the completion of the transaction mentioned in note (4) above and the increase of issued Shares of the Company, the percentage of Shares held by Broad Landscape International, Eastern Greenstate International, Greenland Holding Group Company Limited, Greenland Financial Holdings Company Limited and Greenland Financial had been reduced to 29.66%, 9.16%, 29.66%, 29.66% and 29.66% respectively as at the date of this annual report.



## REPORT OF THE DIRECTORS (CONTINUED)

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

### SHARE OPTION SCHEME

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

#### Purpose

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

#### Participants of the Share Option Scheme

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

#### Maximum number of Shares

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

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

As at the date of this annual report, a total of 193,970,000 share options, representing approximately 5.80% of the issued share capital of the Company as at the same date, is available for issue under the Share Option Scheme.

#### Maximum entitlement of each participant

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

## REPORT OF THE DIRECTORS (CONTINUED)

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

### **Offer period**

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

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

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

### **Amount payable for options**

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

### **Basis of determining the exercise price**

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

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

### **Life of the Share Option Scheme**

The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten (10) years commencing from 25 June 2014. Unless otherwise terminated earlier by the Company by resolution in general meeting or the Board, as at 31 December 2016, the Share Option Scheme has a remaining life of approximately seven (7) years.

## REPORT OF THE DIRECTORS (CONTINUED)

No share options were granted during the Reporting Period.

Particulars of the movement of the options held by each of the Directors, chief executive or substantial shareholders of the listed issuer, or their respective associates under the Share Option Scheme during the Reporting Period, were as follows:

Grantees	Date of grant	Number of Options					Held at 31 December 2016	Exercise price per Share (HK\$)	Vesting and Exercise period
		Held at 1 January 2016	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Forfeited <sup>(1)</sup> during the Reporting Period	Lapsed during the Reporting Period			
Wu Zhengping	1 Sept 2015	6,000,000	—	—	—	—	6,000,000 <sup>(2)</sup>	1.24	1 Sept 2017 – 31 Aug 2018
		6,000,000	—	—	—	—	6,000,000		1 Sept 2018 – 31 Aug 2019
		9,000,000	—	—	—	—	9,000,000		1 Sept 2019 – 31 Aug 2020
		9,000,000	—	—	—	—	9,000,000		1 Sept 2020 – 31 Aug 2021
Xiao Li	1 Sept 2015	4,500,000	—	—	—	—	4,500,000 <sup>(2)</sup>	1.24	1 Sept 2017 – 31 Aug 2018
		4,500,000	—	—	—	—	4,500,000		1 Sept 2018 – 31 Aug 2019
		6,750,000	—	—	—	—	6,750,000		1 Sept 2019 – 31 Aug 2020
		6,750,000	—	—	—	—	6,750,000		1 Sept 2020 – 31 Aug 2021
Zhu Wen	1 Sept 2015	1,000,000	—	—	—	—	1,000,000 <sup>(2)</sup>	1.24	1 Sept 2017 – 31 Aug 2018
		1,000,000	—	—	—	—	1,000,000		1 Sept 2018 – 31 Aug 2019
		1,500,000	—	—	—	—	1,500,000		1 Sept 2019 – 31 Aug 2020
		1,500,000	—	—	—	—	1,500,000		1 Sept 2020 – 31 Aug 2021
Wang Lei	1 Sept 2015	1,000,000	—	—	—	—	1,000,000 <sup>(2)</sup>	1.24	1 Sept 2017 – 31 Aug 2018
		1,000,000	—	—	—	—	1,000,000		1 Sept 2018 – 31 Aug 2019
		1,500,000	—	—	—	—	1,500,000		1 Sept 2019 – 31 Aug 2020
		1,500,000	—	—	—	—	1,500,000		1 Sept 2020 – 31 Aug 2021
Zhang Yihua	1 Sept 2015	2,700,000	—	—	—	—	2,700,000 <sup>(2)</sup>	1.24	1 Sept 2017 – 31 Aug 2018
		2,700,000	—	—	—	—	2,700,000		1 Sept 2018 – 31 Aug 2019
		4,050,000	—	—	—	—	4,050,000		1 Sept 2019 – 31 Aug 2020
		4,050,000	—	—	—	—	4,050,000		1 Sept 2020 – 31 Aug 2021
Other grantees (in aggregate)	1 Sept 2015	6,750,000	—	—	1,200,000	—	5,550,000 <sup>(2)</sup>	1.24	1 Sept 2017 – 31 Aug 2018
		6,750,000	—	—	1,200,000	—	5,550,000		1 Sept 2018 – 31 Aug 2019
		10,125,000	—	—	1,800,000	—	8,325,000		1 Sept 2019 – 31 Aug 2020
		10,125,000	—	—	1,800,000	—	8,325,000		1 Sept 2020 – 31 Aug 2021

**Notes:**

(1) 6,000,000 share options were forfeited during the Reporting Period.

(2) 20,750,000 share options were lapsed after the Reporting Period on 21 March 2017.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

### CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

### CONNECTED TRANSACTIONS

- (i) On 20 August 2015, the Company entered into the Note Purchase Agreement with Greenland Leasing pursuant to which the Company conditionally agreed to issue and sell, and Greenland Leasing conditionally agreed to purchase a redeemable fixed coupon promissory note due 2016 with a principal amount of US\$40,000,000 (equivalent to approximately RMB258.4 million based on the conversion rate of US\$1 to RMB6.46) at the rate of 9.00% per annum. The Company subsequently announced on 11 September 2015 that the Company entered into the Deed of Novation with Greenland Leasing and Greenland Financial pursuant to which Greenland Leasing shall novate all its rights, obligations and liabilities under the Note Purchase Agreement to Greenland Financial. As security of the Notes, the Company, as legal and beneficial owner, has agreed to charge by way of a first fixed charge all rights, entitlements, interests and benefits in the Company Charged Shares and all derived interests to be made by the Company in favor of Greenland Financial and Greenstate Times, as legal and beneficial owner, has agreed to charge by way of a first fixed charge all rights, entitlements, interests and benefits in the Greenstate Times Charged Shares and all derived interests to be made by Greenstate Times in favor of Greenland Financial. The Notes shall mature one year from the closing date of the issue of the Notes. Closing of the issue of the Notes took place on 15 October 2015.

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

The Company entered into the Note Purchase Agreement with Greenland Financial for the purpose of financing general working capital and the capital requirements in the near future.

## REPORT OF THE DIRECTORS (CONTINUED)

Greenland Financial is directly wholly-owned by Greenland Financial Holdings Company Limited\* (綠地金融投資控股集團有限公司), which in turn is directly wholly-owned by Greenland. Greenland Financial is a substantial shareholder of the Company directly holding approximately 25.08% of the issued share capital of the Company as at the date of the extension and is therefore a connected person of the Company.

As (i) one of the applicable percentage ratios as defined in Chapter 14 of the Listing Rules in respect of the issue of Notes and the transactions contemplated thereunder (including the Share Charges) is more than 25%, and (ii) the exemption provided under Rule 14A.90 of the Listing Rules is not applicable as the issue of Notes is secured by the Share Charges, the issue of Notes and the transactions contemplated thereunder (including the Share Charges) are subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The extension of Notes was approved by independent Shareholders at the extraordinary general meeting of the Company dated 11 September 2015.

For further details, please refer to the announcements of the Company dated 20 August 2015, 11 September 2015, 19 October 2015 and 11 October 2016, and the circular of the Company dated 21 September 2015.

- (ii) On 30 December 2016, Broad Landscape, Greenland Metro Investment & Development Company Limited\* (綠地地鐵投資發展有限公司) and Xi'an Changning Development and Construction Company Limited\*(西安市常寧開發建設有限公司) entered into an agreement for the establishment of a JV Company, pursuant to which the parties agreed to (i) form a JV company for the purposes of constructing the project for the construction of Jue River Wetland Park in Changning New District, Xi'an (西安市常寧新區灤河濕地公園) and construction of other ancillary facilities; and (ii) regulate their respective rights and obligations in the JV company.

Greenland Metro Investment & Development Company Limited\* (綠地地鐵投資發展有限公司) is an associate of Greenland Financial, which in turn is directly wholly-owned by Greenland. Greenland Financial is a substantial shareholder of the Company directly holding approximately 25.08% of the issued share capital of the Company as at the date of the agreement and is therefore a connected person of the Company.

As such, the establishment of the JV Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (other than profits ratio) are less than 5% but the total consideration is higher than HK\$3,000,000, the establishment of the JV Company is subject to the reporting and announcement requirements and is exempted from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

- (i) On 26 December 2013, Mr. Wu, Ms. Xiao and Greenstate Business entered into a tenancy agreement, pursuant to which Mr. Wu and Ms. Xiao, as the landlords, agreed to lease an office premises of a gross floor area of 791 sq.m. located at Rooms 801-808, No. 1357 Mei Chuan Road, Putuo District, Shanghai, the PRC to Greenstate Business, as the tenant, for use as the Group's office. The term of the tenancy agreement is for a period of three years commencing from 1 January 2014 and ending on 31 December 2016. The rental for the Tenancy Agreement shall be RMB800,000 for the financial years ending 31 December 2016, which was determined based on arm's length negotiations between the Group and Mr. Wu and Ms. Xiao.



## REPORT OF THE DIRECTORS (CONTINUED)

As each of the applicable percentage ratios (other than the profit ratio) under Rule 14.07 of the Listing Rules for the transaction contemplated under the tenancy agreement, on an annual basis, is less than 5% and the annual consideration is less than HK\$1,000,000, such continuing connected transaction is a de minimis transaction which is exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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

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

- (iii) On 20 October 2016, Broad Landscape, Shanghai Greenland Construction (Group) Company Limited\* (上海綠地建設(集團)有限公司), Greenland City Investment Group Company Limited\* (綠地城市投資集團有限公司) and Taiyuan Botanical Garden\* (太原植物園) entered into an agreement for the establishment of a JV Company, pursuant to which the parties agreed to (i) form a JV company for the purposes of constructing the project for the construction of Phase One of Taiyuan Botanical Garden; and (ii) regulate their respective rights and obligations in the JV company.

Shanghai Greenland Construction (Group) Company Limited\* (上海綠地建設(集團)有限公司) and Greenland City Investment Group Company Limited\* (綠地城市投資集團有限公司) are associates of Greenland Financial, which in turn is directly wholly-owned by Greenland. Greenland Financial is a substantial shareholder of the Company directly holding approximately 25.08% of the issued share capital of the Company as at the date of the agreement and is therefore a connected person of the Company.

As such, the establishment of the JV Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than profits ratio) are less than 5% and the total consideration is less than HK\$3,000,000, the establishment of the JV Company constitutes a de minimis connected transaction of the Company and is fully exempted from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into related party transactions with the Group which are disclosed in note 30 to the financial statements on page 124 of this annual report. These transactions were not regarded as connected transactions or were exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## REPORT OF THE DIRECTORS (CONTINUED)

### CORPORATE GOVERNANCE

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

Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 32 of this annual report.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company throughout the Reporting Period.

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

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

### MAJOR RISK AND UNCERTAINTIES

#### **Business impacted by the political and economic situation in the PRC**

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

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

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

#### **We are subject to the risks associated with the tendering process**

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

### **We do not have long-term commitments with our customers**

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

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

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

### **Environmental policy and performance**

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

For details of the Company's environmental policy and performance, please refer to the Environmental, Social and Governance Report on page 33 to 38 of this annual report.

## **RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS**

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

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



## REPORT OF THE DIRECTORS (CONTINUED)

### COMPLIANCE WITH LAWS AND REGULATIONS

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

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

### CHARITABLE DONATIONS

During the Reporting Period, the Group made charitable donations of approximately RMB2.7 million.

### USE OF PROCEEDS FROM LISTING

The aggregate net proceeds of the Group from the Listing (after deducting underwriting commission, the Stock Exchange trading fee and SFC transaction levy, and road show expenses) was approximately HK\$211.9 million (approximately RMB168.3 million), which sum is intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the Prospectus and "5. Amendments to the Prospectus — 5.8 Use of Proceeds" in the Supplemental Prospectus.

As at the end of the Reporting Period, approximately RMB137.6 million of the net proceeds was utilised.

### EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the Group had 254 full time employees in the PRC. During the Reporting Period, the staff cost of the Group was approximately RMB25.0 million.

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

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

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

The remuneration of senior management has been disclosed in note 8 to the financial statements on page 100 to 102 in this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

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

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

### POST BALANCE SHEET EVENTS

Save as disclosed under the section "Material Acquisitions, Disposals and Significant Investments" of this annual report, the Group did not have significant event occurring after the balance sheet date.

### RECORD DATE

For the purpose of determining the Shareholders' eligibility to attend and vote at the forthcoming 2017 annual general meeting, 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.

### AUDIT COMMITTEE

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



## REPORT OF THE DIRECTORS (CONTINUED)

### AUDITOR

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

On behalf of the Board

**China Greenland Broad Greenstate Group Company Limited**

**Mr. Wu Zhengping**

*Chairman*

Shanghai, the PRC

21 March 2017

# INDEPENDENT AUDITOR'S REPORT



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

## OPINION

We have audited the consolidated financial statements of China Greenland Broad Greenstate Group Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 67 to 132, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### To the shareholders of China Greenland Broad Greenstate Group Company Limited

(Incorporated in the Cayman Islands as an exempted company with limited liability)

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

#### Key audit matter

#### How our audit addressed the key audit matter

##### *Recognition of construction contracts revenue*

During the year ended 31 December 2016, revenue arising from construction-type contracts in landscape projects which represented 99% of the Group's total revenue was accounted for by applying the percentage-of-completion (POC) method. The POC method involved the use of significant management judgement and estimates including estimates of the progress towards completion, total contract costs, remaining costs to completion and contract risks. In addition, revenue, cost and gross profit realised on such contracts might vary significantly from the Group's original estimates due to changes in conditions.

Revenue and percentage of completion related disclosures are included in notes 3, 5 and 17 to the financial statements.

To address this key audit matter, we have performed the following procedures:

- examining the construction contracts and reviewing the project target and key clauses;
- testing the controls which the Group designed and implemented over its process to record contract costs and contract revenues and the calculation of the stage of completion;
- reviewing the forecasted total budget cost for each project taking into account the accuracy of previous forecasts and comparing ongoing actual costs with the forecasted costs;
- discussing the status of projects under construction with management, financial officers, and technical staff of the Group and reviewing the completion status sheet issued by the external surveyors;
- checking, on a sample basis, to suppliers' invoices to assess the completion status of each project and interviewing key customers and suppliers; and
- inspecting significant projects which were under construction on the construction sites.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### To the shareholders of China Greenland Broad Greenstate Group Company Limited

(Incorporated in the Cayman Islands as an exempted company with limited liability)

#### Key audit matter

#### How our audit addressed the key audit matter

##### *Recoverability of trade receivables*

At 31 December 2016, the Group had trade receivables of approximately RMB704 million, before provisions for impairment of RMB13 million, representing 38% of the total assets of the Group.

Given the nature of the Group's business, 10% of the Group's trade receivables were retentions in nature which had a longer term of payments. The determination as to whether a trade receivable is collectible involves management judgement. Specific factors considered by management included the age of the balance, locations of government customers, existence of disputes and recent historical payment patterns. We focused on this area because it required a high level of management judgement and due to the materiality of the amounts involved.

The accounting judgements and estimates and disclosures for the recognition of impairment for trade receivables are included in notes 3 and 18 to the financial statements.

For trade receivable balances where a provision for impairment was recognised, we selected key items to gain an understanding of the rationale behind management's judgement. We also performed the following procedures for the impaired balances and the balances where no provision was recognised to assess the reasonableness and appropriateness of management's judgement:

- Testing of controls over the Group's assessment of the provision performed at each period end;
- Reviewing of ageing analysis which we sample tested;
- Testing, on a sample basis, the receipt of cash after the year end from the customers and reviewing any correspondence with customers on expected settlement dates;
- Assessing the Group's provision levels by considering the historical cash collection trends and the local economic environment in each regions; and
- Obtaining other corroborative evidence including correspondence supporting any disputes between the parties involved, any attempts by management to recover the amounts outstanding and the credit status of significant counterparties where available.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **To the shareholders of China Greenland Broad Greenstate Group Company Limited**

*(Incorporated in the Cayman Islands as an exempted company with limited liability)*

## **OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT**

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

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

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

## **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **To the shareholders of China Greenland Broad Greenstate Group Company Limited**

*(Incorporated in the Cayman Islands as an exempted company with limited liability)*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **To the shareholders of China Greenland Broad Greenstate Group Company Limited**

*(Incorporated in the Cayman Islands as an exempted company with limited liability)*

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

*Certified Public Accountants*

Hong Kong

21 March 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>REVENUE</b>	5(a)	<b>724,805</b>	622,693
Cost of sales		<b>(453,715)</b>	(394,461)
Gross profit		<b>271,090</b>	228,232
Other income and gains	5(b)	<b>17,607</b>	27,398
Administrative expenses		<b>(56,031)</b>	(42,214)
Finance costs	7	<b>(27,494)</b>	(12,667)
Share of profits and losses of:			
A joint venture		<b>150</b>	(19)
An associate		<b>—</b>	5
<b>PROFIT BEFORE TAX</b>	6	<b>205,322</b>	200,735
Income tax expense	10	<b>(53,615)</b>	(50,229)
<b>PROFIT FOR THE YEAR</b>		<b>151,707</b>	150,506
Profit for the year attributable to:			
Owners of the Parent		<b>151,707</b>	150,506
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(21,163)</b>	(5,325)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<b>(21,163)</b>	(5,325)
<b>OTHER COMPREHENSIVE LOSSES FOR THE YEAR, NET OF TAX</b>		<b>(21,163)</b>	(5,325)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>130,544</b>	145,181

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
<hr/>			
Total comprehensive income attributable to:			
Owners of the Parent		<b>130,544</b>	145,181
<hr/>			
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:</b>			
Basic			
— For profit for the year	<i>12</i>	<b>RMB0.05</b>	RMB0.05
<hr/>			
Diluted			
— For profit for the year	<i>12</i>	<b>RMB0.05</b>	RMB0.05
<hr/>			

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	20,443	20,751
Goodwill	14	1,916	1,916
Other intangible assets	15	24,646	25,960
Investment in a joint venture	16	5,456	5,306
Construction contracts	17	486,921	305,032
Deferred tax assets	25	6,948	4,903
<b>Total non-current assets</b>		<b>546,330</b>	363,868
<b>CURRENT ASSETS</b>			
Construction contracts	17	377,984	425,010
Trade receivables	18	691,464	281,270
Prepayments, deposits and other receivables	19	67,816	45,617
Cash and cash equivalents	20	127,860	257,367
<b>Total current assets</b>		<b>1,265,124</b>	1,009,264
<b>CURRENT LIABILITIES</b>			
Corporate bonds	21	277,422	248,908
Trade and bills payables	22	520,018	355,490
Other payables and accruals	23	106,793	96,053
Interest-bearing bank borrowings	24	127,758	28,925
Tax payable		121,301	82,927
<b>Total current liabilities</b>		<b>1,153,292</b>	812,303
<b>NET CURRENT ASSETS</b>		<b>111,832</b>	196,961
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>658,162</b>	560,829

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2016

	<i>Notes</i>	<b>31 December 2016 RMB'000</b>	31 December 2015 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	25	<b>6,145</b>	6,481
Total non-current liabilities		<b>6,145</b>	6,481
<b>NET ASSETS</b>			
<b>EQUITY</b>			
<b>Equity attributable to owners of the Parent</b>			
Share capital	26	<b>65,602</b>	65,602
Other reserves	27	<b>585,515</b>	487,846
		<b>651,117</b>	553,448
<b>Non-controlling interests</b>		<b>900</b>	900
<b>Total equity</b>		<b>652,017</b>	554,348

**Mr. Wu Zhengping**  
*Director*

**Ms. Xiao Li**  
*Director*



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Parent												
	Notes	Share	Share	Other	Exchange	Retained	Total	Non-	Total				
		capital	premium		option					fluctuation	profits	controlling	equity
		account	reserve		reserve					reserve	interests		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000					
<b>At 1 January 2015</b>		60,917	151,223	—	3,471	(753)	117,008	331,866	900	332,766			
Profit for the year		—	—	—	—	—	150,506	150,506	—	150,506			
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		—	—	—	—	(5,325)	—	(5,325)	—	(5,325)			
Total comprehensive income for the year		—	—	—	—	(5,325)	150,506	145,181	—	145,181			
Issue of shares	26	4,685	96,593	—	—	—	—	101,278	—	101,278			
Share issue expense		—	(500)	—	—	—	—	(500)	—	(500)			
Equity-settled share option arrangements	28	—	—	3,229	—	—	—	3,229	—	3,229			
Dividend declared		—	(27,606)	—	—	—	—	(27,606)	—	(27,606)			
<b>At 31 December 2015</b>		65,602	219,710*	3,229*	3,471*	(6,078)*	267,514*	553,448	900	554,348			

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2016

	Attributable to owners of the Parent									
	Note	Share	Share	Exchange			Retained	Non-	Total	
		capital	premium	option	Other	fluctuation				profits
RMB'000	RMB'000	RMB'000	RMB'000	reserve	reserve	RMB'000	Total	interests	equity	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>At 1 January 2016</b>		65,602	219,710	3,229	3,471	(6,078)	267,514	553,448	900	554,348
Profit for the year		—	—	—	—	—	151,707	151,707	—	151,707
Other comprehensive income for the year:										
Exchange differences related to foreign operations		—	—	—	—	(21,163)	—	(21,163)	—	(21,163)
Total comprehensive income for the year		—	—	—	—	(21,163)	151,707	130,544	—	130,544
Equity-settled share option arrangements	28	—	—	6,299	—	—	—	6,299	—	6,299
Dividend declared		—	(39,174)	—	—	—	—	(39,174)	—	(39,174)
<b>At 31 December 2016</b>		65,602	180,536*	9,528*	3,471*	(27,241)*	419,221*	651,117	900	652,017

\* These reserve accounts comprise the consolidated other reserves of RMB585,515,000 (2015: RMB487,846,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>205,322</b>	200,735
Adjustments for:			
Share of profits and losses of a joint venture and an associate		<b>(150)</b>	19
Depreciation of items of property, plant and equipment	6,13	<b>1,866</b>	1,365
Amortisation of other intangible assets	6,15	<b>1,314</b>	339
Impairment of trade receivables	6,18	<b>4,060</b>	1,716
Loss on disposal of an associate		—	407
Loss on disposal of items of property, plant and equipment	6	<b>22</b>	237
Finance costs	7	<b>27,494</b>	12,667
Equity-settled share option expense	6	<b>6,299</b>	3,229
		<b>246,227</b>	220,714
Increase in trade receivables		<b>(414,254)</b>	(68,155)
(Increase)/decrease in prepayments, deposits and other receivables		<b>(22,199)</b>	1,183
Increase in construction contracts		<b>(134,863)</b>	(405,103)
Increase in trade and bills payables		<b>164,528</b>	124,636
Increase in other payables and accruals		<b>12,233</b>	23,591
<b>Cash used in operations</b>		<b>(148,328)</b>	(103,134)
PRC tax paid		<b>(17,622)</b>	(17,652)
<b>Net cash flows used in operating activities</b>		<b>(165,950)</b>	(120,786)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		<b>(1,579)</b>	(11,959)
Proceeds from disposal of an associate		—	8,100
Acquisition of a subsidiary		—	(2,759)
<b>Net cash flows used in investing activities</b>		<b>(1,579)</b>	(6,618)

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		<b>217,456</b>	168,595
Repayment of bank loans		<b>(123,626)</b>	(240,952)
Proceeds from issue of corporate bonds		—	259,718
Proceeds from issue of shares		—	101,278
Share issue expense		—	(500)
Dividends paid		<b>(39,174)</b>	(27,606)
Interest paid		<b>(16,312)</b>	(17,559)
<b>Net cash flows from financing activities</b>		<b>38,344</b>	242,974
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(129,185)</b>	115,570
Cash and cash equivalents at beginning of year		<b>257,367</b>	143,919
Effect of foreign exchange rate changes, net		<b>(322)</b>	(2,122)
<b>Cash and cash equivalents at end of year</b>		<b>127,860</b>	257,367

# NOTES TO FINANCIAL STATEMENTS

31 December 2016

## 1. CORPORATE AND GROUP INFORMATION

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

The name of the Company has been changed from "Broad Greenstate International Company Limited" to "China Greenland Broad Greenstate Group Company Limited" since 11 October 2016.

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

In the opinion of the directors, the holding companies and the ultimate holding companies of the Company is Broad Landscape International Company Limited, which is incorporated in British Virgin Islands, at the end of the reporting period.

Particulars of the Company's principal subsidiaries 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		
				2015 direct	2015 indirect	2016 direct	2016 indirect	
Greenstate Times International Company Limited ("Greenstate Times")	British Virgin Islands	30 October 2013	USD50,000	100%	—	100%	—	Investment holding
Greenstate International Company Limited ("Greenstate International")	Hong Kong	12 November 2013	HKD10,000	—	100%	—	100%	Investment holding
Shanghai Qianyi Landscape Engineering Company Limited <sup>#</sup>	People's Republic of China (The "PRC")/ Mainland China	26 December 2013	USD37,000,000	—	100%	—	100%	Investment holding
Shanghai Qianyi Investing Company Limited <sup>#</sup>	PRC/Mainland China	20 May 2015	RMB2,000,000	—	100%	—	100%	Investment holding
Shanghai Greenstate Business Management Company Limited <sup>#^</sup> ("Greenstate Business")	PRC/Mainland China	15 June 2004	RMB32,000,000	—	100%	—	100%	Landscaping
Shanghai Broad Landscape Construction and Development Company Limited ("Broad Landscape") <sup>#</sup>	PRC/Mainland China	1 July 1999	RMB462,520,000	—	100%	—	100%	Landscaping
Shanghai Greenstate Gardening Company Limited ("Greenstate Gardening") <sup>#</sup>	PRC/Mainland China	17 September 2004	RMB5,000,000	—	100%	—	100%	Landscaping
Shanxi Broad Weiye Landscape Engineering Company Limited ("Shanxi Broad") <sup>#</sup>	PRC/Mainland China	11 September 2013	RMB2,000,000	—	55%	—	55%	Landscaping
Zhejiang Greenstate Ecological Gardening Company Limited ("Zhejiang Greenstate") <sup>#</sup>	PRC/Mainland China	14 April 2015	RMB30,000,000	—	100%	—	100%	Landscaping

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

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
				2015		2016		
				direct	indirect	direct	indirect	
Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. ("Shanghai Dongjiang") <sup>†</sup>	PRC/Mainland China	26 March 2010	RMB13,000,000	—	100%	—	100%	Design
Shanghai Dongjiang Building Landscape Engineering Co., Ltd. ("Dongjiang Landscape") <sup>#</sup>	PRC/Mainland China	25 May 2010	RMB10,000,000	—	100%	—	100%	Landscaping
Shanghai Bifu Investment Center LLP <sup>#</sup>	PRC/Mainland China	31 December 2015	RMB190,000,001	—	—	—	100%	Investment holding
Yuzhou Shenhui Old Town Protection Construction Co., Ltd. <sup>#</sup>	PRC/Mainland China	12 May 2016	RMB50,000,000	—	—	—	90%	Project management

\* *Shanxi Broad was incorporated as a non-wholly-owned subsidiary of Broad Landscape and accordingly, is accounted for as a subsidiary by virtue of Broad Landscape's control over it.*

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

^ *Since 31 August 2016, the name of this subsidiary has been changed from "Shanghai Greenstate Landscape Properties Company Limited" to "Shanghai Greenstate Business Management Company Limited".*

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

## 2.1 BASIS OF PREPARATION

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

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

## 2.1 BASIS OF PREPARATION (CONTINUED)

### Basis of consolidation (Continued)

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts</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>
<i>Annual Improvements 2012–2014 Cycle</i>	<i>Amendments to a number of HKFRSs</i>

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>2</sup>
Amendments to HKFRS 4 HKFRS 9	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>2</sup> <i>Financial Instruments</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
Amendments to HKFRS 15 HKFRS 16	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>2</sup> <i>Leases</i> <sup>3</sup>
Amendments to HKAS 7	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.



## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Investments in associates and joint ventures

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

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments in associates and joint ventures (Continued)

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

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

### Business combinations and goodwill

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Business combinations and goodwill (Continued)**

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

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

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

#### **Fair value measurement**

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair value measurement (Continued)

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### Impairment of non-financial assets

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

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment and depreciation

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

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

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

Buildings	5%
Furniture and fixtures	19% to 32%
Motor vehicles	10% to 32%
Machinery	12% to 32%
Leasehold improvements	Over the shorter of the lease terms and 20%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

#### Licences

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

#### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

#### Investments and other financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

##### Subsequent measurement

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

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in administrative expenses for receivables.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Impairment of financial assets (Continued)**

##### **Financial assets carried at amortised cost (Continued)**

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

##### **Assets carried at cost**

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial liabilities

#### Initial recognition and measurement

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

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

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

#### Subsequent measurement

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

#### Loans and borrowings

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

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

#### Derecognition of financial liabilities

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

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

#### Offsetting of financial instruments

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Cash and cash equivalents

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

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

#### Provisions

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

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

#### Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax (Continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” below;
- (b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders’ right to receive payment has been established.

#### Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

### Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

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

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Share-based payments (Continued)

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

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

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

#### Other employee benefits

##### Pension scheme

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

#### Borrowing costs

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

#### Dividends

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### Judgements

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

#### Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB6,948,000 as at 31 December 2016 (2015: RMB4,903,000) (note 25).

#### Estimation uncertainty

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

#### Percentage of completion of construction contract works

The Group recognises revenue according to the percentage of completion of individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, which are prepared based on past experience, complexity of the project and current quotation or market price of materials or service obtained. Due to the nature of the activities undertaken for the construction contracts, the date at which the contract is entered into and the date at which the contract is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract costs are more than expected, the gross profit of the relevant project will be fluctuated and an expected loss may arise. Further details are given in notes 5 and 17 to the financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Estimation uncertainty (Continued)

##### Impairment of trade receivables

The provision policy for impairment of receivables of the Group is based on ongoing assessment of the recoverability and the aged analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness with reference to the age of the balance, location of counterparties, existence of disputes and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. At 31 December 2016, impairment provision for receivables amounted to approximately RMB12,881,000 (2015: RMB8,821,000). Further details are given in note 18 to the financial statements.

##### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was RMB1,916,000 (2015: RMB1,916,000). Further details are given in note 14.

##### Impairment of non-financial assets (other than goodwill)

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

##### Useful lives of property, plant and equipment and other intangible assets

The Group's management determines the estimated useful lives and the related depreciation and amortisation charge for the Group's property, plant and equipment and other intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment or intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and therefore depreciation and amortisation charge in the future periods.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 4. OPERATING SEGMENT INFORMATION

The Group's principal business is providing landscape design and gardening and related services. 100% of the Group's revenue and operating profit were generated from providing the service of 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 HKFRS 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.

### 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 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
	<b>724,805</b>	622,693

**5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)****(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)	—
	<b>17,607</b>	27,398

\* 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.

**6. PROFIT BEFORE TAX**

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

	Notes	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 8)			
Wages and salaries		12,008	11,551
Equity-settled share option expense		6,299	3,229
Pension scheme contributions		6,651	5,278
		<b>24,958</b>	20,058
Depreciation	13	1,866	1,365
Amortisation of other intangible assets <sup>^</sup>	15	1,314	339
Impairment of trade receivables	18	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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 7. FINANCE COSTS

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

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

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, further details of which are set out in note 28 to the financial statements. 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.

**8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)**

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

Name of director and senior management	Fees	Salaries	Pension scheme contributions	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2016					
Executive directors					
Mr. Wu Zhengping	—	960	90	1,919	2,969
Ms. Xiao Li	—	960	90	1,439	2,489
Mr. Wang Lei	—	600	90	320	1,010
Ms. Zhu Wen	—	600	90	320	1,010
Non-executive directors					
Mr. Dai Guoqiang	80	—	—	—	80
Mr. Zhang Qing	80	—	—	—	80
Dr. Jin Hexian	80	—	—	—	80
Senior management					
Mr. Zhang Yihua	—	600	90	864	1,554
Total	240	3,720	450	4,862	9,272

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (CONTINUED)

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

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

Notes:

(a) Appointed on 3 January 2014

(b) Appointed on 25 June 2014

(c) Appointed on 29 August 2014

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

(e) Appointed on 31 August 2015

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four executive directors and the chief financial officer (2015: four executive directors and the chief financial officer), details of whose remuneration are set out in note 8 above.



**10. INCOME TAX**

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

	2016 RMB'000	2015 RMB'000
Current – PRC		
Charge for the year	55,996	50,567
Deferred tax ( <i>note 25</i> )	(2,381)	(338)
Total tax charge for the year	53,615	50,229

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

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

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 RMB'000
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	1,171	1,110
Tax charge at the Group's effective rate	53,615	50,229

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 11. DIVIDENDS

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

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Parent, and the weighted average number of ordinary shares of 3,306,616,000 (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.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Parent, used in the basic and diluted earnings per share calculations	<b>151,707</b>	150,506
	Number of shares 2016	2015
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>3,306,616,000</b>	3,191,318,684
Effect of dilution — weighted average number of ordinary shares: Share options	<b>10,007,092</b>	3,198,831
	<b>3,316,623,092</b>	3,194,517,515
Basic earnings per share (RMB)	<b>0.05</b>	0.05
Diluted earnings per share (RMB)	<b>0.05</b>	0.05

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 13. PROPERTY, PLANT AND EQUIPMENT

31 December 2016

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improve- ments RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2015 and at 1 January 2016:							
Cost	12,811	2,565	10,156	200	500	539	26,771
Accumulated depreciation and impairment	(934)	(1,892)	(3,012)	(182)	—	—	(6,020)
Net carrying amount	11,877	673	7,144	18	500	539	20,751
At 1 January 2016, net of accumulated depreciation and impairment	11,877	673	7,144	18	500	539	20,751
Additions	—	411	357	—	467	345	1,580
Disposal	—	(1)	(21)	—	—	—	(22)
Depreciation provided for the year (note 6)	(609)	(367)	(779)	(11)	(100)	—	(1,866)
At 31 December 2016, net of accumulated depreciation and impairment	11,268	716	6,701	7	867	884	20,443
At 31 December 2016:							
Cost	12,811	2,843	9,903	200	967	884	27,608
Accumulated depreciation and impairment	(1,543)	(2,127)	(3,202)	(193)	(100)	—	(7,165)
Net carrying amount	11,268	716	6,701	7	867	884	20,443

At 31 December 2016, certain of the Group's building with a net carrying amount of approximately RMB7,684,000 (2015: RMB8,357,000) was pledged to secure bank loans granted to the Group.

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

## 31 December 2015

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improve- ments RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2014 and at 1 January 2015:							
Cost	9,235	2,342	3,201	200	—	—	14,978
Accumulated depreciation and impairment	(439)	(1,569)	(2,476)	(171)	—	—	(4,655)
Net carrying amount	8,796	773	725	29	—	—	10,323
At 1 January 2015, net of accumulated depreciation and impairment	8,796	773	725	29	—	—	10,323
Additions	3,576	389	6,955	—	500	539	11,959
Acquisition of a subsidiary	—	71	—	—	—	—	71
Disposal	—	(237)	—	—	—	—	(237)
Depreciation provided for the year (note 6)	(495)	(323)	(536)	(11)	—	—	(1,365)
At 31 December 2015, net of accumulated depreciation and impairment	11,877	673	7,144	18	500	539	20,751
At 31 December 2015:							
Cost	12,811	2,565	10,156	200	500	539	26,771
Accumulated depreciation and impairment	(934)	(1,892)	(3,012)	(182)	—	—	(6,020)
Net carrying amount	11,877	673	7,144	18	500	539	20,751

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 14. GOODWILL

RMB'000

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**At 31 December 2016 and 31 December 2015**

Cost and net carrying amount	1,916
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#### Impairment testing of goodwill

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

The recoverable amount of the Unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projection was 16% (2015:16%) and cash flows beyond the five-year period were extrapolated using a growth rate of 5% which was the same as the long term average growth rate of the industry.

Assumptions were used in the value in use calculation of the Unit for 31 December 2016 and 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

**15. OTHER INTANGIBLE ASSETS**

	<b>Licences</b>
	RMB'000
<b>31 December 2016</b>	
Cost at 1 January 2016, net of accumulated amortisation	25,960
Amortisation provided during the year (note 6)	(1,314)
At 31 December 2016	24,646
At 31 December 2016:	
Cost	27,443
Accumulated amortisation	(2,797)
Net carrying amount	24,646
<b>31 December 2015</b>	
Cost at 1 January 2015, net of accumulated amortisation	5,546
Acquisition of a subsidiary	20,753
Amortisation provided during the year (note 6)	(339)
At 31 December 2015	25,960
At 31 December 2015:	
Cost	27,443
Accumulated amortisation	(1,483)
Net carrying amount	25,960

The licenses represent the urban landscape construction enterprises qualification certificate of Grade One issued by Ministry of Housing and Urban-rural development PRC, the scenery landscape design qualification certificate of Grade Two, issued by Shanghai Urban Construction and Communications Commission, and design qualification for construction engineering professional design of Grade One, issued by Ministry of Housing and Urban-rural development PRC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 16. INVESTMENT IN A JOINT VENTURE

	2016 RMB'000	2015 RMB'000
Share of net assets	5,456	5,306

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
Shanghai City Investment Virescence Technology Development Company Limited ("Shanghai City")	RMB36,000,000	PRC/ Mainland China	15%	15%	15%	Landscaping

The above investment is directly held by Greenstate Business, which is a wholly-owned subsidiary of the Company.

Shanghai City is considered a material joint venture of the Group in Mainland China and is accounted for using the equity method.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 16. INVESTMENT IN A JOINT VENTURE (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents	2,172	9,477
Other current assets	37,669	28,130
Current assets	39,841	37,607
Non-current assets	34	95
Current liabilities	(3,499)	(2,326)
Net assets	36,376	35,376
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	15%	15%
Group's share of net assets of the joint venture	5,456	5,306
Carrying amount of the investment	5,456	5,306
Revenue	3,075	7,351
Depreciation and amortisation	(132)	(132)
Profit/(loss) for the year and total comprehensive income/(loss) for the year	1,000	(123)

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 17. CONSTRUCTION CONTRACTS

	2016 RMB'000	2015 RMB'000
Gross amount due from contract customers		
Current	<b>377,984</b>	425,010
Non-current	<b>486,921</b>	305,032
	<b>864,905</b>	730,042
Contract costs incurred plus recognised profits less recognised losses to date	<b>1,443,330</b>	1,110,347
Less: Progress billings	<b>(578,425)</b>	(380,305)
	<b>864,905</b>	730,042

### 18. TRADE RECEIVABLES

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

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.

**18. TRADE RECEIVABLES (CONTINUED)**

An ageing 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
	<b>691,464</b>	281,270

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 6</i> )	4,060	1,716
Acquisition of a subsidiary	—	2,191
	<b>12,881</b>	8,821

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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments	8,101	13,469
Deposits and other receivables	59,715	32,148
	<b>67,816</b>	45,617

Net of prepayments, deposits and other receivables is a provision of RMB36,000 (2015: RMB36,000).

The provision for impairment of prepayments, deposits and other receivables is as follows:

	2016 RMB'000	2015 RMB'000
At 31 December	<b>36</b>	36

Included in the provision for impairment of prepayments, deposits and other receivables is a provision for individually impaired receivables of RMB36,000 (2015: RMB36,000) with a carrying amount before provision of RMB36,000 (2015: RMB36,000). The individually impaired receivables relate to a portion of receivables that were not expected to be recovered.

**20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

	2016 RMB'000	2015 RMB'000
Cash and bank balances	<b>127,860</b>	257,367

The Group's cash and cash equivalents at the end of reporting period were denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	<b>125,499</b>	251,905
USD	<b>2,185</b>	2,182
HKD	<b>176</b>	3,280
	<b>127,860</b>	257,367

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

**21. CORPORATE BONDS**

	2016 RMB'000	2015 RMB'000
Current corporate bonds	<b>277,422</b>	248,908

On 15 October 2015, the Company issued corporate bonds to Greenland Financial with a face value of USD40,000,000. The bonds are guaranteed by 100% of the shares of Greenstate Times and Greenstate International held by the Company directly and indirectly. On 11 October 2016, the Company extended the term of the bonds, where the maturity date of the bonds will fall one calendar year after 15 October 2016 on 15 October 2017.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 21. CORPORATE BONDS (CONTINUED)

The estimated fair value of the bonds was approximately RMB281,581,000 (2015: RMB262,721,000). The fair value is calculated based on discounted cash flows using applicable discount rates from the prevailing market interest rates offered to the Group for debts with substantially the same characteristics and maturity dates. The discount rate used was approximately 4.35% per annum (2015: 4.5%).

### 22. TRADE AND BILLS PAYABLES

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

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

The trade payables are non-interest-bearing.

### 23. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Other tax payable	53,238	52,094
Other payables	38,785	27,902
Deposits from sub-contractors	5,886	6,749
Staff payroll and welfare payables	4,231	3,819
Interest payable	4,653	5,489
	<b>106,793</b>	96,053

Other payables are non-interest-bearing and are normally settled on terms of three months.

**24. INTEREST-BEARING BANK BORROWINGS**

		2016			2015		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>							
Bank loans — secured	(i)	3.25–4.57	2017	127,758	3.00	2016	28,925

- (i) Certain of the Group's bank loans are secured by:
- the share charge over the 330,000,000 shares of the Company held by the holding companies and the ultimate holding companies; and
  - mortgage over the Group's building situated in Shanghai, which had an aggregate carrying value at the end of the year of RMB7,684,000.
- (ii) Except for the 32.4% secured bank loans which are dominated in HKD, all borrowings are denominated in RMB.

**25. DEFERRED TAX**

The movements in deferred tax assets and liabilities during the year are as follows:

**Deferred tax assets:**

	Payroll RMB'000	Losses available for offsetting against future taxable profits RMB'000	Other temporary differences RMB'000	Total RMB'000
<b>2016</b>				
At 1 January 2016	—	3,237	1,666	4,903
Deferred tax credited to profit or loss during the year ( <i>note 10</i> )	—	974	1,071	2,045
At 31 December 2016	—	4,211	2,737	6,948
<b>2015</b>				
At 1 January 2015	50	1,512	1,363	2,925
Acquisition of a subsidiary	—	1,725	—	1,725
Deferred tax (charged)/credited to profit or loss during the year ( <i>note 10</i> )	(50)	—	303	253
At 31 December 2015	—	3,237	1,666	4,903

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 25. DEFERRED TAX (CONTINUED)

#### Deferred tax liabilities:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000
<b>2016</b>	
At 1 January 2016	6,481
Deferred tax credited to profit or loss during the year ( <i>note 10</i> )	(336)
At 31 December 2016	6,145
<b>2015</b>	
At 1 January 2015	1,378
Acquisition of a subsidiary	5,188
Deferred tax credited to profit or loss during the year ( <i>note 10</i> )	(85)
At 31 December 2015	6,481

Deferred tax assets have not been recognised in respect of tax losses of RMB2,104,000 as at 31 December 2016 (2015: RMB212,000), as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint venture established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint venture in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB564,481,000 (2015: RMB374,930,000).



**26. SHARE CAPITAL****Shares**

	2016 RMB'000	2015 RMB'000
Issued and fully paid:		
3,306,616,000 (2015: 3,306,616,000) ordinary shares of HK\$0.025 each	<b>65,602</b>	65,602

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 31 December 2014 and 1 January 2015	767,214,000	60,917	151,223	212,140
Issue of shares	59,440,000	4,685	96,593	101,278
Share issue expense	—	—	(500)	(500)
Dividend declared	—	—	(27,606)	(27,606)
Subdivision of shares	2,479,962,000	—	—	—
At 31 December 2015 and 1 January 2016	3,306,616,000	65,602	219,710	285,312
Dividend declared	—	—	(39,174)	(39,174)
At 31 December 2016	3,306,616,000	65,602	180,536	246,138

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 71 to 72 of the financial statements.

### 28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme became effective on 1 September 2015 and, unless otherwise cancelled or amended, will remain in force for 6 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 3.41% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within one month from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one year and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

**28. SHARE OPTION SCHEME (CONTINUED)**

The following share options were outstanding under the Scheme during the year:

	2016	
	Weighted average exercise price HK\$	Number of options '000
At 1 January 2016	1.24	109,750
Forfeited during the year	1.24	(6,000)
At 31 December 2016	1.24	103,750

No share options were exercised during the year.

	2015	
	Weighted average exercise price HK\$	Number of options '000
At 1 January 2015	—	—
Granted during the year	1.24	112,750
Forfeited during the year	1.24	(3,000)
At 31 December 2015	1.24	109,750

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 28. SHARE OPTION SCHEME (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

#### 2016

	Number of options '000	Exercise price* HK\$ per share	Exercised period
	20,750	1.24	1-9-2017 to 31-8-2018
	20,750	1.24	1-9-2018 to 31-8-2019
	31,125	1.24	1-9-2019 to 31-8-2020
	31,125	1.24	1-9-2020 to 31-8-2021
	<b>103,750</b>		

#### 2015

	Number of options '000	Exercise price* HK\$ per share	Exercised period
	21,950	1.24	1-9-2017 to 31-8-2018
	21,950	1.24	1-9-2018 to 31-8-2019
	32,925	1.24	1-9-2019 to 31-8-2020
	32,925	1.24	1-9-2020 to 31-8-2021
	<b>109,750</b>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

**28. SHARE OPTION SCHEME (CONTINUED)**

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2016	2015
Dividend yield (%)	<b>0.945</b>	0.945
Expected volatility (%)	<b>39.29</b>	39.29
Risk-free interest rate (%)	<b>1.25</b>	1.25
Expected life of options (year)	<b>2</b>	2
Weighted average share price (HK\$ per share)	<b>1.24</b>	1.24

The expected life of the options is based on the historical data over the past two years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 103,750,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 103,750,000 additional ordinary shares of the Company and additional share capital of HK\$2,593,750 (2015: HK\$2,743,750) (before issue expenses).

Subsequent to the end of the reporting period, on 21 March 2017, a total of 20,750,000 share options were lapsed.

At the date of approval of these financial statements, the Company had 83,000,000 share options outstanding under the Scheme, which represented approximately 2.51% of the Company's shares in issue as at that date.

**29. OPERATING LEASE ARRANGEMENTS****As lessee**

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2016 RMB'000	2015 RMB'000
Within one year	<b>1,258</b>	731
In the second to fifth years, inclusive	<b>2,612</b>	808
After five years	<b>3,466</b>	60
	<b>7,336</b>	1,599

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 30. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transaction with related parties during the year:

	2016 RMB'000	2015 RMB'000
Leases of office from Mr. Wu Zhengping and Ms. Xiao Li	800	800

- (b) Other transactions with related parties:

- (i) During the year, Greenstate Gardening used office premises free of charge with a gross floor area of 100 sq. m. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, the PRC, which were owned by Mr. Wu Jie, a close family member of Mr. Wu Zhengping's family.
- (ii) On 11 October 2016, the Company extended the term of the corporate bonds issued to Greenland Financial, further details of which are given in note 21. The interest on corporate bonds to Greenland Financial for the year ended 31 December 2016 is RMB23,448,000. (2015: RMB5,494,000)
- (iii) The Company's holding companies and ultimate holding companies have charged certain shares to secure the bank loan. Further details are given in note 24.

- (c) Compensation of key management personnel of the Group

	2016 RMB'000	2015 RMB'000
Salaries	3,720	3,986
Pension scheme contributions	450	392
Equity-settled share option expense	4,862	2,236
	<b>9,032</b>	6,614

**31. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**31 December 2016****Financial assets**

	<b>Loans and receivables RMB'000</b>
Trade receivables	<b>691,464</b>
Financial assets included in prepayments, deposits and other receivables	<b>59,715</b>
Cash and cash equivalents	<b>127,860</b>
	<b>879,039</b>

**Financial liabilities**

	<b>Financial liabilities at amortised cost RMB'000</b>
Corporate bonds	<b>277,422</b>
Trade and bills payables	<b>520,018</b>
Financial liabilities included in other payables and accruals	<b>49,324</b>
Interest-bearing bank borrowings	<b>127,758</b>
	<b>974,522</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 31. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2015

#### Financial assets

	Loans and receivables RMB'000
Trade receivables	281,270
Financial assets included in prepayments, deposits and other receivables	32,148
Cash and cash equivalents	257,367
	570,785

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Corporate bonds	248,908
Trade and bills payables	355,490
Financial liabilities included in other payables and accruals	40,140
Interest-bearing bank borrowings	28,925
	673,463

### 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, available-for-sale investment, trade receivables, financial assets included in prepayments, deposits and other receivables, corporate bonds, trade and bills payables, interest-bearing bank borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of these financial instruments have been calculated by discounting the expected future cash flows at prevailing interest rates.

As at 31 December 2016, the Group did not hold any assets or liabilities measured at fair value (2015: no assets or liabilities measured at fair value).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.



### 33. COMMITMENTS

At the end of the year, the Group did not have any material commitments.

### 34. CONTINGENT LIABILITIES

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

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has cash and cash equivalents, and interest-bearing bank borrowings to raise fund for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with interest at floating rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000	(Decrease)/ increase in equity* RMB'000
<b>2016</b>			
RMB	15	(691)	(518)
RMB	(15)	691	518
<b>2015</b>			
RMB	15	(100)	(75)
RMB	(15)	100	75

\* Excluding retained profits

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. As nearly all of the Group's assets and liabilities were denominated in RMB, the Group was not subject to significant foreign currency risk as at 31 December 2016. As at 31 December 2016, the Group's assets and liabilities denominated in USD and HKD were mainly held by the Company and a subsidiary incorporated outside Mainland China which had HKD and PRC as their functional currencies. The Company and the subsidiary incorporated outside Mainland China also held company bonds denominated in USD and interest-bearing bank borrowings in HKD, from which foreign currency exposure arises.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
<b>2016</b>			
If HKD weakens against USD	1	3,175	2,381
If HKD strengthens against USD	(1)	(3,175)	(2,381)
If RMB weakens against HKD	1	412	(309)
If RMB strengthens against HKD	(1)	(412)	309

\* Excluding retained profits

#### Credit risk

The Group's trade receivables are concentrated to government authorities. The carrying amounts of cash and cash equivalents, and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at the end of the reporting period, all cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	31 December 2016					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Corporate bonds	—	—	302,454	—	—	302,454
Interest-bearing bank borrowings	—	—	129,528	—	—	129,528
Trade and bills payables	520,019	—	—	—	—	520,019
Other payables	106,793	—	—	—	—	106,793
	<b>626,812</b>	<b>—</b>	<b>431,982</b>	<b>—</b>	<b>—</b>	<b>1,058,794</b>

	31 December 2015					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Corporate bonds	—	—	271,473	—	—	271,473
Interest-bearing bank borrowings	—	216	28,994	—	—	29,210
Trade and bills payables	355,490	—	—	—	—	355,490
Other payables	40,140	—	—	—	—	40,140
	<b>395,630</b>	<b>216</b>	<b>300,467</b>	<b>—</b>	<b>—</b>	<b>696,313</b>

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Capital management (Continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank borrowings, corporate bonds, trade and bills payables, other payables and accruals, less cash and cash equivalents. The gearing ratios as at the end of the reporting period were as follows:

	2016 RMB'000	2015 RMB'000
Interest-bearing bank borrowings	127,758	28,925
Corporate bonds	277,422	248,908
Trade and bills payables	520,018	355,490
Other payables and accruals	106,793	40,140
Less: Cash and cash equivalents	127,860	257,367
Net debt	904,131	416,096
Equity	652,017	554,348
Capital and net debt	1,556,148	970,444
Gearing ratio	58%	43%

### 36. EVENTS AFTER THE REPORTING PERIOD

On 30 November 2016, the Company entered into a share purchase agreement to acquire the 100% share capital in National Landscape at the consideration of RMB38,085,836, which shall be satisfied by the allotment and issue of 35,920,957 shares. On the same date, Greenstate Business entered into another share purchase agreement to acquire 20% equity interest in Jiangnan Garden Construction at the consideration of RMB19,042,918, which shall be satisfied by cash. The ordinary resolutions of the above transactions was passed by the Shareholders on 17 January 2017. On 15 February 2017, both transactions have been completed. After completion of the acquisitions, the Group indirectly holds 60% equity interest in Jiangnan Garden Construction. Because purchase price allocation and the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. It is not practicable to disclose further details about the acquisition.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

## 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2016 RMB'000	31 December 2015 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2	3
Investments in subsidiaries	562,902	562,902
Total non-current assets	562,904	562,905
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	—	31,326
Cash and cash equivalents	4,821	3,276
Total current assets	4,821	34,602
<b>CURRENT LIABILITIES</b>		
Corporate bonds	277,422	248,908
Interest-bearing bank borrowings	41,409	28,925
Other payables and accruals	42,814	21,072
Total current liabilities	361,645	298,905
<b>NET CURRENT LIABILITIES</b>	<b>(356,824)</b>	<b>(264,303)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>206,080</b>	<b>298,602</b>
<b>NET ASSETS</b>	<b>206,080</b>	<b>298,602</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	65,602	65,602
Other reserves ( <i>note</i> )	140,478	233,000
<b>Total equity</b>	<b>206,080</b>	<b>298,602</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2016

### 37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	<b>Share premium account</b> RMB'000	<b>Share option reserve</b> RMB'000	<b>Other reserve</b> RMB'000	<b>Exchange fluctuation reserve</b> RMB'000	<b>Retained profits</b> RMB'000	<b>Total</b> RMB'000
<b>At 1 January 2015</b>	151,223	—	3,471	(1,381)	517	153,830
Total comprehensive income for the year	—	—	—	17,639	(10,185)	7,454
Equity-settled share option arrangement	—	3,229	—	—	—	3,229
Issue of shares	96,593	—	—	—	—	96,593
Share issue expense	(500)	—	—	—	—	(500)
Dividend declared	(27,606)	—	—	—	—	(27,606)
<b>At 31 December 2015 and 1 January 2016</b>	219,710	3,229	3,471	16,258	(9,668)	233,000
Total comprehensive income for the year	—	—	—	(21,164)	(38,483)	(59,647)
Equity-settled share option arrangement	—	6,299	—	—	—	6,299
Dividend declared	(39,174)	—	—	—	—	(39,174)
At 31 December 2016	<b>180,536</b>	<b>9,528</b>	<b>3,471</b>	<b>(4,906)</b>	<b>(48,151)</b>	<b>140,478</b>

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

### 38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2017.

## DEFINITIONS

“Articles of Association”	the articles of association of the Company conditionally adopted on 25 June 2014 and became unconditionally effective on the Listing Date and as amended from time to time
“associates”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the Board of directors of the Company
“Broad Landscape”	Shanghai Broad Landscape Construction and Development Company Limited* (上海博大園林建設發展有限公司), a company established in the PRC with limited liability on 1 July 1999, which is a wholly-owned subsidiary of Shanghai Qianyi and an indirect wholly-owned subsidiary of our Company
“Broad Landscape International”	Broad Landscape International Company Limited (博大國際有限公司), a company incorporated in BVI on 8 October 2013 and is owned as to 86.92% by Mr. Wu Zhengping (吳正平) and 13.08% by Ms. Xiao Li (肖莉)
“BVI”	the British Virgin Islands
“CG Code”	Corporate Governance Code as amended from time to time contained in Appendix 14 to the Listing Rules
“China” or the “PRC”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”, “Parent”, “we”, “us” or “our”	China Greenland Broad Greenstate Group Company Limited (中國綠地博大綠澤集團有限公司), a company incorporated in the Cayman Islands on 22 October 2013
“Company Charged Shares”	100,000 ordinary shares of Greenstate Times, representing the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under the Company Share Charge
“Company Share Charge”	the charge of all rights, entitlements, interests and benefits in the Company Charged Shares and all derived interests to be made by the Company in favor of Greenland Financial on the closing date of the issue of the Notes as security for all sums due and payable to the holders of the Notes under the Note Purchase Agreement and the other transaction documents relating to the transactions contemplated thereunder
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules

## DEFINITIONS (CONTINUED)

“Deed of Novation”	the deed of novation entered into on 11 September 2015 between the Company, Greenland Leasing and Greenland Financial, pursuant to which Greenland Leasing shall novate all its rights, obligations and liabilities under the Note Purchase Agreement to Greenland Financial
“Directors”	director(s) of the Company
“Eastern Greenstate International”	Eastern Greenstate International Company Limited (綠澤東方國際有限公司), a company incorporated in BVI on 9 October 2013, which is owned as to 5.62% by Mr. Wang Lei (王磊), 2.81% by Ms. Zhu Wen (朱雯), and 81.77% by other parties
“Greenland”	Greenland Holdings Group Corporation Limited (綠地控股集團股份有限公司), a company incorporated under the laws of the PRC
“Greenland Financial”	Greenland Financial Overseas Investment Group Co., Ltd. (綠地金融海外投資集團有限公司), a company incorporated under the laws of the BVI, an indirectly wholly-owned subsidiary of Greenland
“Greenstate Gardening”	Shanghai Greenstate Gardening Company Limited* (上海綠澤園藝有限公司), a company established in the PRC with limited liability on 17 September 2004, which is a wholly-owned subsidiary of Shanghai Qianyi
“Greenstate International”	Greenstate International Company Limited (綠澤國際有限公司), a company incorporated in Hong Kong with limited liability on 12 November 2013 and a wholly-owned subsidiary of the Company
“Greenland Leasing”	Greenland Financial Leasing Co., Ltd. 綠地融資租賃有限公司, a company incorporated under the laws of the PRC, an indirectly wholly-owned subsidiary of Greenland
“Greenstate Business”	Shanghai Greenstate Business Management Company Limited* (上海綠澤商業管理有限公司), formerly known as Shanghai Greenstate Landscape Properties Company Limited* (上海綠澤景觀置業有限公司), a company established in the PRC with limited liability on 15 June 2004, which is a wholly-owned subsidiary of Shanghai Qianyi and an indirect wholly-owned subsidiary of the Company
“Greenstate Times”	Greenstate Times International Company Limited (綠澤時代國際有限公司), a company incorporated in BVI on 30 October 2013 and a wholly-owned subsidiary of the Company
“Greenstate Times Charged Shares”	10,000 ordinary shares of Greenstate International, representing the entire issued share capital of Greenstate International, legally and beneficially held by Greenstate Times as at the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under a share charge to be made by Greenstate Times



## DEFINITIONS (CONTINUED)

“Greenstate Times Share Charge”	the charge of all rights, entitlements, interests and benefits in the Greenstate Times Charged Shares and all derived interests to be made by Greenstate Times in favor of Greenland Financial on the closing date of the issue of the Notes as security for all sums due and payable to the holders of the Notes under the Note Purchase Agreement and the other transaction documents relating to the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	a person(s) or company(ies) who/which is or are independent of and not connected (within the meaning of the Listing Rules) with the Company and our connected persons
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	21 July 2014, the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Non-competition Deed”	a deed of non-competition dated 25 June 2014 executed by the Controlling Shareholders and the Company
“Note Purchase Agreement”	the note purchase agreement entered into on 20 August 2015 between the Company and Greenland Leasing (subsequently novated to Greenland Financial pursuant to the Deed of Novation), pursuant to which the Company conditionally agreed to issue and sell, and Greenland Leasing (subsequently novated to Greenland Financial pursuant to the Deed of Novation) conditionally agreed to purchase a redeemable fixed coupon promissory note due 2016 with a principal amount of US\$40,000,000 (equivalent to approximately RMB258.4 million based on the conversion rate of US\$1 to RMB6.46) at the rate of 9.00% per annum
“Notes”	the redeemable fixed coupon promissory note due 2016 with a principal amount of US\$40,000,000 (equivalent to approximately RMB258.4 million based on the conversion rate of US\$1 to RMB6.46) at the rate of 9.00% per annum issued pursuant to the terms and conditions of the Note Purchase Agreement

## DEFINITIONS (CONTINUED)

“Prospectus”	the prospectus of the Company dated 30 June 2014 issued in connection with the initial public offering and listing of shares of the Company on the main board of Stock Exchange on 21 July 2014
“Remuneration Committee”	the remuneration committee of the Company
“Renminbi” or “RMB”	the lawful currency of China
“Reporting Period”	the year ended 31 December 2016
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai City”	Shanghai City Investment Virescence Technology and Development Company Limited* (上海城投綠化科技發展有限公司), a company established in the PRC with limited liability on 10 March 1994, which is owned as to 15% by Greenstate Business, 75% by Shanghai City Construction Investment and Development Corporation (上海市城市建設投資開發總公司) (an Independent Third Party) and 10% by Shanghai Landscape Scientific Research Institute (上海市園林科學研究所) (an Independent Third Party)
“Shanghai Qianyi”	Shanghai Qianyi Landscape Engineering Company Limited* (上海千頤景觀工程有限公司), a wholly foreign owned enterprise established in the PRC with limited liability on 26 December 2013, and an indirect wholly-owned subsidiary of the Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 25 June 2014 which became unconditionally effective on the Listing Date, the principal terms of which are summarised in the subsection headed “Share Option Scheme — Summary of terms” in Appendix V to the Prospectus
“Shareholders”	holder(s) of our Share(s) from time to time
“Shares”	ordinary shares of HK\$0.025 each in the share capital of the Company
“Share Charges”	the Company Share Charge and the Greenstate Times Share Charge
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supplemental Prospectus”	the supplemental prospectus of the Company dated 14 July 2014

In this annual report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “\*” is for identification purpose only.