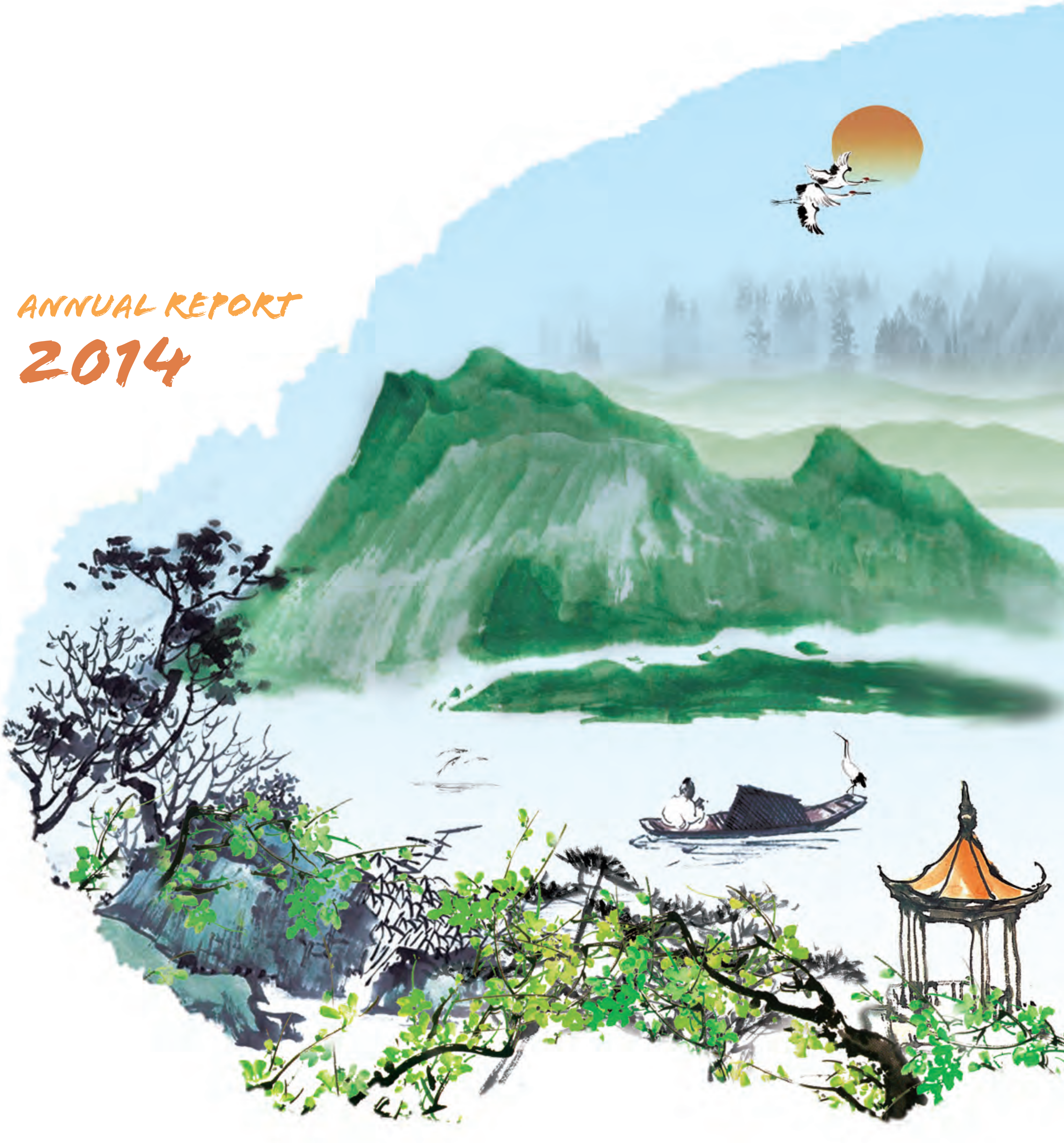
Broad Greenstate International Company Limited
博大綠澤國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1253

ANNUAL REPORT 2014



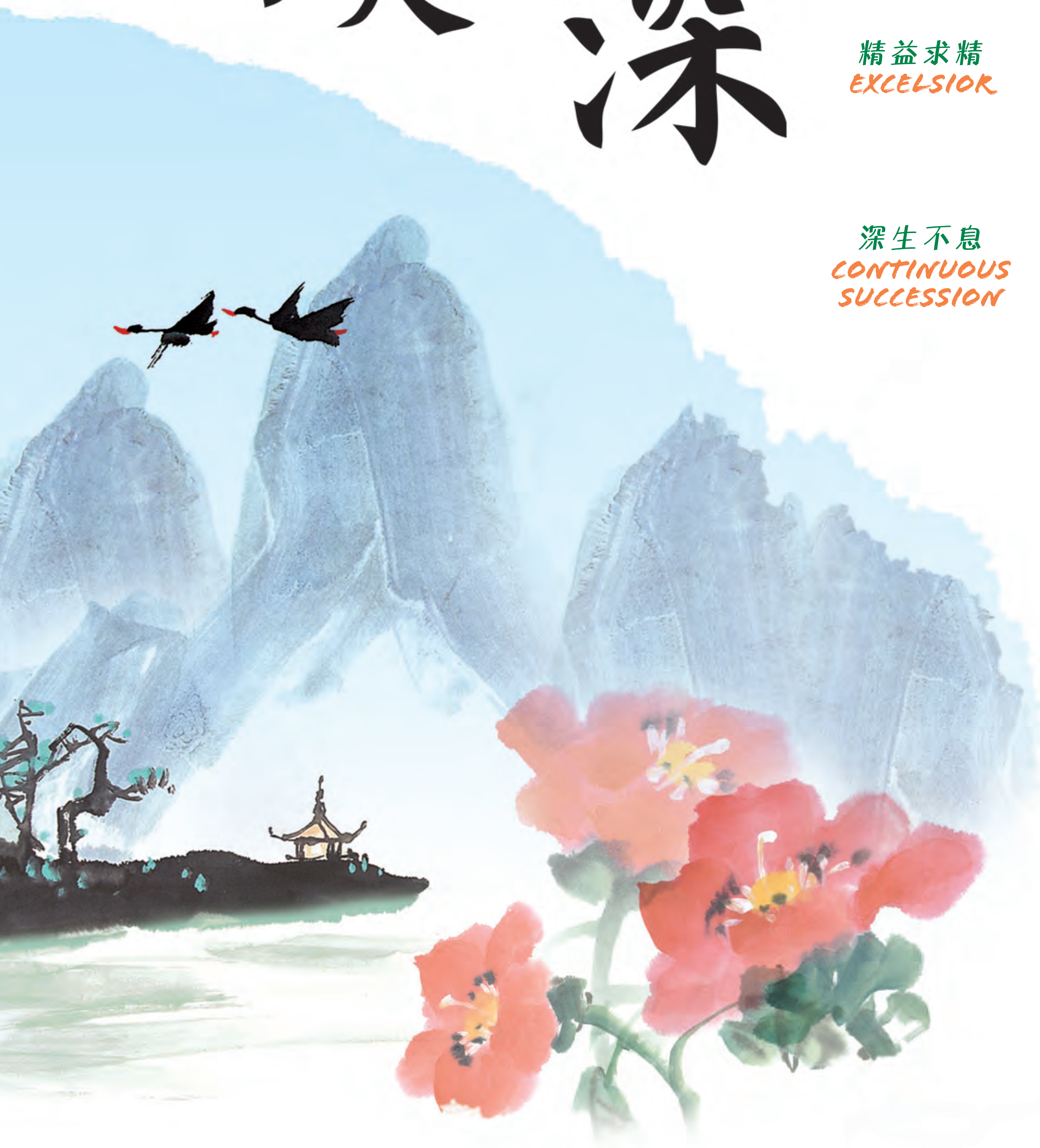
博大精深

博採眾長
ECLECTIC

大有作為
ACCOMPLISHMENT

精益求精
EXCELSIOR

深生不息
CONTINUOUS SUCCESSION



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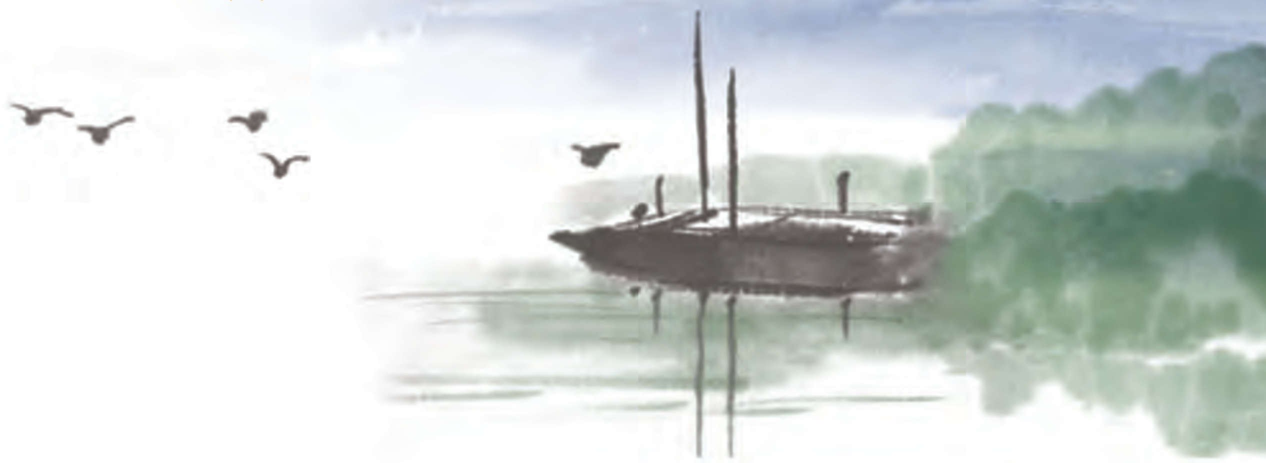


CORPORATE INFORMATION

Company Name

Broad Greenstate International Company Limited

Place of Listing of Shares

The Stock Exchange of Hong Kong Limited — main board

Stock Code

1253

Stock Name

BROADGREENSTATE

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)*

Independent Non-executive Directors

Mr. Dai Guoqiang
Mr. Zhang Qing
Dr. Jin Hexian (appointed on 29 August 2014)
Mr. Wang Xiaohong (resigned on 29 August 2014)

Company Secretary

Mr. Wong Wai Ming *(Chief financial officer)*

Authorized Representatives

Ms. Zhu Wen
Mr. Wong Wai Ming

Audit Committee

Mr. Zhang Qing *(Chairman)*
Mr. Dai Guoqiang
Dr. Jin Hexian (appointed on 29 August 2014)
Mr. Wang Xiaohong (resigned on 29 August 2014)

Remuneration Committee

Dr. Jin Hexian *(Chairman)* (appointed on 29 August 2014)
Mr. Dai Guoqiang
Ms. Zhu Wen
Mr. Wang Xiaohong *(Chairman)*
(resigned on 29 August 2014)

Nomination Committee

Mr. Dai Guoqiang *(Chairman)*
Ms. Xiao Li
Dr. Jin Hexian (appointed on 29 August 2014)
Mr. Wang Xiaohong (resigned on 29 August 2014)

Registered Office

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

Headquarters and Principal Place of Business in the PRC

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

CORPORATE INFORMATION (CONTINUED)

Place of Business in Hong Kong

Room 607, 6/F, MassMutual Tower
38 Gloucester Road, Wanchai
Hong Kong

Hong Kong Legal Advisor

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

Auditors

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

Compliance Advisor

Kim Eng Securities (Hong Kong) Limited
Level 30, Three Pacific Place
1 Queen's Road East
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

Shanghai Bank Changning Branch

Company Website

www.broad-greenstate.com.cn

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2014 RMB'000	2013 RMB'000	Change RMB'000	%
Revenue	**530,109**	289,883	240,226	82.9%
Gross profit	**189,932**	83,315	106,617	128.0%
Profit before taxation	**148,259**	71,598	76,661	107.1%
Net profit attributable to owners of the Parent	**109,342**	53,500	55,842	104.4%

	31 December 2014 RMB'000	2013 RMB'000	Change RMB'000	%
Total assets	**820,391**	281,487	538,904	191.4%
Total equity attribute to owners of the Parent	**332,766**	8,871	323,895	3,651.2%

	For the year ended 31 December 2014	2013
Profitability ratio (%)		
Gross profit margin	**35.8%**	28.7%
Net profit margin	**20.6%**	18.5%
Return on assets	**13.3%**	19.0%
Return on equity	**32.9%**	603.1%

	31 December 2014	2013
Working Capital data		
Current ratio (time)	**2.1**	0.9
Gearing ratio (%)	**69.3%**	96.4%

FOUR-YEAR FINANCIAL SUMMARY

	2014	2013	2012	2011
Profitability data (RMB'000)				
Revenue	**530,109**	289,883	221,550	176,986
Gross profit	**189,932**	83,315	44,522	29,599
Profit before taxation	**148,259**	71,598	32,942	19,151
Net profit attributable to owners of the Parent	**109,342**	53,500	24,528	18,840
Profitability ratios (%)				
Gross profit margin	**35.8**	28.7	20.1	16.7
Net profit margin	**20.6**	18.5	11.1	10.6
Assets and liabilities date (RMB'000)				
Non-current assets	**34,542**	33,626	24,788	16,003
Current assets	**785,849**	247,861	171,919	133,216
Current liabilities	**376,247**	271,074	96,318	73,060
Non-current liabilities	**111,378**	1,542	1,608	1,906
Total equity attributable to owners of the Parent	**332,766**	8,871	98,781	74,253
Profit before tax				
Current ratio (time)	**2.1**	0.9	1.8	1.8
Gearing ratio (%)	**69.3**	96.4	26.6	19.0

The summary above does not form part of the audited financial statements.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the "Board") of directors (the "Directors") of Broad Greenstate International Company Limited (the "Company"), and its subsidiaries (collectively, the "Group"), I am pleased to present to our shareholders the first audited annual results of the Group for the year ended 31 December 2014 (the "Reporting Period") upon its listing on the Main Board of Stock Exchange.

CHAIRMAN'S STATEMENT (CONTINUED)

First Landscaping Stock in Hong Kong

With the continuous improvement of the life quality of China urban residents, citizens require more landscaping to improve the overall air quality, to reduce environmental pollution and to enhance the gentle feelings of citizens, thus to promote the development of urbanization in a healthy, rapid and sustainable way. As the first stock of ecological landscape architecture listed in Hong Kong, by leveraging its highly-experienced management team as well as the leading management systems and quality of large scale landscaping projects, the Company achieved its milestone by successfully listed on the main board of the Stock Exchange in 2014. With stronger capital capabilities gained upon listing, the Company actively participated in and contracted various large municipal and city-level landscape projects, thus achieving excellent results during the year.

For the year ended 31 December 2014, the total income of the Group was RMB530.1 million, representing an increase of 82.9% as compared to the audited amount of RMB289.9 million for the same period of 2013. 38 projects contributed to the revenue, among which, 11 major projects with initial contract value of RMB5 million or above amounted to 96.4% of the total income of the Group. Net profit of the Group was RMB109.3 million, representing an increase of 104.4% as compared to the audited amount of RMB53.5 million for the same period of 2013. Gross profit of the Group was RMB189.9 million, representing an increase of 128% as compared to the audited amount of RMB83.3 million for the same period of last year. The gross profit margin for the year of 2014 also increased to 35.8% from 28.7% for the same period of last year, which was very encouraging.

The blue book of *City Development Report of China* published by China Academy of Social Science forecasted that, the urbanization coverage rate will reach approximately 65% by 2030, and the increased urban population will continuously demand for public landscaping. Meanwhile, the rapid development of intercity railways and passenger special lines will provide a lot of opportunities for the road landscaping market. With the improvement of life qualities and the increasing awareness of environmental protection and tourism, demand for ecological gardens and tourism landscape is gradually increasing. The Chinese Government has also increased its efforts in promoting ecolife. In the report of the 18th National Congress, the government published its first and separate article to discuss ecological civilization, and presented an important guiding concept of "Building a Beautiful China". In addition, all provinces and cities nationwide also introduced relevant management rules and implementation measures. The introduction and implementation of those policies and rules strongly promoted the further development of the landscaping industry of China. At the same time, the gradual adoption of the concept of "operating city" in major cities in China rapidly increased the number of state landscaping cities. The municipal government put resources to develop city landscaping, which effectively improved the development capabilities and effectiveness of the whole landscaping industry, making the planning more reasonable, and bringing positive impact on the general development of the landscaping industry.

CHAIRMAN'S STATEMENT (CONTINUED)

China landscaping industry is developing in a promising trend, and yet the government always sets strict entry thresholds for industry players. Each of the entity with the capabilities to undertake large municipal or governmental landscape projects shall hold qualified certifications, and the business certifications shall undergo annual audit and dynamic verification carried out by relevant departments. By the end of 2012, there were more than 12,000 corporations engaging in landscaping industry, and the market size has been increasing rapidly at a rate of 12% year-on-year. China landscaping industry is scattered making competitions rather diversified. Competitions in the secondary market with project contract value below RMB12 million are especially intensive, and the primary market with project contract value above RMB12 million are even more fierce. We expect that, the landscaping industry will experience series of merger and acquisition during 2015 and 2016. As a famous entity in the industry, by leveraging its listing position in Hong Kong with an ideal financing platform, the Company holds various industry qualifications such as the Grade One qualification in urban landscape construction and a Grade Two qualification in scenery landscape design and obtained solid management experiences in large projects. The Group thus firmly believes that it can take good advantage of its strengths and benefit from the industry consolidation.

In order to assist and accelerate the business development of the Group, we are in the process of acquiring NITA Landscape, which is holding dual grade one qualifications i.e. a Grade One qualification in scenery landscape design and a Grade One qualification in urban landscape construction. By the end of 2012, there were only 16 companies holding dual grade one qualifications. Meanwhile, we also expect to perfect the industry chain from design to construction through acquisition and to get more chances of meeting potential customers. The management believes that the acquisition will improve the internal design capabilities, enhance management effectiveness and facilitate the implementation of strict cost control measures.

Focusing on Traditional Landscaping, and Developing Ecology Improvement Business through Acquisition

In addition to continuously developing the Group's existing businesses, including landscaping construction, scenery landscape design, seedlings cultivation and maintenance, we also intend to develop ecology improvement business. Ecology improvement refers to the cultivation, improvement and reasonable application of natural resources, including intensification of the protection of existed natural forest and wild animals and plants resources, vigorous conduction of forestation and grass planting, controlling soil erosion, preventing desertification and building ecological agriculture. However, the first two most important aspects we need to care about are soil improvement and ecological governance. As ecology improvement is still new in China, we have to obtain relevant knowledge and technology through acquisition and merger. We are actively researching practicable solutions and identifying appropriate targets to carry out relevant business as soon as possible.

We are dedicated in consolidating our leading position of existing businesses in respective region. In addition, the Group will also further expand its business into every capital city and developed economical cities nationwide by leveraging our brand name which has received high market recognition for its project management capabilities. We are currently exploring new projects in Harbin, Haikou, Sichuan and Yunnan, with the aim to carry out regional expansion and to improve our brand recognition. At present, we have established cooperation with potential partners in Harbin and Haikou, and we plan to set up subsidiaries in those areas to strengthen business communications.

CHAIRMAN'S STATEMENT (CONTINUED)

Improving Information Management System, and Mastering the National Development Trend

We are emphasizing on the long-term and sustainable development of our businesses, thus improving our design capability is our top focus which we will invest more resources in the future. The Group plans to employ more designers to enlarge the project design team, and also intends to strategically unite with other biotech companies, thus taking advantage of new planting technology. We believe that, only innovation could maintain competitiveness within the industry. In addition, service effectiveness and quality are our keys to success. We will further perfect existing construction procedures and widely apply the advanced technology and equipment in our business processes and actively develop information management system, thus to improve the operation function and project execution efficiency.

Prospect and Acknowledgement

Looking ahead, the Group has developed five-year plan, with the aim to rank in the top ten among all scenery landscape design and construction entities in China in 2019, and to provide one-stop comprehensive landscape services to customers. Landscaping industry is developing rapidly in China. It is expected that with the consistent development of the economy and the promotion of urbanization, the PRC government will put more efforts in municipal landscaping. In respect of business expansion, we also wish to undertake the first "Public-Private-Partnership model" project in 2015, so as to expand our source of income. We are confident in the prospects of the industry, hoping to satisfy the requirement of the society and our customers through rapid and high standard development. In respect of the capital market, we hope to offer investors and shareholders with reasonable returns.

Finally, on behalf of the Board, I would like to thank all the investors, business partners and customers of the Company for their continuing trust and support. Meanwhile, I also take this chance to thank the Board members for their highly effective works and our staff for their long-lasting efforts. We will work best to offer desirable returns for shareholders.

Mr. Wu Zhengping
Chairman and Chief Executive Officer

25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

As a fast-growing integrated landscape architecture design service provider in China, the Company always focuses on major urban landscape projects across China and offers our customers "one-stop" project-based landscape architecture design and construction service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance. During the period under review, we successfully listed on the Stock Exchange, entered into the capital market and improved the management and operation level of the Group.

Industry Review

According to the analysis report issued by Ernst & Young, China's scenery landscaping market will undergo continuous and explosive expansion in the coming years. The report shows that, in 2013, the value of China's scenery landscaping market was RMB440 billion, and will significantly surge to RMB770 billion by 2018, with a CAGR of 12%.

The sustained growth of China's landscaping industry is mainly attributable to three major factors. Firstly, it is expected that the government will continuously and vigorously promote the development of municipal landscaping under the state policies of reinforcement and improved ecolife awareness. In accordance with the No. 36 document regarding the opinions on strengthening urban infrastructure issued by the State Council in 2013, "Enhancing the Construction of Ecological Garden" has been included into one of the four major sectors. The new-pattern of urbanization introduced by the State Council will further promote the building of municipal infrastructure, which includes the increased demand for scenery landscape, with an expectation that in the next several years, the value of municipal landscape market will represent more than 50% of the total value of the landscape market. It is expected that, the value of the market will increase from RMB270 billion in 2013 to RMB430 billion by 2018, representing a CAGR of 10%.

Secondly, property developers are putting more emphasis on landscaping industry. With the high standard requirement of landscaping coverage ratio to the environment of resident, living and working by citizens, property developers increased their investment in landscaping. The value of commercial scenery landscaping market will increase from RMB150 billion in 2013 to RMB280 billion by 2018, representing a CAGR of 13%. With the increase of average per capital income and intensification of air pollution, families further increased the demand for landscaping. Currently, household landscaping demands of families in the United States takes up more than 70% of the total industry demand, meaning a huge room for development for China landscaping industry as compared with other developed countries. It is believed that, up to 2018, value of the market could reach RMB60 billion, representing a 3-fold increase as compared to RMB20 billion in 2013, with a CAGR of 24%. The Group believes that, under the support of the government, enterprises and citizens, China's landscaping market is facing unprecedented opportunities.

Business Review

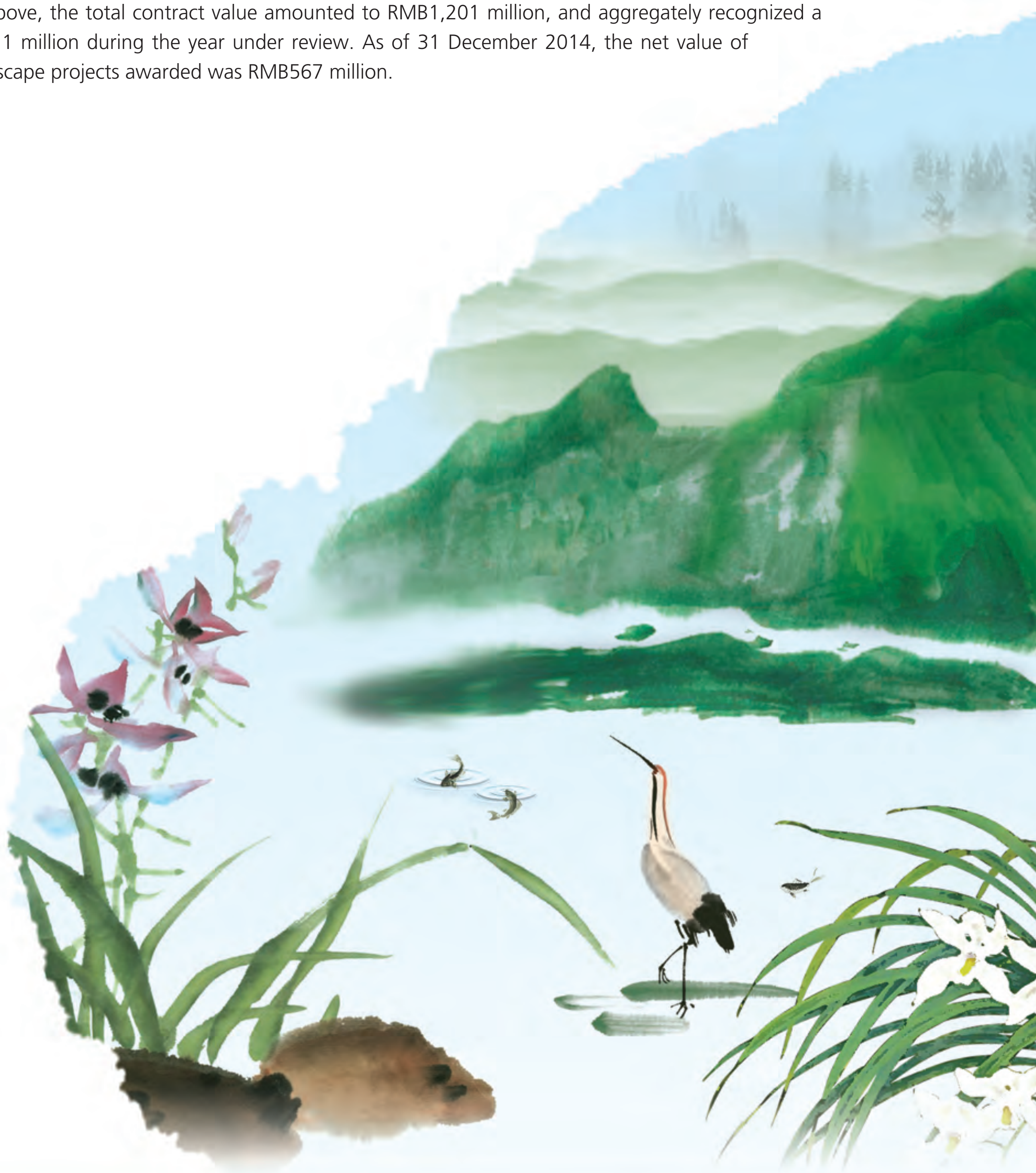
The Company focuses on municipal and city level landscape projects and offers our customers "one-stop" service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance. The Group generally serves as the master contractor responsible for the overall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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our customers currently are classified into two categories: (1) the public sector, including urban public green areas and various theme parks; and (2) the private sector, including residential and resort landscape. We have a strong and well established customer base. Our customers mainly consist of state and local government as well as state-invested enterprises, and the projects awarded by these customers have contributed approximately 98% of our total revenue for the year ended 31 December 2014 as compared to 89% for the comparable period in 2013.

Major Large Projects

During the Reporting Period, the Group carried out 11 major large landscaping projects with the initial contract value of RMB5 million or above, the total contract value amounted to RMB1,201 million, and aggregately recognized a revenue of RMB511 million during the year under review. As of 31 December 2014, the net value of backlog of all landscape projects awarded was RMB567 million.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Completed Major Landscape Projects

During the Reporting Period, the Group has completed one major project with the details as in the following table.

Project	Customer type	Initial contract value (RMB'000)	The amount of revenue recognized during the Reporting Period (RMB'000)
Project A	State-invested enterprise	40,374	17,593

Major Landscape Projects in Progress

The following table sets out our major landscape projects with which commenced but were not completed during the Reporting Period. These landscape projects in progress contributed approximately 93% of the total revenue recognized for the same period.

Projects	Customer type	Initial contract value (RMB'000)	Commencement	Expected completion year	The amount of revenue recognized during the Reporting Period (RMB'000)
Project B	State-invested enterprise	360,000	November 2014	2015	116,181
Project C	State-invested enterprise	350,000	March 2014	2015	199,284
Project D	State-invested enterprise	166,352	December 2012	2015	73,042
Project E	Government	101,690	December 2013	2015	59,312
Project F	Private enterprise	50,000	April 2013	2015	17
Project G	Government	39,860	December 2010	2015	—
Project H	State-invested enterprise	39,300	May 2013	2015	20,821
Project I	State-invested enterprise	26,397	January 2008	2015	1,776
Project J	State-invested enterprise	19,698	July 2014	2015	19,698
Project K	State-invested enterprise	7,139	July 2014	2015	3,310
Total		**1,160,436**			**493,441**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

New Major Landscape Projects Awarded but not yet Commenced

The following table sets out our new major landscape project which were awarded to us in 2013 and 2014 but did not commence, or no relevant revenue was recognized during the Reporting Period.

Projects	Customer type	Initial contract value (RMB'000)	Commencement	Expected completion year	The amount of revenue recognized during the Reporting Period (RMB'000)
Project L	State-invested enterprise	26,397	January 2015	2016	—
Project M	Private enterprise	17,095	July 2015	2016	—
Total		**43,492**			**—**

Qualifications and Licenses

The Group is a provider that can offer customers "one-stop" project-based landscape architecture design and construction service solutions, holding multiple qualifications including a Grade One qualification in urban landscape construction and a Grade Two qualification in scenery landscape design. The Group has completed more than 62 landscape projects. With this excellent track record, the Group's position in the landscape design and construction market has been further improved.

We currently hold the following major licenses/qualifications in the PRC:

Issue authority	Category	License class
Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)	Urban landscape construction enterprises qualification certificate (城市園林綠化企業資質證書)	Grade One
Shanghai Urban Construction and Communications Commission (上海市城鄉建設和交通委員會)	Scenery landscape design (風景園林工程設計專項)	Grade Two
Shanghai Urban Construction and Communications Commission (上海市城鄉建設和交通委員會)	Construction enterprise qualification certificate (建築業企業資質證書)	Grade Three

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cost control of the Group

The Group maintains a strict control over the cost of sales and accordingly deals with it from two aspects. Firstly, at the end of December 2014, the Group recruited experienced talents who used to working in other large domestic landscaping companies to join the Group as supervisors of the Group's construction department responsible for strengthening the general construction management process, which includes construction management, cost management and capital management to efficiently lower the cost. Secondly, the Group intends to operate in an integrated model to make general cost management, from design, midway purchase to later period construction, more prudent and systematic, which will help to increase the gross profit.

Research and Development

As always, the Group consistently emphasizes on improving its competitive strength through research and development. The Group is in the progress of organizing a research and development centre to study and promote new seedling species. The Group may have a land of approximately 300 mu located in Zhejiang, China for that purpose with a driving distance of about 1.5 hours from Shanghai in 2015. The Group will continue to seek opportunities to strengthen its ability in cultivating new seedling species, nurturing rare seedlings, improving seedling quality and promoting seedlings developed by the Group for marketing purpose.

Outlook

Looking ahead, the Group will continue enhancing its reputation and competitiveness through self-development as well as merger and acquisition. Large-scale municipal government projects remain the Group's development area. In terms of private projects, the Group will focus on large-scale property projects, by cooperating with large-scale property developers in first-tier cities to develop green landscape property projects with brand effect.

In order to increase the Group's ability in project design, the Group announced to acquire NITA Landscape through an offshore acquisition and an onshore acquisition with a total consideration of RMB128 million on 25 January 2015 wholly by its own capital. NITA Landscape is a landscape design and construction services provider holding a Grade One qualification in urban landscape construction and a Grade One qualification in scenery landscape design. With the possession of a Grade One qualification in scenery landscape design, a company is capable to undertake landscape design and planning projects with total investment value of more than RMB20 million. We believe after the acquisition is completed, the Group will be able to improve its capabilities in undertaking large public scenery landscape design projects at the municipal and city levels by leveraging the dual grade one qualifications, and our market reputation, technology, and knowledge of project construction is expected to be further improved. These will benefit business expansion and help improve the comprehensive competition capability of the Group. Furthermore, the Group will be able to improve its cost control from the first stage of design including selecting local seedling species with high survival rate. The Board wishes to emphasize that the acquisition of NITA Landscape is still on-going and may or may not materialize. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The Group intends to develop ecology rehabilitation business, including water and soil, by self development and merger and acquisition, and actively identified several merger and acquisition targets relating to soil improvement, ecology management and water treatment at home and abroad so as to be a leading player in ecology rehabilitation industry focusing technology. In 2015, the Group will further study on other acquisition opportunities to expand to related up- and down-stream businesses within the industry chain so as to enlarge its market share and to provide one-stop and all-rounded ecology landscape construction services.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other than merger and acquisition, the Group will set up a special research and development centre and research and development team, develop an effective talent cultivating mechanism and build up long term cooperation and exchange relationship with scientific research institution, colleges and universities and relevant enterprises. Potential target clients of ecology rehabilitation business include government and large-scale enterprises. The Group consistently emphasizes on improving its competitive strength through research and development. The Group is in the progress of organizing a research and development centre for new seedling species to study and promote new seedling species. The Group may have a land of approximately 300 mu located in Zhejiang, China for that purpose with a driving distance of about 1.5 hours from Shanghai in 2015. The Group will continue to seek opportunities to strengthen cultivating new seedling species, nurture rare seedlings, improve seedling quality and promote seedlings developed by the Group for marketing purpose.

The Company will take its three main businesses as key development areas, namely core landscape business, ecology rehabilitation business and Public-Private-Partnership model projects.

The core competitiveness of the Group's core business, landscape business, is to provide high quality service and to actively focus on industry integration and scale accumulation during the client-oriented development process. The Group aims at becoming the leading enterprise in the professional landscape industry in terms of service and product quality. The core business development will be oriented by clients. Meanwhile, the Company expects to see high level of market consolidation resulting in market-downsizing related cost reduction and profitability improvement. At present, we are in the process of negotiating new development projects in Harbin, Haikou, Sichuan and Yunnan to facilitate geographical expansion. The Group has already identified potential cooperation targets in Harbin and Haikou, and planned to set up branches in both places in 2015.

In terms of the Group's ecology rehabilitation business, the core parts include restoration technology, equipment and crafting. We put special emphasis on obtaining core technology and team cultivation in the course of developing ecology rehabilitation business. The goal of the Company is to be the leading enterprise in terms of technology within the ecology rehabilitation industry.

In terms of the "Public-Private-Partnership model" projects, the Group's pilot project will involve large-scale and important government projects and the Group will undertake its first Public-Private-Partnership model project in 2015. The Group intends to select projects with investment span of between 20 to 30 years with high investment return and has an internal rate of return up to 10% to 15%. These kinds of projects will mainly target tourism resources and entertainment parks and the Group will not confine itself to self-development or joint development. The Government is currently optimizing the development direction and operation model of the Public-Private-Partnership model projects.

Furthermore, the Group also constantly emphasizes on improving management efficiency and will continue to optimize the integrated information management system. The Group updated the integrated information management system at the beginning of 2015. The upgrade was completed and was duly launched by the end of February after the Chinese New Year. Latest projects information will be uploaded on the management system regularly by relevant departments to provide latest cost and expenses details for senior management to review in a more effective way. Management could tract project progress according to relevant information so as to make project progress, purchase and quality control much more effective and flexible.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Knowledge in landscape industry is broad and comprehensive, thus leading to high staffing requirement. In order to keep pace with future development, the Group will proactively train and employ talents. Number of employees is expected to gradually increase from 158 at the end of 2014 to approximately 500 in 2015, through internal training, merging and acquiring target companies.

The Group endeavors to achieving the goal of becoming one of the top ten enterprises within China landscape sector in the next five years.

Finance Review

Revenue

After obtaining the Grade One urban landscape construction enterprises qualification certificate in August 2011, the Group's ability to conduct larger scale construction projects was improved significantly. During the Reporting Period, the Group proactively participated in undertaking several large scale municipal and city level ecology landscape projects, completed a total of 12 projects and accepted 1 new project, brought in a proud results during the year. During the Reporting Period, we continued to maintain the growth, and also improved our project execution capability. The Group's total income increased from the audited amount of RMB289.9 million in the same period of 2013 to RMB530.1 million for the whole year ended 31 December 2014, representing an increase of 82.9%. There were 38 projects in total which made a contribution to the income, 11 of which with initial contract value of RMB5 million or above, contributing 96.4% income for the Group. Net profit was RMB109.3 million, increased 104.4% as compared to the audited amount of RMB53.5 million in the same period of 2013. The gross profit margin of the Group was RMB189.9 million, increased 128.0% as compared to the audited amount of RMB83.3 million in the same period of last year. Gross profit margin for the whole year of 2014 also increased to 35.8% from 28.7% in the same period of last year.

Gross profit and gross profit margin

For the year ended 31 December 2014, the Group's gross profit was RMB189.9 million as compared to RMB83.3 million in the comparable period in 2013, representing an increase of 128.0%. Our gross profit margin increased by 7.1% from 28.7% for the year ended 31 December 2013 to 35.8% for the comparable period in 2014, which was due to the ability of the Group in undertaking larger scale project which have higher gross profit margin as the projects are more complex and require more integrated management.

Administrative expenses

Our administrative expenses consist principally of salaries and benefits for administrative staff, consultation fees, depreciation and amortization, travelling and business meeting expenses, equipment expenses and other expenses. During the Reporting Period, administrative expenses of the Group was RMB42.2 million as compared to RMB15.1 million for the comparable period in 2013, representing an increase of RMB27.1 million, which was mainly attributable to the listing-related expenses of RMB19.3 million incurred during the period and business expansion.

Financial cost

For the year ended 31 December 2014, the financial cost of the Group was RMB9.5 million as compared to RMB0.8 million in the comparable period in 2013. The increase was mainly due to extra interest-bearing bank borrowings incurred as a result of the group structure reorganization carried out for the preparation of listing. For details of the Group's interest-bearing bank borrowings including maturity profile, type of capital instruments used, currency and interest rate structure, please refer to note 25 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income tax

The income tax of the Group increased from RMB18.1 million for the same period of last year to RMB38.9 million for the year ended 31 December 2014, mainly due to the increased assessable profit of the Group. During the Reporting Period, the effective tax rate of the Group was 26.3% as compared to 25.3% for the comparable period in 2013.

Net profit and net profit margin

During the Reporting Period, net profit attributable to the owners of the Parent increased by RMB55.8 million from RMB53.5 million of the same period of last year to RMB109.3 million, representing an increase of 104.4%. The net profit margin was 20.6% as compared to 18.5% for the comparable period in 2013.

Liquidity and Capital Resources

Historically, we generally satisfied our liquidity requirements through cash flows from operations, bank borrowings and obtaining credit terms from suppliers. Our primary liquidity requirements are to finance working capital, fund the payments of interests and principal due on our indebtedness and fund capital expenditure for the expansion of our facilities and operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may also use a portion of the proceeds from the Global Offering to finance a portion of our capital requirements.

As at 31 December 2014, cash and cash equivalents of the Group was RMB143.9 million as compared to RMB10.8 million as at 31 December 2013, the interest-bearing bank borrowing and long term loan of the Group was RMB160.0 million as compared to RMB12.0 million as at 31 December 2013. The increase of interest-bearing bank borrowings was mainly due to additional long term loan of RMB110 million incurred as a result of the Group's structure reorganization carried out for the preparation of listing. As at 31 December 2014, there is unutilized and unrestricted banking facilities of the Group amounting to RMB100 million.

Gearing Ratio

As at 31 December 2014, the Group's gearing ratio was 69.3% as compared to 96.4% as at 31 December 2013, which is calculated at the net debt divided by the equity plus net debt.

Capital Expenditure and Capital Commitment

During the Reporting Period, the Group's capital expenditure was RMB5.0 million, mainly used for the upgrading of our information management system and the general acquisition of property, plant and equipment.

Pledge of Assets

At 31 December 2014, certain of the Group's buildings with a net carrying amount of approximately RMB8,796,000 (2013: Nil) and certain of the Group's current time deposits with a net carrying amount of approximately RMB62,520,000 (2013: Nil) were pledged to secure bank loans granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Market Risks

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

Interest rate risk

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

Credit risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the year ended 31 December 2014 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimize the credit risk, we review recoverable amount of each individual trade and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 December 2014, our cash and cash equivalents were deposited in high quality financial institutions and thus have no significant credit risk.

Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both of our financial instruments and financial assets such as trade receivables and projected cash flows from operations. We also manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital for the year ended 31 December 2014.

Foreign exchange risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Use of Proceeds from Listing

The aggregate net proceeds of the Group from 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). Currently, the net proceeds are used for the following purposes:

Purposes	**Proportion**	**Proceeds** RMB'000	**Utilized amount** RMB'000
Offering to finance the completion of Chenzhou Project	20%	33,659	6,820
For our potential future projects	30%	50,488	5,831
For the potential acquisition of landscape architecture service companies or design companies	20%	33,659	—
For the expansion of our geographical coverage in China by establishing more subsidiaries and branches	10%	16,829	—
For our research & development activities, including introducing new and rare seedling planting technology research, establishing research and development centre in Hong Kong and recruiting relevant talents	10%	16,829	—
Used as general working capital of the Group	10%	16,829	16,829
Total:		168,293	29,480

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.

Since the Listing Date, the Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices. Throughout the period from the Listing Date up to the date of this annual report, the Company has been in compliance with all the applicable code provisions of the CG Code with the exception of code provision A.2.1. Details of the deviation are explained in the section "Chairman and Chief Executive Officer".

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 with effect from the Listing Date.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2014.

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.

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' Biographical Information" on pages 29 to 32 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 period from the Listing Date to 31 December 2014, 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 Directors' Re-election

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

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.

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 shall disclose to the Company details of other offices held by them and the Board regularly reviews 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 keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

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

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

During the period from the Listing Date to 31 December 2014, the Company has organized one training session conducted by the Hong Kong legal advisors of the Company and attended by all Directors, on Directors' duties and responsibilities, corporate governance and update on Listing Rule amendments.

During the year, all Directors have been requested to provide the Company with a record of the training(s) they received, and such records have been maintained by the Company.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration 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 the Board 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. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, 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 period from the Listing Date to 31 December 2014, the Audit Committee reviewed the interim financial results and report for the six months ended 30 June 2014, significant issues on the financial reporting procedures, internal control systems, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee held two meetings during the period from the Listing Date to 31 December 2014 and also met the external auditors twice 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. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policy and remuneration packages of individual executive Directors and senior management, the establishment of a formal and transparent procedure for developing policies on such remuneration policy, 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 period from the Listing Date to 31 December 2014, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, remuneration packages of the executive Directors and senior management, and the evaluation system for the performance of executive Directors. The Remuneration Committee also reviewed and approved the service agreement of Dr. Jin Hexian and recommended the same to the Board for approval.

The Remuneration Committee met once during the period from the Listing Date to 31 December 2014.

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. 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 period from the Listing Date to 31 December 2014, the Nomination Committee reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors; and considered and recommended to the Board on the appointment of Dr. Jin Hexian as independent non-executive Director and the adoption of the Policy.

The Nomination Committee met once during the period from the Listing Date to 31 December 2014.

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 will review the Policy and discuss the measurable objectives for achieving diversity of the Board and recommend them to the Board for adoption, as appropriate, to ensure the effectiveness of this 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 is responsible for taking and keeping minutes of all Board meetings and committee meetings respectively. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

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

Attendance Record of Directors and Committee Members

There is no general meeting held during the period from the Listing Date to 31 December 2014. The attendance records of each Director at the meetings of the Board, Nomination Committee, Remuneration Committee and Audit Committee during the period are set out in the table below:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
WU Zhengping *(Chairman)*	3/3	N/A	N/A	N/A
XIAO Li	3/3	1/1	N/A	N/A
ZHU Wen	3/3	N/A	1/1	N/A
WANG Lei	3/3	N/A	N/A	N/A
DAI Guoqiang	2/3	1/1	1/1	2/2
ZHANG Qing	2/3	N/A	N/A	2/2
WANG Xiaohong [(1)]	1/3	1/1	1/1	1/2
JIN Hexian [(2)]	1/3	—	—	1/2

Notes:

(1) Mr. Wang Xiaohong resigned as independent non-executive Director, chairman of Remuneration Committee, member of Nomination Committee and member of Audit Committee on 29 August 2014, one Board meeting, one Nomination Committee meeting, one Remuneration Committee meeting and one Audit Committee meeting were held before his resignation.

(2) Dr. Jin Hexian was appointed as independent non-executive Director, chairman of Remuneration Committee, member of Nomination Committee and member of Audit Committee on 29 August 2014, two Board meetings and one Audit Committee meeting were held after her appointment.

CORPORATE GOVERNANCE REPORT (CONTINUED)

As the Company was incorporated on 22 October 2013 and had just been listed on the Stock Exchange on 21 July 2014, the Company has not convened any annual general meeting since its date of incorporation whereas the Board only held three meetings during the period from the Listing Date to 31 December 2014. Going forward, the Company would hold its annual general meeting pursuant to the requirements stipulated in the Listing Rules and the Company's Articles of Association and hold Board meetings regularly for at least four times a year at approximately quarterly intervals. The upcoming AGM will be held on 21 April 2015.

Apart from Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors during the period from the Listing Date to 31 December 2014.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 43 to 44.

Auditors' Remuneration

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2014 is disclosed on note 6 of the "Notes to the Consolidated Financial Statements" on page 76.

Internal Controls

During the period from the Listing Date to 31 December 2014, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 Room 607, 6/F, MassMutual Tower, 38 Gloucester Road, Wanchai, 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 reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

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

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

Shareholders may propose a person for election as Director, the procedures for which are available in the section of "Corporate Governance" under the column of "Investor Relations" on the Company's website (http://www.broad-greenstate.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 Room 607, 6/F, MassMutual Tower, 38 Gloucester Road, Wanchai, 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 principal place of business of the Company in Hong Kong:

Address:	Room 607, 6/F, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong
Telephone no.:	2638-8022
Fax no.:	2638-8037
Email:	ir@broad-greenstate.cn
Attention:	Company Secretary

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

Communication with Shareholders and Investor(s) Relationship Relations

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 is also invited to attend the Company's annual general meeting and is available 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 period from the Listing Date to 31 December 2014, 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wu Zhengping (吳正平), aged 51, was appointed as executive Director of the Company on 3 January 2014 and as the chairman of the Board on 25 June 2014. Mr. Wu is also the chief executive officer, the director of Broad Landscape, Greenstate Landscape and Greenstate Gardening and Broad Landscape International. Mr. Wu founded the Group with 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) from September 1981 to 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 Landscape since June 2004 and director and general manager of Greenstate Gardening since June 2007. Mr. Wu served as director of Greenstate Landscape from 12 March 2004 to 8 June 2013. Mr. Wu resigned as the executive director of Greenstate Landscape 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 Landscape and is responsible for the operation, management and finance of Greenstate Landscape. 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 43, was appointed as executive Director of the Company on 3 January 2014 and a member of nomination committee on 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 a director of Broad Landscape, Greenstate Landscape and Eastern Greenstate International. 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 Landscape since June 2004 and the director and assistant general manager of Broad Landscape since August 2011. Ms. Xiao is the spouse of Mr. Wu Zhengping.

Ms. Zhu Wen (朱雯), aged 31, was appointed as executive Director of the Company on 3 January 2014 and a member of remuneration committee on 25 June 2014. She joined the Group for around ten years since 15 June 2004. She is currently the manager of the administrative department in Greenstate Landscape. She has also been 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.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang Lei (王磊), aged 42, was appointed as executive Director of the Company on 3 January 2013. He is also the director of Broad Landscape and the manager of construction department. He was also appointed as the director of Eastern Greenstate International on 9 October 2013. 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 15 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 years since 11 May 2006. He has been the assistant manager under the construction department of Greenstate Landscape 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), aged 62, was appointed as independent non-executive Director of the Company on 25 June 2014 and was also appointed as the chairman of nomination committee, member of audit committee and member of remuneration committee on 25 June 2014. Mr. Dai has nearly ten 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, 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 since June 1995 and April 2011 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 is also an arbitrator on the panel of China International Economic and Trade Arbitration Commission. Mr. Dai is 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 Committee 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Zhang Qing (張清), aged 46, was appointed as independent non-executive Director of the Company on 25 June 2014 and as the chairman of audit committee on 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 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 was the group chief financial officer of Asia Timber Products Ltd from March 2012 to July 2014. Since August 2014, he became 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.

Dr. Jin Hexian (金荷仙), aged 50, was appointed as independent non-executive Director of the Company on 29 August 2014 and also appointed as the chairman and member of the remuneration committee and member of audit committee and nomination committee of the Company on 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 worked at the post-doctoral research station in the Chinese Academy of Forestry (中國林業科學研究院). Dr. Jin is currently a professor of the School of Landscape Architecture of Zhejiang Agricultural and Forestry University (浙江農林大學) and a guest professor of Beijing Forestry University (北京林業大學), a part-time supervisor of master student of School of Architecture of Harbin Institute of Technology (哈爾濱工業大學) and Beijing University of Technology (北京工業大學). 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 vice 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) and 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 academic articles, edited multiple books and chaired and given speeches at various international and domestic academic conferences including the International Federation of Landscape Architects (IFLA), World Horticultural Conference, Global Botanic Gardens Congress.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management and Company Secretary

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. Wong Wai Ming (黃偉明), aged 42, was appointed as chief financial officer and company secretary of the Group on 13 January 2014. Mr. Wong has over 20 years of experience in accounting and finance. He served as staff accountant at Moores Rowland from 1994 to 1996. He was a staff accountant and an audit manager at Ernst & Young from 1996 to 2001. He subsequently joined Kin Yat Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 638) in 2001 as a finance manager and was promoted to financial controller in 2005. He then became its finance director in 2007 to 2010. From 2011 to 2013, Mr. Wong joined Baofeng Modern International Holdings Company Limited, a company listed on the main board of the Stock Exchange (stock code: 1121) and served as chief financial officer. Mr. Wong is currently an independent non-executive director of China Child Care Corporation Limited, a company listed on the main board of the Stock Exchange (stock code: 1259) on a part-time basis. Mr. Wong received a bachelor degree of business administration from the Chinese University of Hong Kong in 1994. He has been a fellow member of each of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants since 1 November 2002 and 1 March 2006, respectively.

REPORT OF THE DIRECTORS

The Directors are pleased to present this 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 on page 45 of this annual report.

At the Board meeting held on 25 March 2015, the Board proposed a final dividend of HK$0.045 (equivalent to approximately RMB0.036) per Share, amounting to approximately HK$34,524,630 (equivalent to approximately RMB27,606,000) in aggregate for the Reporting Period, which will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on Tuesday, 5 May 2015. The proposed final dividend is subject to the Shareholders' approval at the Company's forthcoming 2015 annual general meeting to be held on 21 April 2015. The proposed final dividend is expected to be paid to the Shareholders by 21 May 2015.

There is no arrangement under which a Shareholder of the Company has waived or agreed to waive any dividends.

Financial Summary

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

Share Capital

Details of movements in the share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements on pages 95 to 96 of this annual report.

Purchase, Sale or Redemption of Shares of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange since the Listing Date.

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 14 to the consolidated financial statements on page 82 of this annual report.

Material Acquisitions, Disposals and Significant Investments

During the Reporting Period, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 31 December 2014, the Group did not hold any significant investments.

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 48 to 49 of this annual report.

Distributable Reserves

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with Cayman Islands law, amounted to approximately RMB123,100,000.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in the note 25 to the consolidated financial statements on page 93 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 revenue of landscape gardening service was approximately 88.4%, and the percentage of turnover attributable to its largest customer from revenue of landscape gardening service was approximately 37.6%.

REPORT OF THE DIRECTORS (CONTINUED)

Purchases from the Group's five largest suppliers accounted for 38% of the total purchase for the year and purchase from the Group's largest supplier included therein amounted to 17% of the total purchases for the year.

At all times during the Reporting Period, none of the Directors, their 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.

Directors

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

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)*

Directors resigned during the Reporting Period are as follows:
Broad Landscape International *(appointed on 22 October 2013 and resigned on 3 January 2014)*
Eastern Greenstate International *(appointed on 22 October 2013 and resigned on 3 January 2014)*
YiYu International *(appointed on 22 October 2013 and resigned on 3 January 2014)*
Mr. Wang Xiao Hong (王孝泓) *(appointed on 25 June 2014 and resigned on 29 August 2014)*

The biographical details of the Directors as at the date of this annual report are set out under the section headed "Profiles of Directors and Senior Management" of this annual report.

Directors' Service Contracts

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.

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 AGM. None of the Directors proposed for re-election at the AGM 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 on Independent Non-Executive Directors

The Company has received annual confirmation of independence from each of the existing independent non-executive Director 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 Contracts

No 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.

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.

REPORT OF THE DIRECTORS (CONTINUED)

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements on pages 77 to 78 of this annual report.

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

Directors' and Chief Executives' Interests and Short 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 2014, the interests and short positions of the Directors and the chief executives 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	Nature of Interest	Number of Shares(1)	Approximate Percentage of Shareholding
Mr. Wu Zhengping(2)(3)	Interest held jointly with another person; interest in controlled corporation; interest of spouse	543,798,936	70.88%
Ms. Xiao Li(2)(3)	Interest held jointly with another person; interest in controlled corporation; interest of spouse	543,798,936	70.88%
Ms. Zhu Wen(2)	Interest held jointly with another person; interest in controlled corporation	543,798,936	70.88%
Mr. Wang Lei(2)	Interest held jointly with another person; interest in controlled corporation	543,798,936	70.88%

Notes:

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

(2) Mr. Wu Zhengping holds 100% equity interests in Broad Landscape International and under the SFO, Mr. Wu Zhengping is deemed to be interested in the 379,146,720 Shares held by Broad Landscape International. Ms. Xiao Li has controlled more than one third of the voting power at the general meeting of Eastern Greenstate International, therefore under the SFO, Ms. Xiao Li is deemed to be interested in the 164,652,216 Shares held by Eastern Greenstate International. Pursuant to the Acting in Concert Deed, each of Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen, Mr. Wang Lei and other Management Shareholders has agreed to jointly control their respective interests in the Company and the decisions as to the business and operations of the Group shall be in accordance with the unanimous consent of all of them. Hence, each of them is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

(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.

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 the 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 2014, 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(1)	Approximate Percentage of Shareholding
Mr. Shen Wenlin(2)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	70.88%
Mr. Song Shudong(2)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	70.88%
Mr. Zhang Kequan(2)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	70.88%
Mr. Jiao Ye(2)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	70.88%
Mr. Li Qiuliang(2)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	70.88%
Mr. Xiao Xu(2)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	70.88%
Mr. She Lei(2)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	70.88%
Broad Landscape International(2)	Beneficial owner	379,146,720	49.42%
Eastern Greenstate International(2)	Beneficial owner	164,652,216	21.46%
Greenland Holding Group Company Limited (綠地控股集團有限公司)(3)	Interest in a controlled corporation	47,216,000	6.15%
Greenland Financial Holdings Company Limited (綠地金融投資控股有限公司)(3)	Interest in a controlled corporation	47,216,000	6.15%
Greenland Financial Overseas Investment Group Company Limited (綠地金融海外投資集團有限公司)(3)	Beneficial owner	47,216,000	6.15%

Notes:

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

(2) Mr. Wu Zhengping holds 100% equity interests in Broad Landscape International and under the SFO, Mr. Wu Zhengping is deemed to be interested in the 379,146,720 Shares held by Broad Landscape International. Ms. Xiao Li has controlled more than one third of the voting power at the general meeting of Eastern Greenstate International, therefore under the SFO, Ms. Xiao Li is deemed to be interested in the 164,652,216 Shares held by Eastern Greenstate International. Pursuant to the Acting in Concert Deed, each of Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen, Mr. Wang Lei and other Management Shareholders has agreed to jointly control their respective interests in the Company and the decisions as to the business and operations of the Group shall be in accordance with the unanimous consent of all of them. Hence, each of them is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

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

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 executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Share Option Scheme

The Company adopted the Share Option Scheme for the purpose of providing additional incentive to employees, directors, consultants and advisers of the Group. No options were granted under the Share Option Scheme from the date of its coming into operation on the Listing Date to the date of this annual report.

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.

Directors' and Controlling Shareholders' Interests in Contracts of Significance

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

Exempt Continuing Connected Transactions

During the Reporting Period, the Group had following exempt continuing connected transactions:

(i) On 26 December 2013, Mr. Wu, Ms. Xiao and Greenstate Landscape 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 Landscape, 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 RMB360,000 for each of the financial years ending 31 December 2014, 2015 and 2016, which was determined based on arm's length negotiations between the Group and Mr. Wu and Ms. Xiao.

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 continue to 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 from 7 January 2014 to 17 August 2014. The licence fee payable to Mr. Wu Jie is nil.

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

Related Party Transactions

During the Reporting Period, 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 29 to the consolidated financial statements on pages 97 to 98 of this annual report.

Corporate Governance

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 20 to 28 of this annual report.

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 RMB29.5 million of the net proceeds was utilized.

Employee and Remuneration Policy

As at 31 December 2014, the Group had 158 full time employees in the PRC. During the Reporting Period, the staff cost of the Group was approximately RMB10.4 million.

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

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

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

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

Details of significant events occurring after the balance sheet date are set out in note 35 to the consolidated financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

Record Dates

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the record date will be 9:00 a.m. on Tuesday, 21 April 2015. 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 Monday, 20 April 2015.

Reference is made to the notice of the annual general meeting and the circular of the Company both dated 18 March 2015 (the "Notice of AGM and Circular"). For the purpose of determining the Shareholders' entitlement to the final dividend, the record date will be changed to 4:30 p.m. on Tuesday, 5 May 2015 from 6 May 2015 as stipulated in the Notice of AGM and Circular. In order to qualify for the proposed final dividend, 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 Tuesday, 5 May 2015.

Audit Committee

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

Auditors

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 AGM. A resolution for the reappointment of Ernst & Young as the Company's auditors will be proposed at the forthcoming AGM of the Company.

On behalf of the Board
Mr. Wu Zhengping
Chairman

Shanghai, the PRC
25 March 2015

INDEPENDENT AUDITORS' REPORT

EY 安永

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

We have audited the consolidated financial statements of Broad Greenstate International Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgements, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong

25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5(a)	**530,109**	289,883
Cost of sales		**(340,177)**	(206,568)
Gross profit		**189,932**	83,315
Other income and gains	5(b)	**9,294**	4,340
Administrative expenses		**(42,202)**	(15,079)
Finance costs	7	**(9,475)**	(752)
Share of profits and losses of:			
A joint venture		**70**	7
An associate		**640**	(233)
PROFIT BEFORE TAX		**148,259**	71,598
Income tax expense	10	**(38,917)**	(18,098)
PROFIT FOR THE YEAR		**109,342**	53,500
Attributable to:			
Owners of the parent	11	**109,342**	53,500
Exchange differences on translation of foreign operations		**(753)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(753)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**108,589**	53,500
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted	13	**RMB0.18**	RMB0.11

Details of the dividends payable and proposed for the year are disclosed in note 12 to financial statements.

The notes on pages 53 to 104 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**10,323**	11,357
Goodwill	*15*	**1,916**	1,916
Other intangible assets	*16*	**5,546**	5,841
Investment in a joint venture	*17*	**5,325**	5,255
Investment in an associate	*18*	**8,507**	7,867
Deferred tax assets	*26*	**2,925**	1,390
Total non-current assets		**34,542**	33,626
CURRENT ASSETS			
Biological assets		**—**	1,810
Construction contracts	*19*	**324,939**	28,051
Trade receivables	*20*	**209,900**	173,941
Prepayments, deposits and other receivables	*21*	**44,571**	32,961
Amounts due from related parties	*29*	**—**	305
Pledged deposits	*22*	**62,520**	—
Cash and cash equivalents	*22*	**143,919**	10,793
Total current assets		**785,849**	247,861
CURRENT LIABILITIES			
Trade and bills payables	*23*	**228,366**	72,966
Other payables and accruals	*24*	**47,869**	43,897
Interest-bearing bank borrowings	*25*	**50,000**	11,984
Amounts due to the Founding Shareholders		**—**	120,682
Tax payable		**50,012**	21,545
Total current liabilities		**376,247**	271,074
NET CURRENT ASSETS/(LIABILITIES)		**409,602**	(23,213)
TOTAL ASSETS LESS CURRENT LIABILITIES		**444,144**	10,413

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*25*	**110,000**	—
Deferred tax liabilities	*26*	**1,378**	1,542
Total non-current liabilities		**111,378**	1,542
NET ASSETS		**332,766**	8,871
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**184,534**	305
Other reserves		**119,726**	7,666
Proposed final dividend	*12*	**27,606**	—
		331,866	7,971
Non-controlling interests		**900**	900
Total equity		**332,766**	8,871

Wu Zhengping
Director

Xiao Li
Director

The notes on pages 53 to 104 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent						
	Issued capital RMB'000 *Note 27*	Other reserve RMB'000 *Note 28(a)*	Statutory reserve RMB'000 *Note 28(b)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	—	42,100	3,788	52,893	98,781	—	98,781
Profit for the year and total comprehensive income for the year	—	—	—	53,500	53,500	—	53,500
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	900	900
Change in non-controlling interests without change in control	—	(3,030)	—	—	(3,030)	3,030	—
Issue of shares	305	—	—	—	305	—	305
Acquisition of equity interests by the Group from the then equity holders	—	(39,070)	(9,159)	(93,356)	(141,585)	(3,030)	(144,615)
Transfer from retained profits	—	—	5,371	(5,371)	—	—	—
At 31 December 2013	305	—*	—*	7,666*	7,971	900	8,871

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2014

		Attributable to owners of the parent								
	Notes	Nominal value of shares RMB'000	Share premium account RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014		305	—	—	—	7,666	—	7,971	900	8,871
Profit for the year		—	—	—	—	109,342	—	109,342	—	109,342
Exchange differences on translation of foreign operations		—	—	—	(753)	—	—	(753)	—	(753)
Total comprehensive income for the year		—	—	—	(753)	109,342	—	108,589	—	108,589
Donation from the then equity shareholders		—	—	3,471	—	—	—	3,471	—	3,471
Repurchase of shares		(305)	—	—	—	—	—	(305)	—	(305)
Issue of shares	27	60,917	161,703	—	—	—	—	222,620	—	222,620
Share issue expense		—	(10,480)	—	—	—	—	(10,480)	—	(10,480)
Proposed final 2014 dividend	12	—	(27,606)	—	—	—	27,606	—	—	—
At 31 December 2014		60,917	123,617	3,471*	(753)*	117,008*	27,606	331,866	900	332,766

* These reserve accounts comprise the consolidated other reserves of RMB119,726,000 (2013: RMB7,666,000) in the consolidated statement of financial position.

The notes on pages 53 to 104 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**148,259**	71,598
Adjustments for:			
Share of profits and losses of a joint venture and an associate		**(710)**	226
Depreciation of items of property, plant and equipment	*6,14*	**1,504**	1,012
Amortisation of other intangible assets	*6,16*	**335**	335
Provision for impairment of trade receivables	*20*	**4,688**	—
Loss on disposal of items of property, plant and equipment	*6*	**—**	20
Finance costs	*7*	**9,475**	752
Share issue expenses	*6*	**19,279**	—
Fair value gains on biological assets	*5(b)*	**—**	(69)
		182,830	73,874
Increase in trade receivables		**(42,234)**	(88,471)
Increase in prepayments, deposits and other receivables		**(12,862)**	(169)
Decrease in amounts due from related parties		**305**	—
Increase in construction contracts		**(296,888)**	(28,051)
Decrease in biological assets		**1,810**	—
Increase in trade and bills payables		**155,400**	11,119
Increase in other payables and accruals		**11,868**	1,585
Cash generated from/(used in) operations		**229**	(30,113)
PRC tax paid		**(12,149)**	(5,568)
Net cash flows used in operating activities		**(11,920)**	(35,681)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(4,936)**	(5,583)
Purchase of intangible assets		**(40)**	—
Proceeds from disposal of items of property, plant and equipment		**—**	18
Net cash flows used in investing activities		**(4,976)**	(5,565)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	377,172	11,984
Repayment of bank loans	(291,676)	(12,000)
Proceeds from issue of shares	173,289	—
Capital injection by the then equity shareholders	50,022	—
Donation from the then equity shareholders	3,471	—
Share issue expense	(30,031)	—
Repayment of acquisition of equity interests by the Group from the then equity shareholders	(124,112)	—
Contributions from non-controlling interests	—	900
Interest paid	(8,113)	(752)
Net cash flows from financing activities	150,022	132
Net increase/(decrease) in cash and cash equivalents	133,126	(41,123)
Cash and cash equivalents at beginning of year	10,793	51,916
Cash and cash equivalents at end of year	143,919	10,793

The notes on pages 53 to 104 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		4	—
Total non-current assets		4	—
CURRENT ASSETS			
Amounts due from related parties		—	305
Amounts due from subsidiaries		167,576	—
Cash and cash equivalents		62,599	—
Total current assets		230,175	305
CURRENT LIABILITIES			
Other payables and accruals		15,433	—
Total current liabilities		15,433	—
NET CURRENT ASSETS		214,742	305
TOTAL ASSETS LESS CURRENT LIABILITIES		214,746	305
Net assets		214,746	305
EQUITY			
Issued capital	*27*	184,534	305
Proposed final dividend	*12*	27,606	—
Other reserves		2,606	—
Total equity		214,746	305

Wu Zhengping
Director

Xiao Li
Director

The notes on pages 53 to 104 are an integral part of these consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. Corporate Information

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

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

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

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2014 direct	2014 indirect	2013 direct	2013 indirect	Principal activities
Greenstate Times International Company Limited**	British Virgin Islands	30 October 2013	USD 50,000	100%	—	100%	—	Investment holding
Greenstate International Company Limited	Hong Kong	12 November 2013	HKD 10,000	—	100%	—	100%	Investment holding
Shanghai Qianyi Landscape Engineering Company Limited#	People's Republic of China (The "PRC" or "China")	26 December 2013	USD 22,000,000	—	100%	—	100%	Investment holding
Shanghai Greenstate Landscape Properties Company Limited#	PRC	15 June 2004	RMB 32,000,000	—	100%	—	100%	Landscaping
Shanghai Broad Landscape Construction and Development Company Limited ("Shanghai Broad")#	PRC	1 June 1999	RMB 20,000,000	—	100%	—	100%	Landscaping
Shanghai Greenstate Gardening Company Limited ("Shanghai Greenstate")#	PRC	17 September 2004	RMB 500,000	—	100%	—	100%	Landscaping
Shanxi Broad Weiye Landscape Engineering Company Limited ("Shanxi Broad")*#	PRC	11 September 2013	RMB 2,000,000	—	55%	—	55%	Landscaping

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

** Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

2.1 Basis of Presentation

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"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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 Group for the year ended 31 December 2014. 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 in the accounting policy for subsidiaries below. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

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

2.3 New and Revised HKFRSs and New Disclosure Requirements Under the Hong Kong Companies Ordinance Not Yet Adopted

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Annual Improvements 2010–2012 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2011–2013 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

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 precious 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 expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and 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)

Investment 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.

The results of associates and joint ventures are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

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.

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 that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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, deferred tax assets, financial 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 2014

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); and

(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).

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment 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%

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.

Intangible assets (other than goodwill)

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

Licences

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

2.4 Summary of Significant Accounting Policies (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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).

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 and is accrued 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.

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, and interest-bearing bank borrowings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

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.

Biological assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

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 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 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 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 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.

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 on 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 on 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.

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 proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies

The financial statements are presented in RMB, which is the Company's functional and presentation currency. 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 retranslated 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 measure in fair value is treated in line with the recognition of the gain or loss on change at 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 non-PRC established 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 period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of 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.

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 RMB2,925,000 as at 31 December 2014 (2013: RMB1,390,000) (note 26).

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, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, an impairment loss may arise.

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 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 2014, impairment provision for receivables amounted to approximately RMB4,914,000 (2013: RMB226,000). Further details are given in note 20.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB1,916,000 (2013: RMB1,916,000). Further details are given in note 15.

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. Further details, including a sensitivity analysis of key assumptions, are given in note 15 to the financial statements.

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 2014

4. Operating Segment Information

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

Information about major customers

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

	Group	
	2014	2013
	RMB'000	RMB'000
Customer A	**199,284**	—
Customer B	**116,181**	—
Customer C	**73,042**	46,622
Customer D	**59,312**	*
Customer E	**—**	111,955

* Less than 10% of the total revenue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, 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:

	Group	
	2014	2013
	RMB'000	RMB'000
Construction contracts	**522,914**	267,067
Rendering of services	**7,195**	22,816
	530,109	289,883

(b) Other income and gains:

	Group	
	2014	2013
	RMB'000	RMB'000
Bank interest income	**653**	357
Other interest income	**4,471**	2,800
Government grants*	**3,021**	1,111
Foreign exchange difference, net	**1,149**	—
Fair value gains on biological assets	**—**	69
Others	**—**	3
	9,294	4,340

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

6. Profit Before Tax

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

	Notes	Group 2014 RMB'000	Group 2013 RMB'000
Cost of construction contracts		**333,108**	198,270
Cost of services provided		**7,069**	8,298
Employee benefit expenses (including directors' and chief executive's remuneration as set out in note 8)			
Wages and salaries		**7,944**	4,312
Pension scheme contributions		**2,457**	1,106
		10,401	5,418
Depreciation	*14*	**1,504**	1,012
Amortisation of other intangible assets^	*16*	**335**	335
Impairment of trade receivables	*20*	**4,688**	—
Share issue expenses		**19,279**	—
Consulting fees		**1,889**	454
Auditors' remuneration		**1,900**	880
Loss on disposal of items of property, plant and equipment		**—**	20
Minimum lease payments under operating leases:			
Land and buildings		**454**	360

^ 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.

7. Finance Costs

	Group 2014 RMB'000	Group 2013 RMB'000
Interest on bank loans	**8,113**	752
Other finance costs	**1,362**	—
	9,475	752

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	4,324	—

The remuneration of every director and supervisor is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Pension and other social welfare RMB'000	Total RMB'000
For the year ended 31 December 2014				
Executive directors				
Mr. Wu Zhengping (a)	—	960	75	1,035
Ms. Xiao Li (a)	—	960	74	1,034
Mr. Wang Lei (a)	—	600	74	674
Ms. Zhu Wen (a)	—	600	74	674
Non-executive directors				
Mr. Dai Guoqiang (b)	39	—	—	39
Mr. Zhang Qing (b)	39	—	—	39
Dr. Jin Hexian (c)	26	—	—	26
Mr. Wang Xiaohong (d)	—	—	—	—
Senior management				
Mr. Wong Wai Ming (e)	—	803	—	803
Total	104	3,923	297	4,324

Notes:

(a) Appointed on 3 January 2014

(b) Appointed on 25 June 2014

(c) Appointed on 29 August 2014

(d) Appointed on 25 June 2014 and resigned on 29 August 2014

(e) Appointed on 13 January 2014

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

9. Five Highest Paid Employees

The five highest paid employees during the year included four directors and the chief finance officer, details of whose remuneration are set out in note 8 above.

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,923**	1,600
Pension scheme contributions	**297**	380
	4,220	1,980

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

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 countries (or jurisdictions) in which the Group operates.

	Group	
	2014	2013
	RMB'000	RMB'000
Current — the People's Republic of China ("PRC")		
Charge for the year	**40,616**	18,564
Deferred tax *(note 26)*	**(1,699)**	(466)
Total tax charge for the year	**38,917**	18,098

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

10. Income Tax (Continued)

Group

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**148,259**	71,598
Tax at the statutory tax rate (25%)	**37,065**	17,900
Profits and losses attributable to a joint venture and an associate	**(177)**	57
Tax losses not recognised	**1,260**	—
Expenses not deductible for tax	**769**	141
Tax charge at the Group's effective rate	**38,917**	18,098

11. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB517,220 which has been dealt with in the financial statements of the Company.

12. Dividends

	31 December 2014 RMB'000	31 December 2013 RMB'000
Proposed final — HK4.5 cents (2013: Nil) per ordinary share	**27,606**	—

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

13. Earnings Per Share Attributable to Ordinary Equity Holders of The Parent

The calculation of the basic earnings per share amount based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 609,035,879 (2013: 475,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

To further improve the Company's working capital position, on 16 July 2014, Eastern Greenstate International, Broad Landscape International and YiYu International based on their respective equity interests in the Company, contributed HK$63.0 million in total to the Company as additional capital injection. In consideration, the Company allotted and issued a total of 1,000,000 shares to the shareholders according to their respective equity interests in the Company. Furthermore, the Company injected the amount of HK$63.0 million into Greenstate Times International Company Limited (" Greenstate Times") as capital contribution and Greenstate Times issued 50,000 additional shares to the Company as consideration.

On 21 July 2014, the Company was listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Offer Price has been determined at HK$1.30 per offer share (exclusive of brokerage of 1%, SFC transaction levy of 0.03% and the Stock Exchange trading fee of 0.005%). The final number of offer shares comprised in the Hong Kong Public Offering is 9,182,000 Offer Shares, representing approximately 4.27% of the offer shares in the Global Offering. The number of Offer Shares comprised in the international offering is 205,618,000 offer shares which were allocated in full, representing approximately 95.73% of the offer shares in the global offering.

The over-allotment option as described in the prospectus and the supplemental prospectus has been partially exercised by the joint global coordinators on behalf of the international underwriters on 31 July 2014 in respect of 414,000 shares, representing approximately 0.19% of the number of the Offer shares initially available under the global offering. The over-allotment shares were issued and allotted by the Company at HK$1.30 per Share (exclusive of brokerage of 1%, SFC transaction levy of 0.03% and the Stock Exchange trading fee of 0.005%), being the offer price per share under the global offering.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

13. Earnings Per Share Attributable to Ordinary Equity Holders of The Parent (Continued)

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

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**109,342**	53,500

	Number of shares 2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings	**609,035,879**	475,000,000
Basic earnings per share (RMB)	**0.18**	0.11

Diluted earnings per share is the same as the basic earnings per share, as the Company did not have any potential dilutive ordinary shares during the year ended 31 December 2014 (2013: Nil).

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2013 was 475,000,000, which were deemed to have been issued throughout 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

14. Property, Plant and Equipment

Group

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
31 December 2014					
At 31 December 2013 and at 1 January 2014:					
Cost	8,966	2,141	3,201	200	14,508
Accumulated depreciation and impairment	—	(1,119)	(1,896)	(136)	(3,151)
Net carrying amount	8,966	1,022	1,305	64	11,357
At 1 January 2014, net of accumulated depreciation and impairment	8,966	1,022	1,305	64	11,357
Additions	269	201	—	—	470
Depreciation provided for the year *(note 6)*	(439)	(450)	(580)	(35)	(1,504)
At 31 December 2014, net of accumulated depreciation and impairment	8,796	773	725	29	10,323
At 31 December 2014:					
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
31 December 2013					
At 1 January 2013:					
Cost	—	1,896	2,435	166	4,497
Accumulated depreciation and impairment	—	(725)	(1,304)	(110)	(2,139)
Net carrying amount	—	1,171	1,131	56	2,358
At 1 January 2013, net of accumulated depreciation and impairment	—	1,171	1,131	56	2,358
Additions	8,966	245	804	34	10,049
Disposals	—	—	(38)	—	(38)
Depreciation provided for the year	—	(394)	(592)	(26)	(1,012)
At 31 December 2013, net of accumulated depreciation and impairment	8,966	1,022	1,305	64	11,357
At 31 December 2013:					
Cost	8,966	2,141	3,201	200	14,508
Accumulated depreciation and impairment	—	(1,119)	(1,896)	(136)	(3,151)
Net carrying amount	8,966	1,022	1,305	64	11,357

At 31 December 2014, certain of the Group's building with a net carrying amount of approximately RMB8,796,000 (2013: Nil) was pledged to secure bank loans granted to the Group (note 25).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

15. Goodwill

Group

	RMB'000
At 31 December 2014 and 31 December 2013	
Cost and net carrying amount	1,916

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 cash-generating 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% 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 2014 and 31 December 2013. 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 rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

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 industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

16. Other Intangible Assets

Group

	Licences
	RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	5,841
Additions	40
Amortisation provided during the year *(note 6)*	(335)
At 31 December 2014	5,546
At 31 December 2014:	
Cost	6,690
Accumulated amortisation	(1,144)
Net carrying amount	5,546
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	6,176
Amortisation provided during the year	(335)
At 31 December 2013	5,841
At 31 December 2013:	
Cost	6,650
Accumulated amortisation	(809)
Net carrying amount	5,841

Licences represent the Landscape Construction Enterprises Qualification Certificate of type I, issued by the Ministry of Housing and Urban-rural Development P.R. China and the Landscape Design Qualification Certificate of type II issued by the Shanghai Urban Construction and Communications Commission. Both certificates help the Group to undertake the projects which require certain qualification.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

17. Investment in a Joint Venture

	Group 2014 RMB'000	Group 2013 RMB'000
Share of net assets	**5,325**	5,255

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

Name	**Place of registration and business**	**Nominal value of registered capital**	**Percentage of ownership interest attributable to the Group** 2014	2013	**Principal activities**
Shanghai City Investment Virescence Technology Development Company Limited ("Shanghai City")	PRC/ Mainland China	RMB36,000,000	**15%**	15%	Landscaping

The Group's voting power held and profit sharing arrangement in relation to Shanghai City is 15% (2013: 15%). The Group's investment in the joint venture is held through a wholly-owned subsidiary of the Company.

Shanghai City is considered as 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 2014

17. 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:

	2014 RMB'000	2013 RMB'000
Cash and cash equivalents	8,945	10,457
Other current assets	32,024	29,928
Current assets	40,969	40,385
Non-current assets	473	773
Current liabilities	(5,942)	(6,126)
Net assets	35,500	35,032
Net assets, excluding goodwill	35,500	35,032
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, excluding goodwill	5,325	5,255
Carrying amount of the investment	5,325	5,255
Revenue	3,702	4,318
Depreciation and amortisation	(139)	(139)
Profit for the year and total comprehensive income for the year	467	46

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

18. Investment in an Associate

	Group 2014 RMB'000	Group 2013 RMB'000
Share of net assets	**8,507**	7,867

Particulars of the associate are as follows:

Name	Place of incorporation registration and business	Nominal value of registered capital	Percentage of ownership interest attributable to the Group 2014	Percentage of ownership interest attributable to the Group 2013	Principal activities
Shanghai Taifu Diandang Company Limited. ("Shanghai Taifu")	PRC/ Mainland China	RMB30,000,000	**27%**	27%	Pawnbroking

The Group's voting power held and profit sharing arrangement in relation to Shanghai Taifu is 27% (2013: 27%).

The Group's investment in associate is held through a wholly-owned subsidiary of the Company.

Shanghai Taifu is considered as a material associate of the Group in Mainland China and is accounted for using the equity method.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

18. Investment in an Associate (Continued)

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

	2014 RMB'000	2013 RMB'000
Current assets	32,573	29,233
Non-current assets	353	71
Current liabilities	(1,421)	(168)
Net assets	31,505	29,136
Net assets, excluding goodwill	31,505	29,136
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	27%	27%
Group's share of net assets of the associate, excluding goodwill	8,507	7,867
Carrying amount of the investment	8,507	7,867
Revenue	5,557	94
Profit /(Loss) for the year and total comprehensive income for the year	2,370	(864)

19. Construction Contracts

	Group	
	2014 RMB'000	2013 RMB'000
Gross amount due from contract customers	324,939	28,051
Contract costs incurred plus recognised profits less recognised losses to date	388,507	94,959
Less: Progress billings	(63,568)	(66,908)
	324,939	28,051

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

20. Trade Receivables

	Group 2014 RMB'000	2013 RMB'000
Trade receivables	**214,814**	174,167
Impairment	**(4,914)**	(226)
	209,900	173,941

The Group's trading terms with its customers are mainly on credit. The credit period is varies with actual projects, ranging from 7 to 42 days (excluding retention money receivable). The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group 2014 RMB'000	2013 RMB'000
Within one year	**192,599**	157,316
Over one year but within two years	**15,515**	13,019
Over two years	**1,786**	3,606
	209,900	173,941

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

	Group 2014 RMB'000	2013 RMB'000
At 1 January 2014	**226**	226
Impairment losses recognised *(note 6)*	**4,688**	—
	4,914	226

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

20. Trade Receivables (Continued)

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB4,913,414 (2013: RMB226,000) with a carrying amount before provision of approximately RMB184,111,023 (2013: RMB226,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both 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 2014, retention money held by customers included in trade receivables amounted to approximately RMB30,667,731 as compared to RMB46,948,000 as at 31 December 2013.

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

Based on past experience, the directors 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.

21. Prepayments, Deposits and Other Receivables

	Group	
	2014	2013
	RMB'000	RMB'000
Prepayments	**6,716**	4,035
Deposits and other receivables	**37,855**	28,926
	44,571	32,961

Net of prepayments, deposits and other receivables is a provision of RMB36,000 (2013: RMB36,000).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

21. Prepayments, Deposits and Other Receivables (Continued)

The movements in provision for impairment of prepayments, deposits and others receivables are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
At 31 December	**36**	36

Included in the provision for impairment of prepayments, deposits and other receivables is a provision for individually impaired receivables of RMB36,000 (2013: RMB36,000) with a carrying amount before provision of RMB36,000 (2013: RMB36,000). The individually impaired receivables relate to the portions of receivables that were not expected to be recovered.

Included in the above other receivables as at 31 December 2014 was an unsecured receivable from a local government authority amounting to RMB12,000,000 (31 December 2013: RMB12,000,000) with an effective interest rate of 14% (2013: 14%) per annum. Apart from the abovementioned, the other receivables are unsecured, interest-free and have no fixed terms of repayment.

22. Cash and Cash Equivalents and Pledged Deposits

	Group	
	2014	2013
	RMB'000	RMB'000
Cash and bank balances	**206,439**	10,793
Less:		
Pledged for interest-bearing bank borrowings *(note 25(ii))*	**62,520**	—
Cash and cash equivalents	**143,919**	10,793

At the end of the reporting period, the cash and cash equivalents of the Group are all denominated in RMB. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

23. Trade and Bills Payables

An aged analysis of the trade and bills payables as at the reporting period, based on the transaction date, is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within one year	225,885	67,395
Over one year but within two years	2,403	3,775
Over two years	78	1,796
	228,366	72,966

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

24. Other Payables and Accruals

	Group	
	2014 RMB'000	2013 RMB'000
Other tax payable	37,941	25,493
Other payables	1,374	5,703
Deposits from sub-contractors	6,047	4,277
Staff payroll and welfare payables	2,507	4,994
Payables for purchase of equity interests from non-controlling interests	—	3,430
	47,869	43,897

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

25. Interest-Bearing Bank Borrowings

Group		2014 Effective interest rate (%)	2014 Maturity	2014 RMB'000	2013 Effective interest rate (%)	2013 Maturity	2013 RMB'000
Current							
Bank loans — unsecured		6.16	2015	27,000	6.6	2014	11,984
Bank loans — secured	*(i)*	6.60	2015	23,000			—
				50,000			11,984
Non-current							
Other secured bank loans	*(ii)*	4.5	2016	110,000			—

(i) (a) Certain of the Group's bank loans are secured by mortgages over the Group's building, which had the carrying value at the end of the reporting period of approximately RMB8,796,000 (2013: Nil).

(b) In addition, a certain independent third party has guaranteed certain of the Group's bank loans up to RMB15,000,000 (2013: Nil) as at the end of the reporting period.

(ii) (a) Certain of the Group's bank loans are secured by the pledge of certain of the Group's deposits amounting to RMB62,520,000 (2013: Nil).

(b) An independent third party has guaranteed certain of the Group's bank loans up to RMB52,000,000 (2013: Nil)

(iii) All borrowings are denominated in RMB and bear interest at floating rates.

26. Deferred Tax

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

Deferred tax assets:

Group

	Payroll payables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	**1,206**	**184**	**1,390**
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	**(1,156)**	**2,691**	**1,535**
At 31 December 2014	**50**	**2,875**	**2,925**
At 1 January 2013	806	184	990
Deferred tax charged to profit or loss during the year *(note 10)*	400	—	400
At 31 December 2013	1,206	184	1,390

Deferred tax liabilities:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Changes in the fair value of biological assets RMB'000	Total RMB'000
At 1 January 2014	**1,508**	**34**	**1,542**
Deferred tax credited to profit or loss during the year *(note 10)*	**(130)**	**(34)**	**(164)**
At 31 December 2014	**1,378**	**—**	**1,378**
At 1 January 2013	1,592	16	1,608
Deferred tax (credited)/charged to profit or loss during the year *(note 10)*	(84)	18	(66)
At 31 December 2013	1,508	34	1,542

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

26. Deferred Tax (Continued)

At 31 December 2014, 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 nil (2013: Nil).

27. Issued Capital

Shares

	2014 RMB'000	2013 RMB'000
Authorised: Ordinary shares of HK$0.1 each	60,917	305
Issued and fully paid: 767,214,000 (31 December 2013: 50,000) ordinary shares	60,917	305

On 3 January 2014, the Company increased its authorised share capital to US$50,000 divided into 50,000 shares of a par value of US$1.00 each and HK$380,000 divided into 3,800,000 shares of a par value of HK$0.10 each, by the creation of an additional 3,800,000 shares of a par value of HK$0.10 each to ranking pari passu in all respects.

On 3 January 2014, each of Broad Landscape International, Eastern Greenstate International and YiYu International subscribed for 2,610,068, 1,133,475 and 56,457 ordinary shares with a par value of HK$0.10 each, respectively.

On 3 January 2014, the Company repurchased a total of 50,000 ordinary shares with a par value of US$1.00 each in issue for a total consideration of US$50,000 from Broad Landscape International, Eastern Greenstate International and YiYu International.

Detail of the Company's IPO for the year are disclosed in note 13 to financial statements.

27. Issued Capital (Continued)

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

Group

	Number of shares in issues	Nominal value of shares RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2013	—	—	—	—
Issue of shares	50,000	305	—	305
At 31 December 2013	50,000	305	—	305
At 31 December 2013 and 1 January 2014	50,000	305	—	305
Repurchase of shares	(50,000)	(305)	—	(305)
Issue of shares	600,000,000	47,640	2,382	50,022
Issue of shares under initial public offering	167,214,000	13,277	159,321	172,598
	767,214,000	60,917	161,703	222,620
Share issue expense	—	—	(10,480)	(10,480)
Proposed final 2014 dividend	—	—	(27,606)	(27,606)
At 31 December 2014	767,214,000	60,917	123,617	184,534

28. Operating Lease Arrangements

As lessee

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

As at 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating lease payables as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within one year	374	26
In the second to fifth years, inclusive	418	101
After five years	74	88
	866	215

29. Related Party Transactions

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

	Group	
	2014 RMB'000	2013 RMB'000
Lease of office from Mr. Wu zhengping and Ms. Xiao Li	360	360

(b) Other transactions with related parties:

(i) During the year, Shanghai Greenstate used an office premises with a gross floor area of 100 sq.m. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, PRC, which was owned by Mr. Wu Jie, a close family member of that Mr. Wu's family, free of charge.

(ii) The Company's controlling shareholder has guaranteed certain bank loans made to the Group of up to RMB110,000,000 as at the end of the reporting period, as further detailed in note 25 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

29. Related Party Transactions (Continued)

(c) Outstanding balances with related parties:

The outstanding balances due from the related parties amounting to Nil (2013: RMB305,000). These balances are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	2014 RMB'000	2013 RMB'000
Salaries	3,923	1,400
Pension scheme contributions	297	304
	4,220	1,704

30. 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:

Group

31 December 2014

Financial assets

	Loans and receivables RMB'000
Trade receivables	209,900
Financial assets included in prepayments, deposits and other receivables	37,855
Pledged deposits	62,520
Cash and cash equivalents	143,919
	454,194

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

30. Financial Instruments by Category (Continued)

Group (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**228,366**
Financial liabilities included in other payables and accruals	**7,421**
Interest-bearing bank borrowings	**160,000**
	395,787

31 December 2013

Financial assets

	Loans and receivables RMB'000
Trade receivables	173,941
Financial assets included in prepayments, deposits and other receivables	28,926
Cash and cash equivalents	10,793
Amounts due from related parties	305
	213,965

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	72,966
Financial liabilities included in other payables and accruals	9,980
Interest-bearing bank borrowings	11,984
Amounts due to the Founding Shareholders	120,682
	215,612

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

31. Fair Value and Fair Value Hierarchy of Financial Instruments

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

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, trade and bills payables, interest-bearing bank borrowings, financial liabilities included in other payables and accruals, amounts due from related parties and amounts due to the Founding Shareholders 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 rate.

As at 31 December 2014, the Group did not hold any assets or liabilities measured at fair value. (2013: no assets or liabilities measured at fair value except biological assets).

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.

32. Commitments

At the end of the year, neither the Group nor the Company had any material commitments.

33. Contingent Liabilities

At the end of the year, neither the Group nor the Company had any material contingent liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise trade receivables, trade and 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, 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 with 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	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2014			
RMB	**15**	**(3,198)**	**(2,399)**
RMB	**(15)**	**3,198**	**2,399**
2013			
RMB	15	(10)	(7)
RMB	(15)	10	7

Credit risk

The Group has no significant concentrations of credit risk. 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.

34. 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:

Group

	31 December 2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	784	51,363	—	—	52,147
Long term loans	—	1,221	3,729	114,489	—	119,439
Trade and bills payables	228,366	—	—	—	—	228,366
Other payables	7,421	—	—	—	—	7,421
	235,787	2,005	55,092	114,489	—	407,373

	31 December 2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	197	12,182	—	—	12,379
Trade and bills payables	72,966	—	—	—	—	72,966
Other payables	9,980	—	—	—	—	9,980
Amounts due to the Founding Shareholders	120,682	—	—	—	—	120,682
	203,628	197	12,182	—	—	216,007

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

34. Financial Risk Management Objectives and Policies (Continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

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

	Group	
	2014	2013
	RMB'000	RMB'000
Interest-bearing bank borrowings	**160,000**	11,984
Trade and bills payables	**228,366**	72,966
Other payables and accruals	**7,421**	9,980
Amounts due to the Founding Shareholders	**—**	120,682
Less: Cash and cash equivalents	**143,919**	10,793
Net debt	**251,868**	204,819
Equity	**111,378**	7,666
Capital and net debt	**363,246**	212,485
Gearing ratio	**69%**	96%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2014

35. Events after the Reporting Period

On 25 January 2015, the Company and the offshore vendors, Ally International Investment Limited (寧波艾聯投資有限公司) and Nita International Holding Limited (寧波奧爾尼塔投資有限公司), entered into an offshore share purchase agreement, pursuant to which the Company has conditionally agreed to acquire 100% share capital in the offshore target company, Allynita International Holding Co. Ltd, at the consideration of RMB115.2 million (equivalent to approximately HK$145.6 million), which shall be satisfied by the allotment and issue of the consideration shares. On the same day, Shanghai Greenstate Landscape Properties Company Limited* (上海綠澤景觀置業有限公司) ("Greenstate Landscape") and the onshore vendor, Mr. Xu Xiongwen (徐雄文), entered into an onshore share purchase agreement, pursuant to which Greenstate Landscape has conditionally agreed to acquire 10% equity interest in the onshore target company, NITA Landscape, at the consideration of RMB12.8 million (equivalent to approximately HK$16.2 million), which shall be satisfied by cash. Completion of the onshore acquisition will be conditional upon the completion of the offshore acquisition. Upon completion of the acquisitions, NITA Landscape will become an indirect wholly-owned subsidiary of the Company.

36. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2015.

DEFINITIONS

"Acting in Concert Deed"	a deed of confirmation dated 12 January 2014 executed by Mr. Wu Zhengping (吳正平), Ms. Xiao Li (肖莉) and the Management Shareholders, whereby they confirmed the existence of their acting in concert arrangements. A summary of the Acting in Concert Deed is set out in "Relationship with Controlling Shareholders" in the Prospectus
"AGM"	the annual general meeting of the Company to be held on Tuesday, 21 April 2015
"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 a wholly-owned company of Mr. Wu Zhengping (吳正平)
"BVI"	the British Virgin Islands
"CAGR"	Compound annual growth rate, a measurement to assess the growth rate over time
"CG Code"	Corporate Governance Code and Corporate Governance Report 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
"City Investment Virescence"	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 Landscape, 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)
"Company", "Parent", "we", "us" or "our"	Broad Greenstate International Company Limited (博大綠澤國際有限公司), a company incorporated in the Cayman Islands on 22 October 2013
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

DEFINITIONS (CONTINUED)

"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules, and in the context of this annual report refers to Broad Landscape International, Eastern Greenstate International, Mr. Wu Zhengping (吳正平), Ms. Xiao Li (肖莉) and the Management Shareholders
"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 48.3% by Ms. Xiao Li (肖莉), 16.1049% by Mr. Shen Wenlin (沈文林), 8.1% by Mr. Song Shudong (宋曙東), 6.4% by Mr. Zhang Kequan (張克泉), 4.0% by Mr. Jiao Ye (焦曄), 3.2% by Mr. Wang Lei (王磊), 3.2% by Mr. Li Qiuliang (李秋亮), 2.4% by Mr. Xiao Xu (肖旭), 1.6% by Ms. Zhu Wen (朱雯), 1.6% by Mr. She Lei (佘磊), 1.7% by Mr. Zhao Guanghua (趙光華) and 3.3% by Ms. Zhou Wei (周維)
"Founding Shareholders"	Mr. Wu Zhengping (吳正平), Ms. Xiao Li (肖莉) and the Management Shareholders
"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 and an indirect wholly-owned subsidiary of the Company
"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
"Greenstate Landscape"	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
"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
"IPSOS"	Ipsos Hong Kong Limited
"Listing"	listing of the Shares on the Main Board of the Stock Exchange

DEFINITIONS (CONTINUED)

"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
"Management Shareholders"	Mr. Shen Wenlin (沈文林), Mr. Song Shudong (宋曙東), Mr. Zhang Kequan (張克泉), Mr. Jiao Ye (焦曄), Mr. Wang Lei (王磊), Mr. Li Qiuliang (李秋亮), Mr. Xiao Xu (肖旭), Ms. Zhu Wen (朱雯) and Mr. She Lei (佘磊), who are full time employees of the Group and indirect Shareholders of the Company as at the date of the Prospectus
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"NITA Landscape"	Zhejiang NITA Landscape Architecture Development Company Limited* (浙江尼塔園林景觀發展有限公司)
"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
"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 2014
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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$0.10 each in the share capital of the Company

DEFINITIONS (CONTINUED)

"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
"YiYu International"	YiYu International Company Limited (乙羽國際有限公司), a company incorporated in BVI on 8 October 2013 and is wholly-owned by Mr. Chen Zhengliang (陳正亮)

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.