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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1253)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

		Year ended 31 December		
		2014	2013	Change
		Audited	Audited	
Revenue	*RMB'000*	**530,109**	289,883	+82.9%
Gross profit	*RMB'000*	**189,932**	83,315	+128.0%
Net profit attributable to owners of the Parent	*RMB'000*	**109,342**	53,500	+104.4%
Gross profit margin	*%*	**35.8**	28.7	+7.1% points
Net profit margin	*%*	**20.6**	18.5	+2.1% points
Proposed final dividend per share	*HK$ cents*	**4.5**	—	N/A

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

The board (the "**Board**") of directors (the "**Directors**") of Broad Greenstate International Company Limited (the "**Company**" or the "**Parent**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 (the "**Reporting Period**"), together with audited comparative figures for the preceding financial year.

AUDITED ANNUAL RESULTS OF THE GROUP FOR THE REPORTING PERIOD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	*2(a)*	**530,109**	289,883
Cost of sales		**(340,177)**	(206,568)
Gross profit		**189,932**	83,315
Other income and gains	*2(b)*	**9,294**	4,340
Administrative expenses		**(42,202)**	(15,079)
Finance costs	*4*	**(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	*7*	**(38,917)**	(18,098)
PROFIT FOR THE YEAR		**109,342**	53,500
Attributable to:			
Owners of the parent	*8*	**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	*10*	**RMB0.18**	RMB0.11

Details of the dividends payable and proposed for the year are disclosed in note 9 to financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**10,323**	11,357
Goodwill	**1,916**	1,916
Other intangible assets	**5,546**	5,841
Investment in a joint venture	**5,325**	5,255
Investment in an associate	**8,507**	7,867
Deferred tax assets	**2,925**	1,390
Total non-current assets	**34,542**	33,626
CURRENT ASSETS		
Biological assets	**—**	1,810
Construction contracts	**324,939**	28,051
Trade receivables	**209,900**	173,941
Prepayments, deposits and other receivables	**44,571**	32,961
Amounts due from related parties	**—**	305
Pledged deposits	**62,520**	—
Cash and cash equivalents	**143,919**	10,793
Total current assets	**785,849**	247,861
CURRENT LIABILITIES		
Trade and bills payables	**228,366**	72,966
Other payables and accruals	**47,869**	43,897
Interest-bearing bank borrowings	**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

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**110,000**	—
Deferred tax liabilities		**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	*9*	**27,606**	—
		331,866	7,971
Non-controlling interests		**900**	900
Total equity		**332,766**	8,871

1. 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.

2. 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 RMB'000	Group 2013 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.

3. PROFIT BEFORE TAX

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

	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 5)		
Wages and salaries	**7,944**	4,312
Pension scheme contributions	**2,457**	1,106
	10,401	5,418
Depreciation	**1,504**	1,012
Amortisation of other intangible assets^	**335**	335
Impairment of trade receivables	**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.

4. 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

5. 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. JinHexian *(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

6. 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 5 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.

7. INCOME TAX

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

	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	**(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.

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	2013
	RMB'000	*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

8. 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.

9. DIVIDENDS

	31 December 2014	31 December 2013
	RMB'000	*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.

10. 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 Company Limited ("Eastern Greenstate International"), Broad Landscape International Company Limited ("Broad Landscape International") and YiYu International Company Limited ("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.

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

	2014	2013
	RMB'000	*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 calculated 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.

11. 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, Zhejiang NITA Landscape Architecture Development Company Limited* (浙江尼塔園林景觀發展有限公司) ("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.

* *For identification purpose only*

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 of Hong Kong Limited (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 polices 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.

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 Reporting Period. As of 31 December 2014, the net value of backlog of all landscape projects awarded was RMB567 million.

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**

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

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 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 Zhejiang NITA Landscape Architecture Development Company Limited（浙江尼塔園林景觀發展有限公司）("**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 of the Company ("**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.

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. The Group will explore business customers with high return based on the current municipal 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 system has been comprehensively updated and adjusted by February 2015, and the new system has been 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.

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 in 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. During the Reporting Period, the Group's total income increased from the audited amount of RMB289.9 million in the same period of 2013 to RMB530.1 million, 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 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 projects, 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 instrument used, currency and interest rate structure, please refer to note 25 to the financial statements of the annual report.

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, the Group has unutilized and unrestricted banking facilities 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.

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 primarily in relation to our variable interest-bearing bank borrowings. At present, we didn't adopt any interest rate hedging policy. However, we monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Credit risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations 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.

USE OF PROCEEDS

The aggregate net proceeds of the Group from the listing of Shares on the main board of the Stock Exchange (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**	**Utilized amount**
		RMB'000	*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 INFORMATION

The Company was incorporated in the Cayman Islands on 22 October 2013 as an exempted company with limited liability, and the Shares were listed on the main board of the Stock Exchange on 21 July 2014 (the "**Listing Date**").

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

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

CORPORATE GOVERNANCE

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

Since the Listing Date, the Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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 announcement, 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.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive should be segregated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. However, the Company does not have a separate chairman and chief executive officer and Mr. Wu Zhengping currently performs these two roles and accordingly, there is no written terms setting out the division of responsibilities between the chairman and chief executive. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will review the management structure regularly and consider separating the roles of the chairman and chief executive officer if and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company with effect from the Listing Date.

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period from the Listing Date up to the date of this announcement.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

FINAL DIVIDEND

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 of the Company ("**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 "**AGM**"). The proposed final dividend is expected to be paid to the Shareholders by 21 May 2015.

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.

PUBLICATION OF ANNUAL RESULTS AND 2014 ANNUAL REPORT

This announcement is published on the websites of the Company (www.broad-greenstate.com.cn) and the Stock Exchange (http://www.hkexnews.hk). The annual report for the year ended 31 December 2014 will be dispatched to the Shareholders and will be made available on the websites of the Company and the Stock Exchange as and when appropriate.

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

Shanghai, the PRC

25 March 2015

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