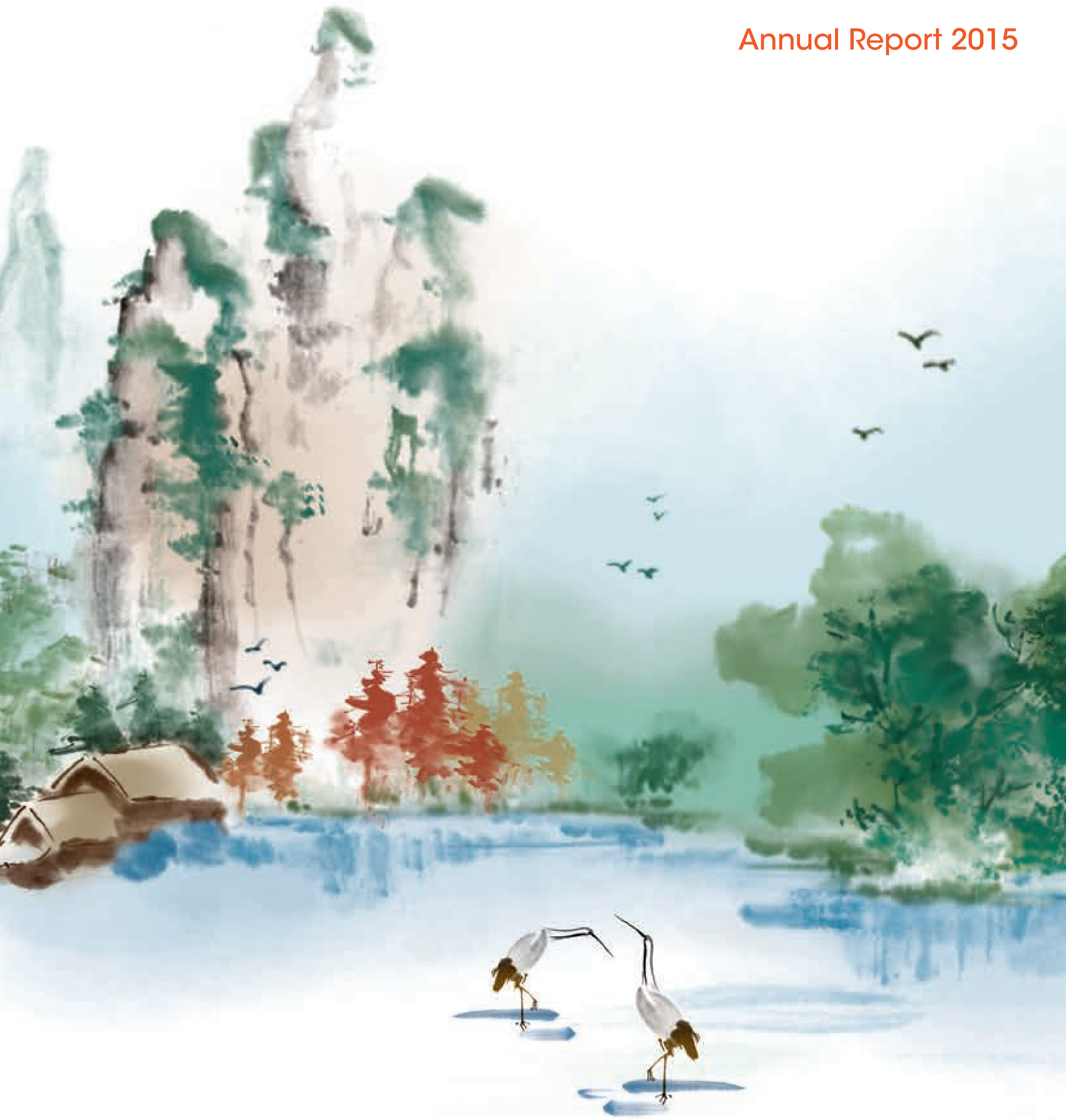
Broad Greenstate International Company Limited
博大綠澤國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1253

Annual Report 2015



博

博採眾長
Eclectic

大

大有作為
Accomplishment

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精益求精
Excelsior

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Continuous

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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

Company Secretary

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

Authorized Representatives

Ms. Zhu Wen
Ms. Ho Siu Pik

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

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

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		Change	
	2015	2014		
	RMB'000	RMB'000	RMB'000	%
Revenue	**622,693**	530,109	92,584	17.5%
Gross Profit	**228,232**	189,932	38,300	20.2%
Profit before taxation	**200,745**	148,259	52,476	35.4%
Net profit attributable to owners of the Parent	**150,506**	109,342	41,164	37.6%

	31 December		Change	
	2015	2014		
	RMB'000	RMB'000	RMB'000	%
Total assets	**1,373,132**	820,391	552,741	67.4%
Total equity attribute to owners of the Parent	**553,448**	331,866	220,682	66.3%

	For the year ended 31 December	
	2015	2014
Profitability ratio (%)		
Gross profit margin	36.7%	35.8%
Net profit margin	24.2%	20.6%
Return on assets	11.0%	13.3%
Return on equity	27.2%	32.9%

	31 December	
	2015	2014
Working capital data		
Current ratio (time)	**1.2**	2.1
Gearing ratio (%)	**42.9%**	69.3%

Five-Year Financial Summary

	2015	2014	2013	2012	2011
Profitability data (RMB'000)					
Revenue	**622,693**	530,109	289,883	221,550	176,986
Gross profit	**228,232**	189,932	83,315	44,522	29,599
Profit before taxation	**200,735**	148,259	71,598	32,942	19,151
Net profit attributable to owners of the Parent	**150,506**	109,342	53,500	24,528	18,840
Profitability ratios (%)					
Gross profit margin	**36.7**	35.8	28.7	20.1	16.7
Net profit margin	**24.2**	20.6	18.5	11.1	10.6
Assets and liabilities data (RMB'000)					
Non-current assets	**363,868**	34,542	33,626	24,788	16,003
Current assets	**1,009,264**	785,849	247,861	171,919	133,216
Current liabilities	**812,303**	376,247	271,074	96,318	73,060
Non-current liabilities	**6,481**	111,378	1,542	1,608	1,906
Total equity attributable to owners of the Parent	**553,448**	331,866	8,871	98,781	74,253
Working capital data					
Current ratio (time)	**1.2**	2.1	0.9	1.8	1.8
Gearing ratio (%)	**42.9%**	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 ("Broad Greenstate" or the "Company"), and its subsidiaries (collectively, the "Group"), I am pleased to present to our shareholders our audited annual results of the Group for the year ended 31 December 2015 (the "2015").

Remains committed and supportive to green industry development

The Chinese Government strongly supports the landscape industry. The *National Plan on New Urbanization (2014–2020)*, established 18 major development indicators under its urbanization index system focusing on the intensive urban development and green development, upper limit of per capita urban construction land is specified, and the resources and environment indicators such as renewable resource consumption, green building, greening rate of the built-up areas as well as the air quality were also being set. The settings of these indicators and requirements will become rigid index to verify whether the target of the new urbanization has been reached. The urbanization index system which puts human first makes landscaping becoming an important assessment point, and also a key factor as to whether the target of new urbanization has been reached; resulting in the high speed development of landscape industry.

According to the *Opinions on Strengthening Urban Infrastructure Construction* (Guo Fa [2013] No. 36), the government is actively pushing forward industrial reform which requires to strengthen the infrastructure construction of urban landscaping, research the layout of key landscaping construction projects and clarify the construction period and sources of funds. It will strive to obtain capital investment from the central and local governments at all levels, and adopting measures such as enhancing credit support, attracting private capital participation, and perfecting the investment and financing system for fund raising channels expansion.

Public-private partnership project (PPP project) mode will dominate the market

Since the Ministry of Finance of the State Council required that the PPP project modes be actively promoted in the infrastructure and public services field at the end of 2014, the Group believes that the PPP project mode will become a major trend and will be carried out in an in-depth manner. In recent years, under the strong promotion push by Chinses government, government projects have indeed gradually transformed into PPP projects. The Group is full of confidence in the prospects of this mode, and remain focusing on the development of government projects.

By following the principle of "driving from point to area, substituting subsidies with rewards, and promoting internal aspects from external dimensions", the Ministry of Finance of China issued a series of supportive policies to improve the management method of special funds, guide the standardized implementation of PPP projects and support the PPP projects through utilization of international resources. Furthermore, in order to enhance the availability of PPP project financing, the Ministry of Finance actively coordinated the financial institutions to create innovative credit assessment methods so as to be in line with the characteristics of PPP project model, promote the transformation of credit assessment focus from mortgage and pledge to project cash flows, and made use of government credit contract to relieve the concerns of financial institutions. At the same time, by following the principle of "shared revenue and shared risks" and by making use of the leveraging effect of financial resources, to corporate with 10 institutions in establishing a RMB180 billion support funds to mobilize and promote social capital investment and to enhance the availability of project financing as well as promote the standardized operation of PPP projects. Currently, the Ministry of Finance is working with the parties concerned to carry out the related follow-up work to put the fund into operation as soon as possible. We, as a listed company in Hong Kong with strong financing ability can make use of a variety of financing methods to obtain funds to support and coordinate the development of PPP projects.

Meet the opportunities by continuously self-improvement

In February 2016, the Group successfully obtained the Construction Engineering Professional Grade One Design Qualification granted by the Ministry of Housing and Urban-Rural Development of the People's Republic of China, which indicated that the integrated design and construction capability of the Group have reached the highest level of the country, making the Group qualified for the design work of landscape project of any scale. The Group also has the Grade One Qualification for Special Urban Landscape and Landscape Engineering Design. The advantage of holding "dual Grade One" qualifications will strengthen our capability to contract for the public sector projects of large municipal and urban level.

In early December 2015, the Group also acquired the entire equity of Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. ("**Dongjiang Design**") at a consideration of RMB3 million through its indirect wholly-owned subsidiary of Shanghai Greenstate Landscape Properties Company Limited. Dongjiang Design is currently in possession of the Construction Engineering Professional Grade One Design Qualification and the Landscape Design Grade Two Qualification. Such acquisition together with the new Grade One Qualification will expand the Group's ability in the design capacity, and will enable the Group to provide more comprehensive services for the cooperation projects between the government and social entities.

We attach great importance to talents, and the Group has a group of experienced project managers qualified for large-scale landscaping construction projects. In terms of the project construction, we have passed the ISO9001 Quality Management System Accreditation, and multiple landscape projects conducted by the Group won the 2015 Top Ten Customer Satisfaction Projects in Shanghai. The Company was also awarded the 2015 Customer Satisfaction Construction Enterprise in Shanghai. As of now, the Group has completed 67 large landscape projects, and the maximum project contract amount has exceeded RMB400 million.

The Group improves its operational efficiency through scientific management. Our project information management system was updated in February 2015. The new system can effectively manage the entire business process, which is capable of conducting strict monitoring of the pre-design, in-process procurement and late construction. The management can also use the system to carry out integrated management of the Group at the Headquarters.

Outlook and Acknowledgement

Looking ahead, the Group will continue to focus on the development of government projects given that the landscaping industry was seen rapidly developing in China as fueled by policy support, vigorous government promotion and the social demand for landscaping. We will make full use of Hong Kong's outstanding financing platform to support the development of PPP projects with a variety of financing channels. We are full of confidence in the development prospects of the industry and the Company. Internally, we will continue to train our excellent project managers, strengthen cost control and enhance research and development capabilities to meet the long-term sound development of the Company; whereas externally we are actively looking for related upstream and downstream high-quality companies to strengthen the comprehensive ability of the Group in executing PPP projects. We will also look for high-quality companies within the industry in areas with a large number of confirmed projects, so as to provide adequate capacity support for the local projects. In terms of environmental protection, we are also endeavoring to identify companies with first-class technologies in soil improvement, and are planning to acquire the latest technologies from the market through acquisition.

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 do our best to offer desirable returns for shareholders.

Mr. Wu Zhengping
Chairman and Chief Executive Officer

21 March 2016

Management Discussion And Analysis

As a fast-growing integrated landscape architecture design service provider in China, the Company always focuses on municipal and urban landscape projects and offers our customers "one-stop" project-based landscape architecture service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance. The Group serves as the general contractor responsible for the overall management of landscape projects. Driven by the robust market development and proactive government policy support, the Group recorded better-than-expected performance in 2015.

Industry Review

Government Projects

At the end of 2014, the Ministry of Finance of the State Council successively issued documents to regulate debt financing mechanism of local government and required that PPP project mode to be actively and extensively applied in infrastructure and public service areas. The promotion of PPP mode in landscape industry brought more development opportunities for landscape companies which were heavily restrained by payment collection. Compared to original Build-and-Transfer ("**BT**") mode, in PPP mode, companies establish project companies with capital contributed by partners to operate relevant projects, which could help stabilize project revenue and conduct project financing by attracting long-term equity or debt investments, so as to avoid receivables risk.

In 2015, upon the recommendation by various provincial finance departments and National Development and Reform Commission ("**NDRC**"), there are a total of 7110 PPP projects published nationwide with a total investment of RMB8.3 trillion, covering multiple areas of energy, road transport, water conservancy construction, environment protection, urban public utilities and other 19 industries. During the first quarter of 2016, the total investment on PPP projects increased by approximately RMB 3 trillion. The continuous growth in the number of projects and the total amount of investment, reflects the government's support towards the PPP project, and is in line with the development idea of "Supply side structural reforms" currently in practice in China today.

Private Projects

The private landscape projects in China involve mainly real estate development projects. Under the overall trend of consumption promotion and de-stocking in the real estate in 2015, the eased policies on both supply and demand promoted a steady recovery of the quantity and prices in the real estate market, and the policy has significantly improved the real estate environment. On the demand side, the central government has repeatedly reduced the purchase cost of housing by lowering reserve required rate, interest rates, down payment, tax and so on, in order to boost market demand; local policies are flexibly adjusted, and consumption is stimulated by the adoption of a number of measures such as tax concession, financial subsidies, and cancellation of purchasing and external limitations and so on. On the supply side, the scale of land supply has been improved with structure being adjusted, and the monetary indemnity for resettlement of housing is intensified to improve the market environment. However, under the slower overall economic growth and pressure from high inventory, the growth of newly built housing was dragged significantly except in first-tier cities.

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 general contractor responsible for the overall management of landscape projects. We mainly offer our customers landscape design, construction and maintenance service.

Currently, our customers are current 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 97% of our total revenue for the year ended 31 December 2015 as compared to 98% for the comparable period in 2014.

Contribution of the acquisition of Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. to the Company

In early December 2015, the Group acquired the entire equity of Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. ("**Dongjiang Design**") at a consideration of RMB3 million through its indirect wholly-owned subsidiary, Shanghai Greenstate Landscape Properties Company Limited (上海綠澤景觀置業). Dongjiang Design is currently in possession of the Construction Engineering Professional Grade One Design Qualification (建築行業建築工程專業設計甲級資質) and the Landscape Design Grade Two Qualification (風景園林設計乙級資質). Coupled with its excellent designer team, the construction and design capabilities of the Group will be enhanced and the overall competitiveness of the Group will be strengthened. In the process of future PPP project development, project contracting will set higher requirements on the Group's business integration capabilities, and improvement in the building design capacity and landscape design capacity will effectively bring great benefits to the business contracting and cost control of the Company. Moreover, excellent team of designers will provide an important foundation for the sound expansion of the entire design department.

Project Cooperation with Greenland Group

The Group is in discussion with the project department of Greenland Group to work on landscaping projects in certain large scale property projects and to conduct the government landscaping projects in certain prime land projects of Greenland Group in response to the overall land development strategy of Greenland Group in the future.

Research and Development Center of New Varieties of Seedlings

The Group has invested in and has completed the establishment of the seedlings research and development centre. In 2015, the Group contracted with a number of domestic and foreign research institutions and nurseries for introduction of new varieties of domestic green plants. 66 varieties were confirmed to be introduced, and a total of more than 30,000 plants of 29 varieties were being introduced from the Netherlands and other countries.

Major Large Projects

Completed Major Landscape Projects

During the Reporting Period, the Group has completed 5 major projects with the details set out in the following table.

Project	Customer type	Contract value RMB'000	Commencement	Completion year	Revenue recognized during the Reporting Period RMB'000
Project A	Government	101,690	December 2013	2015	34,832
Project B	Private enterprise	50,000	April 2013	2015	—
Project C	Government	39,860	December 2010	2015	9,921
Project D	State-invested enterprise	26,397	January 2008	2015	471
Project E	State-invested enterprise	19,698	July 2014	2015	—

Major Landscape Projects in Progress

The following table sets out our major landscape projects which commenced but were not completed during the Reporting Period. These landscape projects in progress contributed 89.6% the total revenue recognized for the same period.

Project	Customer type	Initial contract value RMB'000	Contract value after renewed RMB'000	Commencement	Expected completion year	Revenue recognized during the Reporting Period RMB'000
Project F	State-invested enterprise	360,000	360,000	November 2014	2016	243,708
Project G	State-invested enterprise	350,000	441,000	March 2014	2016	222,648
Project H	State-invested enterprise	166,352	172,082	December 2012	2016	38,934
Project I	State-invested enterprise	39,300	39,300	May 2013	2016	15,795
Project J	State-invested enterprise	26,397	26,397	January 2015	2016	26,397
Project K	State-invested enterprise	7,139	7,139	July 2014	2016	4,798

New Major Landscape Projects Awarded but not yet Commenced

The following table sets out our new major landscape projects which were awarded to us in 2015 but were not commenced, or no relevant revenue was recognized during the Reporting Period.

Project	Customer type	Initial contract value RMB'000	Commencement	Expected completion year
Project L	Private enterprise	17,095	March 2016	2016
Project M	PPP Company	300,000	March 2016	2017
Project N	PPP Company	1,000,000	June 2016	2018
Project O	PPP Company	500,000	June 2016	2018
Total		1,817,095		

Qualifications and Licenses

On 4 February 2016, the Group obtained the Grade One qualification in scenery landscape design from the Ministry of Housing and Urban-Rural Development of the PRC, which allows the Group to undertake all scale of design work for landscape projects and enhances the Group's ability to undertake large scale municipal and city level pubic sector projects. The Group is currently holding multiple qualifications including a Grade One qualification in urban landscape construction, a Grade One qualification in scenery landscape design and a Grade One qualification for construction engineering professional design. The Group currently has completed more than 67 large scale landscape projects.

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

Issue authority	Category	License class
Ministry of Housing and Urban-Rural Development of the PRC	Urban landscape construction enterprises qualification certificate	Grade One
Ministry of Housing and Urban-Rural Development of the PRC	Scenery landscape design	Grade One
Ministry of Housing and Urban-Rural Development of the PRC	Design qualification for construction engineering professional design	Grade One
Shanghai Urban Construction and Communications Commission	Construction enterprise qualification certificate	Grade Three

Cost Control of the Group

During the Reporting Period, the Group continued to strictly control the sales costs effectively in the following 3 aspects. Firstly, the Group took advantage of the updated project information management system upgraded in February 2015, and strictly conducted an integrated and systematic management of the whole operating process comprising of design, procurement and construction at our headquarters to improve our operational efficiency. Secondly, the Group enhanced the management of construction procedure, and suspension of purchase cost, and improved the efficiency of engineering operations by employing talents with professional management experience in respective areas so as to reduce the Group's cost and expenditure. Meanwhile, the Group successfully implemented a comprehensive budget control system. All business related data such as budgets, control, supervision, analysis and assessment are take into account in the budget management process for improving capital utilization efficiency.

Quality Control

The Group has always been focusing on quality control in construction since its incorporation. In respect of human resources, the Group has a team of project managers with rich dealing experience in undertaking various large landscape construction projects. In respect of systems, the Group owns a comprehensive quality management system and is accredited with ISO9001, ISO14001, and OHSAS18001 standards. In respect of the management of technology, operation, human resource and file management, a complete and constantly effective management policy has been established. The Group also carried out training and established management system in various aspects including management of quality of staff, quality control on raw material, site management and quality management system, so as to ensure the timely and efficient completion of the Group's projects.

Research and Development

In order to enhance our competitive advantage, the Group invested substantial amount of funds our research and development, which primarily focuses on (1) new breeds for landscaping, new products research and development, trial production, production and reserve; (2) research and development and reserve of new technologies, new architecture and new construction methods; (3) skill-consultation on field investigation and sampling, testing and analysis and project design, and have recorded satisfactory results.

Currently, major research and development projects of the Group include: conducting introduction and selection of new and high-quality greening plant breeds to select breeds with high adaptability, good visual effect and high market value and producing low-cost, new and high-quality plants through efficient management and optimized allocation, so as to improve our market competitiveness in respect of planning, design and construction.

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

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

Outlook

Looking ahead, the management believes that PPP project model will dominate the market. The Group will continue to focus on the development of landscaping projects at the municipal and city level by taking advantage of our existing business foundation and competitive advantages.

The Group believes that with a deeper understanding of PPP project model across the society, extended efforts in promotion by the government and the strong involvement of the financial institutions, as well as consultation between the government and early stage investors from the community, market forecast and the preliminary recognition conducted by the government etc. being gradually in place, it is expected that the PPP projects throughout the country is about to enter its peak period of project implementation in 2016.

The Chinese government plans to launch the third batch of PPP demonstration projects in a newer and more transparent manner in 2016. The relevant government departments all stated that in 2016, they will serve as an information platform and perform their regulatory function in a practical manner. In next year, under the constantly improving policy guidance for PPP project policies and the active development of such projects, there will be more opportunities for the Group under the PPP project mode; which can effectively balance the negative effects brought by the continuous declining real estate investment market since the beginning of the first half of 2015.

To better align with the Group's future development and the needs of the market, the Group will focus on the development of three major businesses, including the core business of scenery landscape, PPP projects and ecological restoration business. The management has also established clear development goals. In the aspects of the development of our core scenery landscaping business and PPP projects, the Group will focus on the development of landscaping projects with higher gross margin and the public sector projects which the Group currently specializes in.

As affected by the relevant policies relating to the control of local debts launched in 2014, projects under BT model will not continue to be carried out. The remaining new projects will be projects under progress payment and PPP cooperation mode. According to the Group's recent understanding obtained from local governments, large landscape projects of the government will be promoted by using PPP cooperation model in the future. Therefore, in the future, PPP projects will become the core part of the Company's development. For PPP projects, it is required that the successful bidders shall demonstrate the multiple abilities in the area of design, construction, operation, financing and so on. PPP projects include a number of different types of projects such as landscaping, truth, ancient buildings and so on; hence requiring a very high standard of overall integration ability. To this end, the Group will continue strengthening the integration of the upstream and downstream companies in related fields, in order to consolidate its current leading industry position as a one-stop service provider.

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

The Group believes that the landscaping design and construction industry will be one of the key industries of strategic development by the State in the future. According to the Outline for the Development Planning of Urban Landscaping in the “13th Five-year Plan” jointly published by the Ministry of Housing, China Academy of Urban Construction Co., Ltd., China Academy of Planning and Design and Beijing Forestry University, the government has expanded the overall layout of the development strategy from the “four-in-one” of economic development, political development, cultural development and social development into the “five-in-one” with the inclusion of the development of ecological civilization. Faced with the severe situation of reducing social resources, worsening environmental pollution and degrading ecosystem ecological civilization has been placed as a key national development goal. The increasingly tightened resources and environmental constraints result in the urgent demand for the promotion of the development of ecological civilization and the simultaneous development of new urbanization reduced and thus lead to the higher requirements and needs for the development of the urban landscape industry.

The Group endeavors to becoming one of the top ten enterprises within China’s landscaping sector by 2021.

Financial Review

Revenue

During the Reporting Period, the Group proactively participated in undertaking several large scale municipal and city level ecological landscaping projects, completed a total of five projects and accepted two new projects, brought in proud results during the year.

The Group’s total income increased from RMB530.1 million in the same period of 2014 to RMB622.7 million for the year ended 31 December 2015, representing an increase of 17.5%. 28 projects in total contributed to the income, 9 of which had an initial contract value of RMB5 million or above, contributing 96% of income for the Group. Net profit was RMB150.5 million, representing an increase of 37.6% as compared to RMB109.3 million in the same period of 2014.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2015, the Group’s gross profit was RMB228.2 million as compared to RMB189.9 million in the comparable period in 2014, representing an increase of 20.2%. Our gross profit margin increased by 0.9% from 35.8% for the year ended 31 December 2014 to 36.7% for the comparable period in 2015, which was mainly due to the slight increase in income contributed from larger projects which have higher gross profit margin as the projects are more complex and require more integrated management.

Other Income and Gains

For the year ended 31 December 2015, the other income and gains increased to RMB27.4 million as compared to RMB9.3 million in the comparable period in 2014, which was mainly due to the increase of the other interest income of RMB14.8 million. The other interest income is recognized for the difference between the fair value and the nominal amount of the trade receivables. As the fair value of the trade receivables increased due to the approaching of the receipts, more other interest income was recognized during 2015.

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 RMB42.21 million as compared to RMB42.20 million for the comparable period in 2014, representing an increase of RMB0.01 million, which was mainly attributable to the expansion of our overall business and increase in management remuneration and other consulting fees resulting from the enhancement of management quality and expansion of management team. Separately, there is no listing expense for the Reporting Period as compared to RMB19.3 million during the listing process in 2014.

Financial Cost

For the year ended 31 December 2015, the financial cost of the Group was RMB12.7 million as compared to RMB9.5 million in the comparable period in 2014. The increase was attributable to the provision of capital for existing and potential projects, distribution of final dividend and replenishing general working capital with increase on various interest-bearing borrowings including the short-term finance notes in issue to Greenland Financial.

Income Tax

The income tax of the Group increased from RMB38.9 million for the same period of last year to RMB50.2 million for the year ended 31 December 2015, mainly due to the increased assessable profit of the Group. During the Reporting Period, the effective tax rate of the Group was 25.08% as compared to 26.25% for the comparable period in 2014.

Net Profit and Net Profit Margin

During the Reporting Period, net profit attributable to the owners of the Parent increased by RMB41.2 million from RMB109.3 million for the same period of last year to RMB150.5 million, representing an increase of 37.6%. The net profit margin was 24.2% as compared to 20.6% for the comparable period in 2014.

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 Listing to finance a portion of our capital requirements.

As at 31 December 2015, cash and cash equivalents of the Group was RMB257.4 million as compared to RMB143.9 million as at 31 December 2014, the interest-bearing bank borrowing and long term loan of the Group was RMB28.9 million as compared to RMB160.0 million as at 31 December 2014. As at 31 December 2015, the unutilized and unrestricted banking facilities of the Group amounted to RMB150 million.

Details of our bank borrowings are set out in note 25 to the consolidated financial statements on page 58 of this annual report.

Gearing Ratio

As at 31 December 2015, the Group's gearing ratio was 42.9% as compared to 69.3% as at 31 December 2014, which is calculated as the net debt divided by the equity plus net debt.

Capital Expenditure and Capital Commitment

During the Reporting Period, the Group had no material capital expenditure.

Pledge of Assets

At 31 December 2015, 100% of the issue share capital of Greenstate Times and Greenstate International, each of which a wholly owned subsidiary of the Company, were subject to share charges as security of the redeemable fixed coupon promissory note with a principal amount of US$40,000,000 issued to Greenland Financial.

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 which relates primarily to our interest-bearing bank borrowings with a floating interest rate. We currently do not have 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 during the year ended 31 December 2015 in relation to each class of recognized financial assets was 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 2015, 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 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 do 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 2015.

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 from Listing

The aggregate net proceeds of the Group from Listing (after deducting underwriting commission, the Stock Exchange fee and SFC transaction levy, and road show expenses) were 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	33,659
For our potential future projects	30%	50,488	50,038
For the potential acquisition of landscape architecture service companies or design companies	20%	33,659	3,000
For the expansion of our geographical coverage in China by establishing more subsidiaries and branches	10%	16,829	16,829
For our research & development activities	10%	16,829	16,829
Used as general working capital of the Group	10%	16,829	16,829
		168,293	137,184

Corporate Governance Report

Corporate Governance Practices

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

For the year ended 31 December 2015, the Company has applied the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules (as in effect from time to time) as the basis of the Company's corporate governance practices. The Company has complied with all the applicable code provisions of the CG Code 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 throughout the Reporting Period.

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

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

Board of Directors

Composition

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

The composition of the Board is set out below:

Executive Directors:

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

Independent Non-executive Directors:

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

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Directors and Senior Management" on pages 31 to 33 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

For the year ended 31 December 2015, 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.

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 year ended 31 December 2015, the Directors of the Company have studied the reading materials on relevant topics, such as the corporate governance and the development of the landscape industry. In addition, the Company has arranged a training programme as part of the continuous professional development for the Directors to develop and refresh their knowledge and skills.

During the year ended 31 December 2015, all Directors have provided the Company with a record of the training they received and such records were maintained by the Company.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of 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.

For the year ended 31 December 2015, the Audit Committee reviewed the annual results and report for the year ended 31 December 2014, interim financial results and report for the six months ended 30 June 2015, significant issues on the financial reporting procedures, internal control systems, and arrangements for employees to raise concerns about possible improprieties. The Audit Committee also recommended the Board the adoption of new terms of reference to incorporate the amendments to Governance Code and Corporate Governance Report relating to risk management and internal control.

The Audit Committee held three meetings for the year ended 31 December 2015 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.

For the year ended 31 December 2015, 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 the share option scheme adopted by the Company on 25 June 2014 and recommended the board to grant share options to 17 grantees.

The Remuneration Committee met twice for the year ended 31 December 2015.

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.

For the year ended 31 December 2015, the Nomination Committee reviewed the Policy, structure, size and composition of the Board, and the independence of the independent non-executive Directors.

The Nomination Committee met once for the year ended 31 December 2015.

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 have reviewed 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 the Policy.

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

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

Corporate Governance Functions

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

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

Board Meetings

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

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

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

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

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

Attendance Record of Directors and Committee Members

The attendance records of each Director at the Board and Board Committee meetings and the general meetings of the Company held for the year ended 31 December 2015 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**	**Other General Meetings**
WU Zhengping *(Chairman)*	4/4	N/A	N/A	N/A	1/1	3/3
XIAO Li	4/4	1/1	N/A	N/A	1/1	3/3
ZHU Wen	4/4	N/A	2/2	N/A	1/1	3/3
WANG Lei	4/4	N/A	N/A	N/A	1/1	0/3
DAI Guoqiang	3/4	1/1	2/2	2/3	0/1	0/3
ZHANG Qing	4/4	N/A	N/A	3/3	1/1	0/3
JIN Hexian	4/4	1/1	2/2	3/3	0/1	0/3

Apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors for the year ended 31 December 2015.

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 2015.

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 54 to 55.

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 2015 is disclosed on note 6 of the "Notes to the Consolidated Financial Statements" on page 89.

Internal Controls

For the year ended 31 December 2015, 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.

Company Secretary

Mr. Wong Wai Ming has resigned as the company secretary with effect from 1 December 2015 whereas Ms. Ho Siu Pik of Tricor Services Limited, an external service provider, has been appointed in place of Mr. Wong as the company secretary with effect from 1 December 2015. Ms. Ho's primary contact at the Company is Mr. Zhang Yihua, the Chief Financial Officer of the Company.

Shareholders' Rights

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

Article 12.3 of the Company's Articles of Association provides that general meetings shall be convened on the written requisition of the following members of the Company deposited at the principal place of business of the Company in Hong Kong at 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:	Mr. Zhang Yihua

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. Auditors of the Company are also invited to attend the Company's annual general meeting and are 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 Auditors' Report.

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

During the year ended 31 December 2015, 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.

Directors and
Senior Management

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

Executive Directors

Mr. Wu Zhengping (吳正平) **("Mr. Wu")**, aged 52, is the chairman of the Board and an executive Director of the Company since 3 January 2014. Mr. Wu is also the chief executive officer of the Company and the director of Broad Landscape, Greenstate Landscape and Greenstate Gardening. Mr. Wu is also the director of Broad Landscape International since 8 October 2013. Mr. Wu founded the Group with Ms. Xiao Li ("**Ms. Xiao**") in 2004 and is one of the Controlling Shareholders of the Company. He is responsible for the overall strategy, business and investment planning of the Group. Mr. Wu has extensive experience in the landscape architecture service industry, and has been engaged in such business for over ten years.

Mr. Wu received a bachelor's degree from Nanjing Forestry University* (南京林業大學) in July 1985. He was qualified as engineer in December 1992. Mr. Wu served as a tutor at Shanghai Gardening School* (上海市園林學校) (currently known as Shanghai Urban Construction and Engineering School* (上海市城市建設工程學校)) from August 1985 to December 2000 and served as a tutor at Shanghai Gardening Vocational School* (上海園林職工學校) from January 2001 to May 2004. When Mr. Wu founded the Group, he served as director and general manager of Greenstate 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 44, is an executive Director of the Company since 3 January 2014 and a member of nomination committee since 25 June 2014. Ms. Xiao founded the Group with Mr. Wu in 2004 and is one of the Controlling Shareholders of the Company. She is also 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.

Ms. Zhu Wen (朱雯) **("Ms. Zhu")**, aged 32, is an executive Director of the Company since 3 January 2014 and a member of remuneration committee since 25 June 2014. She joined the Group for almost twelve years since 15 June 2004. She is currently the manager of the administrative department in Greenstate Landscape. She is also the director of Broad Landscape, and the manager of the administrative department of the Company since August 2011. She was appointed as the director of Eastern Greenstate International on 9 October 2013. Ms. Zhu is responsible for overseeing the administration matters of the Group.

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

Mr. Wang Lei (王磊) **("Mr. Wang")**, aged 43, is an executive Director of the Company since 3 January 2014. He is also the director of Board Landscape, Eastern Greenstate International and the manager of construction department. Mr.Wang is responsible for overseeing the landscape architecture projects of the Group. Mr. Wang obtained a diploma in industrial and civil architecture from Wuhan Industrial University* (武漢工業大學), currently known as the Wuhan University of Technology (武漢理工大學), in December 1997. He was qualified as an engineer in April 2002. Mr. Wang has over 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 almost ten 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) **("Mr. Dai")**, aged 63, is an independent non-executive Director since 25 June 2014 and is the chairman of nomination committee, a member of audit committee and a member of remuneration committee since 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 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.

Mr. Zhang Qing (張清) **("Mr. Zhang")**, aged 47, is an independent non-executive Director since 25 June 2014 and is the chairman of audit committee since 25 June 2014. Mr. Zhang graduated from Shanghai Jiao Tong University, China (上海交通大學) with a bachelor degree of Industrial Engineering Management (工業管理工程本科) in 1991. He also obtained a Master's degree in Business Administration from the University of Illinois, Chicago of USA in May 2000. Mr. Zhang has over 20 years of experience in finance and accounting industry. From August 1991 to April 1994, Mr. Zhang was a dealer on behalf of the Industrial Bank of Japan (IBJ), Shanghai Branch (日本興業銀行上海分行) in China Foreign Exchange Centre. Mr. Zhang then served as the regional finance officer (華中區域財務主任) of British American Tobacco China Company (英美煙草中國公司) from April 1994 to August 1995. From September 1995 to March 1999, Mr. Zhang was the finance manager of Dow Chemical (China) Investment Co., Ltd (陶氏化學(中國)投資有限公司). Mr. Zhang was the manager of financial analysis in the finance department of Avis & Budget Car Rental, LLC from July 2000 to May 2005. He was then the corporate finance manager of Kraton Polymers US LLC from May 2005 to July 2008. From July 2008 to March 2012, he served as the chief financial officer of China in Elkay (China) Kitchen Solutions Co. Ltd. He is the group chief financial officer of Asia Timber Products Ltd since March 2012. 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) **("Dr. Jin")**, aged 51, is an independent non-executive Director, the chairman and member of the remuneration committee and member of both audit and nomination committee of the Company since 29 August 2014. She obtained a bachelor's degree in landscape architecture from Nanjing Forestry University (南京林業大學), and a master's degree and doctor's degree in landscape architecture from Beijing Forestry University (北京林業大學). Dr. Jin worked as a lecturer in Zhejiang Forestry College (浙江林業學院) and as a post-doctoral researcher at the Chinese Academy of Forestry (中國林業科學研究院). Dr. Jin is currently an instructor to the students of the master program of Zhejiang Agricultural and Forestry University (浙江農林大學), a guest professor of Beijing Forestry University (北京林業大學), and a part-time instructor to the students of the master program of Harbin Institute of Technology (哈爾濱工業大學), 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 People's Republic of China (''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), member of various committees of the China Flower Association (中國花卉協會), member of Landscape Architecture Terminology Committee of China National Committee for Terminologies in Sciences and Technologies (全國科學技術名詞審定委員會風景園林學名詞審定委員會) and member of Landscape Standardization Committee of the Ministry of Housing and Urban-Rural Development, PRC (住房和城鄉建設部風景園林標準化委員會). Dr. Jin has published over 70 articles, edited multiple books and chaired and given speeches at various domestic and international academic conferences including the International Federation of Landscape Architects (IFLA), World Horticultural Conference, Global Botanic Gardens Congress.

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. Zhang Yihua (張軼華) ("Mr. Zhang"), aged 33, is the chief financial officer of the Group since 31 August 2015. Mr. Zhang, has over 11 years of experience in financial management, merger and acquisition and investor relations. Mr. Zhang joined the Company as Investor Relations Director in March 2015. He is currently responsible for the financial control and reporting, corporate finance, tax and risk management of the Company and its subsidiaries. Prior to joining the Company, Mr. Zhang has served as a senior manager of the assurance business unit at Ernst & Young. Mr. Zhang participated in the audit work of a number of Hong Kong listed companies and A-share listed companies in China.

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

Ms. Ho Siu Pik (何小碧) ("Ms. Ho"), FCIS, FCS (PE), aged 52, is the company secretary of the Company, Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. Ms. Ho is currently the company secretary of Goodbaby International Holdings Limited (stock code: 1086), Natural Beauty Bio-Technology Limited (stock code: 0157), Sun Art Retail Group Limited (stock code: 6808) and Yashili International Holdings Limited (stock code: 1230), and the joint company secretary of China Molybdenum Company Limited (stock code: 3993) and China Greenland Rundong Auto Group Limited (stock code: 1365).

Report of the Directors

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

Corporate Information and Global Offering

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

Principal Activities

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

Results And Final Dividends

The consolidated results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss on page 56 of this annual report.

The Board proposed to declare a final dividend of HK$0.014 (equivalent to approximately RMB0.012) per Share, approximately HK$46,292,624 (equivalent to approximately RMB38,784,000) in aggregate for the Reporting Period, which will be payable to Shareholders whose names appear on the register of members of the Company on 24 May 2016, subject to Shareholders' approval in the forthcoming 2016 annual general meeting of the Company. The proposed final dividend is expected to be paid to the Shareholders by 8 June 2016.

Financial Summary

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

Business Review

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis section from pages 10 to 20 of this Annual Report. Description of the principal risks and uncertainties facing the company can be found throughout this Annual Report, particularly in the Market Risks section from pages 19 to 20. Particulars of important events affecting the Company that have occurred since the end of the financial year 2015, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Company's business is discussed throughout this Annual Report including in the Chairman's Statement from pages 6 to 9 of this Annual Report. An account of the Company's relationships with its key stakeholders is included in the Relationship with Employees, Suppliers and Customers section on page 51 of this Annual Report.

Share Capital

On 25 June 2015, the Company issued an aggregate of 59,440,000 new ordinary shares of HK$0.10 each (equivalent to 237,760,000 shares of HK$0.025 each after the Share Subdivision becoming effective from 19 August 2015) in the share capital of the Company to Greenland Financial at the issue price of HK$2.15 (HK$0.5375 after the Share Subdivision) per ordinary share pursuant to the subscription agreement entered into between the Company and Greenland Financial on 7 May 2015 (the "**Share Subscription**"). Details of the Share Subscription have been disclosed in the Company's announcement and circular dated 7 May 2015, 8 June 2015 and 25 June 2015.

At the extraordinary general meeting of the Company held on 18 August 2015, an ordinary resolution was passed to approve the Share Subdivision whereupon each of the issued and unissued shares of par value of HK$0.10 each in the share capital of the Company was subdivided into four (4) subdivided shares of par value of HK$0.025 each with effect from 19 August 2015. The authorized share capital of the Company became HK$100,000,000 divided into 4,000,000,000 Subdivided Shares. For further details, please refer to the announcement of the Company dated 13 July 2015, the circular of the Company dated 3 August 2015 and the announcement of the Company dated 18 August 2015.

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 page 110 of this annual report.

Purchase, Sale or Redemption of Listed Securities of The Company

Save as the issue of 59,440,000 new ordinary shares of HK$0.10 each (equivalent to 237,760,000 shares of HK$0.025 each after the Shares Subdivision becoming effective from 19 August 2015) to Greenland Financial pursuant to the Share Subscription as disclosed in the section "Report of Directors — Share Capital", neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

Pre-Emptive Rights

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements on page 97 of this annual report.

Pledge of Shares by Controlling Shareholder

As disclosed in the announcement of the Company dated 30 April 2015, Broad Landscape International, the controlling shareholder of the Company, entered into a share charge with Bank of Shanghai (Hong Kong) Limited (the "**Lender**") on 30 April 2015 (the "**2015 Share Charge**"), pursuant to which Broad Landscape International agreed to charge by way of first mortgage all the rights, title and interest in and to 75,000,000 ordinary shares (equivalent to 300,000,000 ordinary shares after the Share Subdivision becoming effective from 19 August 2015) in the Shares of the Company (representing approximately 9.78% of the total issued share capital of the Company as at the date of the 2015 Share Charge) in favour of the Lender as security for the one year credit loan facility of RMB44,350,000 and HK$34,600,000 (the "**2015 Facility**") entered into between the Company and the Lender for the purpose of financing existing and potential projects, paying final dividend and general working capital of the Company. On the same day, Broad Landscape International entered into a charge with the Lender, pursuant to which Broad Landscape International agreed to charge by way of first fixed charge a bank account of Broad Landscape International with the Lender (the "**Account**"), all its present and future rights, title and interest in or to the Account and all moneys (including interest standing to the credit of the Account as security for the 2015 Facility (the "**2015 Account Charge**").

The first drawdown of the 2015 Facility in the principal amount of HK$34,525,000 has been made. The entering of the 2015 Share Charge and the 2015 Account Charge is a condition precedent to the drawdown of the 2015 Facility. As at the date of this annual report, the 2015 Share Charge and the 2015 Account Charge have not been released.

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 2015, 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 page 111 of this annual report.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2015 are set out in the note 25 to the consolidated financial statements on page 107 of this annual report.

Major Customers and Suppliers

During the Reporting Period, the percentage of turnover attributable to the Group's five largest customers from the sales of properties in its projects was approximately 91.9%, and the percentage of turnover attributable to its largest customer from the sales of properties in its projects was approximately 39.2%.

Purchases from the Group's five largest suppliers accounted for 36.8% of the total purchase for the Reporting Period and purchase from the Group's largest supplier included therein amounted to 25.2% of the total purchases for the year.

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

Directors

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

Executive Directors

Mr. Wu Zhengping (吳正平) *(Chairman and chief executive officer) (appointed on 3 January 2014)*
Ms. Xiao Li (肖莉) *(Deputy general manager) (appointed on 3 January 2014)*
Ms. Zhu Wen (朱雯) *(Administrative manager) (appointed on 3 January 2014)*
Mr. Wang Lei (王磊) *(Head of engineering department) (appointed on 3 January 2014)*

Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強) *(appointed on 25 June 2014)*
Mr. Zhang Qing (張清) *(appointed on 25 June 2014)*
Dr. Jin Hexian (金荷仙) *(appointed on 29 August 2014)*

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

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

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

Confirmation of Independence from Independent Non-Executive Directors

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

Directors' Interests in 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.

Permitted Indemnity

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

Management Contracts

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

Non-Competition Undertakings

Each of the Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings that he/she/it provided to the Company on 25 June 2014 pursuant to the Non-competition Deed. Details of the Non-competition Deed are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. The independent non-executive Directors have reviewed the status of compliance and confirmed that all of these non-competition undertakings have been complied with by the Controlling Shareholders.

Remuneration of Directors and Five Individuals with Highest Emoluments

Details of the emoluments of the Directors and the five highest paid individuals for the Reporting Period are set out in note 9 to the consolidated financial statements on page 93 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 Position 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 2015, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in shares

Name of Director/ chief executive	Nature of Interest	Number of Shares/underlying Shares held[(1)]	Approximate Percentage of Issued Capital
Mr. Wu Zhengping[(2)(3)(4)(5)]	Interest held jointly with another person; interest in controlled corporation; interest of spouse; beneficial interest	2,115,195,744	63.96%
Ms. Xiao Li[(2)(3)(4)(5)]	Interest held jointly with another person; interest in controlled corporation; interest of spouse; beneficial interest	2,115,195,744	63.96%
Ms. Zhu Wen[(2)(4)(5)]	Interest held jointly with another person; interest in controlled corporation; beneficial interest	2,115,195,744	63.96%
Mr. Wang Lei[(2)(4)(5)]	Interest held jointly with another person; interest in controlled corporation; beneficial interest	2,115,195,744	63.96%
Mr. Zhang Yihua	Beneficial interest	13,500,000	0.40%

Notes:

(1) All the above Shares/underlying 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 1,516,586,880 Shares held by Broad Landscape International. Ms. Xiao Li has controls 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 534,608,864 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, including the share options granted to each of the Controlling Shareholders.

(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/underlying Shares in which Ms. Xiao Li is interested.

(4) The number of underlying Shares in which the Directors hold under the Share Option Scheme are detailed in "Report of the Directors – Share Option Scheme" section.

(5) On 27 January 2016, Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen, Mr. Wang Lei and other Management Shareholders entered into a deed of termination to terminate the Acting in Concert Deed and therefore each of them ceased to have interest in Shares jointly held with each other. For details, please refer to the Company's announcement dated 27 January 2016.

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

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

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

As at 31 December 2015, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register required referred to therein, were as follows:

Name of Shareholder	Nature of Interest	Number of Shares/underlying Shares held[1]	Approximate Percentage of Issued Capital
Mr. Shen Wenlin[2][3]	Interest held jointly with another person; interest in a controlled corporation	2,115,195,744	63.96%
Mr. Song Shudong[2][3]	Interest held jointly with another person; interest in a controlled corporation	2,115,195,744	63.96%
Mr. Zhang Kequan[2][3]	Interest held jointly with another person; interest in a controlled corporation	2,115,195,744	63.96%
Mr. Jiao Ye[2][3]	Interest held jointly with another person; interest in a controlled corporation	2,115,195,744	63.96%
Mr. Li Qiuliang[2][3]	Interest held jointly with another person; interest in a controlled corporation	2,115,195,744	63.96%
Mr. Xiao Xu[2][3]	Interest held jointly with another person; interest in a controlled corporation	2,115,195,744	63.96%
Mr. She Lei[2][3]	Interest held jointly with another person; interest in a controlled corporation; beneficial interest	2,115,195,744	63.96%
Broad Landscape International[2]	Beneficial owner	1,516,586,880	45.86%
Eastern Greenstate International[2]	Beneficial owner	534,608,864	16.17%
Greenland[4]	Interest in a controlled corporation	426,624,000	12.9%
Greenland Financial Holdings Company Limited (綠地金融投資控股有限公司)[4]	Interest in a controlled corporation	426,624,000	12.9%
Greenland Financial (綠地金融海外投資集團有限公司)[4]	Beneficial owner	426,624,000	12.9%

Notes:

(1) All the above Shares/Underlying 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 1,516,586,880 Shares held by Broad Landscape International. Ms. Xiao Li has controls 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 534,608,864 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, including the share options granted to each of the Controlling Shareholders.

(3) On 27 January 2016, Mr. Wu Zhengping, Ms. Xiao Li, Ms. Zhu Wen, Mr. Wang Lei and other Management Shareholders entered into a deed of termination to terminate the Acting in Concert Deed and therefore each of them ceased to have interest in shares jointly held with each other. For details, please refer to the Company's announcement dated 27 January 2016.

(4) Greenland wholly owns Greenland Financial Holdings Company Limited (綠地金融投資控股有限公司) which in turn wholly owns Greenland Financial so that Greenland and Greenland Financial Holdings Company Limited are deemed to be interested in the Shares in which Greenland Financial is interested for the purpose of Part XV of the SFO.

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

Share Option Scheme

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

Purpose

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

Participants of the Share Option Scheme

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

Maximum number of Shares

The total number of Shares which may be granted under the Share Option Scheme and under any other schemes of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date, being 76,680,000 Shares (or 306,720,000 Subdivided Shares upon the Share Subdivision becoming effective on 19 August 2015) (the "**Scheme Mandate Limit**") unless Shareholders' approval has been obtained. Options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

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

As at the date of this annual report, a total of 193,970,000 share options, representing 5.87% of the issued share capital of the Company as at the same date, is available for issue under the Share Option Scheme.

Maximum entitlement of each participant

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

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

Offer period

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

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

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

Amount payable for options

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

Basis of determining the exercise price

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

(i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option;

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

(iii) the nominal value of the Shares.

Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten (10) years commencing from 25 June 2014. Unless otherwise terminated earlier by the Company by resolution in general meeting or the Board, as at 30 June 2015, the Share Option Scheme has a remaining life of approximately eight (8) years.

During the year 31 December 2015, a total of 112,750,000 share options were granted on the weighted average exercise price HK$1.24 per share to director and eligible employees and none of them were exercised.

Summary of the share options granted by the Company during the Reporting Period is as follows:

Date of grant: 1 September 2015

Exercise price: HK$1.24

Closing price of Shares on the date of grant: HK$1.19

Number of share options granted: 112,750,000 share options, divided into the four tranches:

The table below sets out the allocation of share options to the grantees:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Wu Zhengping	6,000,000	6,000,000	9,000,000	9,000,000
Xiao Li	4,500,000	4,500,000	6,750,000	6,750,000
Zhu Wen	1,000,000	1,000,000	1,500,000	1,500,000
Wang Lei	1,000,000	1,000,000	1,500,000	1,500,000
Other grantees	10,050,000	10,050,000	15,075,000	15,075,000
Total	**22,550,000**	**22,550,000**	**33,825,000**	**33,825,000**

Each share option shall entitle the holder of the share option to subscribe for one Share.

Vesting and exercise period of the share options: Subject to the Share Option Scheme and vesting conditions as disclosed under the circular of the Company dated 21 September 2015, the share options granted shall be vested and exercised in different tranches. The vesting and exercise period of the respective tranches are as follows:

Tranche 1 – from 1 September 2017 to 31 August 2018 (both dates inclusive)

Tranche 2 – from 1 September 2018 to 31 August 2019 (both dates inclusive)

Tranche 3 – from 1 September 2019 to 31 August 2020 (both dates inclusive)

Tranche 4 – from 1 September 2020 to 31 August 2021 (both dates inclusive)

Details of the valuation of share options granted during the Reporting Period are set out in note 29 to the consolidated financial statements on page 112 of this annual report.

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

		Number of Options							
Grantees	**Date of grant**	**Held at 1 January 2015**	**Granted during the Reporting Period**	**Exercised during the Reporting Period**	**Cancelled/ Forfeited[(1)] during the Reporting Period**	**Lapsed during the Reporting Period**	**Held at 31 December 2015**	**Exercise price per Share (HK$)**	**Vesting and Exercise period**
Wu Zhengping	1 Sept 2015	–	6,000,000	–	–	–	6,000,000	1.24	1 Sept 2017 – 31 Aug 2018
			6,000,000				6,000,000		1 Sept 2018 – 31 Aug 2019
			9,000,000				9,000,000		1 Sept 2019 – 31 Aug 2020
			9,000,000				9,000,000		1 Sept 2020 – 31 Aug 2021
Xiao Li	1 Sept 2015	–	4,500,000	–	–	–	4,500,000	1.24	1 Sept 2017 – 31 Aug 2018
			4,500,000				4,500,000		1 Sept 2018 – 31 Aug 2019
			6,750,000				6,750,000		1 Sept 2019 – 31 Aug 2020
			6,750,000				6,750,000		1 Sept 2020 – 31 Aug 2021
Zhu Wen	1 Sept 2015	–	1,000,000	–	–	–	1,000,000	1.24	1 Sept 2017 – 31 Aug 2018
			1,000,000				1,000,000		1 Sept 2018 – 31 Aug 2019
			1,500,000				1,500,000		1 Sept 2019 – 31 Aug 2020
			1,500,000				1,500,000		1 Sept 2020 – 31 Aug 2021
Wang Lei	1 Sept 2015	–	1,000,000	–	–	–	1,000,000	1.24	1 Sept 2017 – 31 Aug 2018
			1,000,000				1,000,000		1 Sept 2018 – 31 Aug 2019
			1,500,000				1,500,000		1 Sept 2019 – 31 Aug 2020
			1,500,000				1,500,000		1 Sept 2020 – 31 Aug 2021
Other grantees (in aggregate)	1 Sept 2015	–	10,050,000	–	600,000	–	9,450,000	1.24	1 Sept 2017 – 31 Aug 2018
			10,050,000		600,000	–	9,450,000		1 Sept 2018 – 31 Aug 2019
			15,075,000		900,000	–	14,175,000		1 Sept 2019 – 31 Aug 2020
			15,075,000		900,000	–	14,175,000		1 Sept 2020 – 31 Aug 2021

Note:

(1) *3,000,000 share options were forfeited during the Reporting Period.*

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 or at any time during the Reporting Period.

Connected Transactions

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

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

Greenland Financial is directly wholly-owned by Greenland Financial Investment Holding Group Co. Ltd.* (綠地金融投資控股集團有限公司), which in turn is directly wholly-owned by Greenland. Greenland Financial is a substantial shareholder of the Company directly holding approximately 12.90% of the issued share capital of the Company and is therefore a connected person of the Company.

As (i) one of the applicable percentage ratios as defined in Chapter 14 of the Listing Rules in respect of the issue of Notes and the transactions contemplated thereunder (including the Share Charges) is more than 25%, and (ii) the exemption provided under Rule 14A.90 of the Listing Rules is not applicable as the issue of Notes is secured by the Share Charges, the issue of Notes and the transactions contemplated thereunder (including the Share Charges) are subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

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 RMB800,000 for each of the financial years ending 31 December 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 be able to use an office premises of a gross floor area of 100 sq.m. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, PRC as its registered address in Shanghai. The licence fee payable to Mr. Wu Jie is nil.

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

Related Party Transactions

During the year ended 31 December 2015, 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 32 to the consolidated financial statements on page 116 of this annual report. These transactions were not regarded as connected transactions or were exempt from reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Corporate Governance

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

Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 30 of this annual report.

Model Code for Securities Transactions

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

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

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

Major risk and uncertainties

Business impacted by the political and economic situation in the PRC

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

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

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

We are subject to the risks associated with the tendering process

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

We do not have long-term commitments with our customers

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

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

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

Environmental policy and performance

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

Relationship with Employees, Suppliers and Customers

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

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

Compliance with Laws and Regulations

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

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 RMB114.3 million of the net proceeds was utilised.

Employee and Remuneration Policy

As at 31 December 2015, the Group had 214 full time employees in the PRC. During the Reporting Period, the staff cost of the Group was approximately RMB20.1 million.

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

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

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

The remuneration of senior management has been disclosed in note 8 to the consolidated financial statements on page 91 in this annual report.

Sufficiency of Public Float

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

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

Post Balance Sheet Events

The Group did not have significant event occurring after the balance sheet date.

Record Date

For the purpose of determining the Shareholders' eligibility to attend and vote at the forthcoming 2016 annual general meeting, the record date will be on Thursday, 5 May 2016. 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 Thursday, 5 May 2016.

Closure of Register of Members

For the purpose of determining the Shareholders' entitlement to the final dividend, the Company's register of members will be closed from Monday, 23 May 2016 to Tuesday, 24 May 2016, during which period no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 20 May 2016.

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 annual general meeting. A resolution for the reappointment of Ernst & Young as the Company's auditor will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Broad Greenstate International Company Limited
Mr. Wu Zhengping
Chairman

Shanghai, the PRC
21 March 2016

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 set out on pages 56 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, 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' judgement, 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.

To the members 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong

21 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	*5(a)*	**622,693**	530,109
Cost of sales		**(394,461)**	(340,177)
Gross profit		**228,232**	189,932
Other income and gains	*5(b)*	**27,398**	9,294
Administrative expenses		**(42,214)**	(42,202)
Finance costs	*7*	**(12,667)**	(9,475)
Share of profits and losses of:			
A joint venture		**(19)**	70
An associate		**5**	640
PROFIT BEFORE TAX		**200,735**	148,259
Income tax expense	*10*	**(50,229)**	(38,917)
PROFIT FOR THE YEAR		**150,506**	109,342
Profit for the year attributable to:			
Owners of the parent		**150,506**	109,342
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,325)**	(753)
OTHER COMPREHENSIVE LOSSES FOR THE YEAR, NET OF TAX		**(5,325)**	(753)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**145,181**	108,589

	Notes	2015 RMB'000	2014 RMB'000
Total comprehensive income attributable to:			
Owners of the parent		**145,181**	108,589
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			(Restated)
Basic			
— For profit for the year	*12*	**RMB0.05**	RMB0.05
Diluted			
— For profit for the year	*12*	**RMB0.05**	RMB0.05

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**20,751**	10,323
Goodwill	14	**1,916**	1,916
Other intangible assets	15	**25,960**	5,546
Investment in a joint venture	16	**5,306**	5,325
Investment in an associate	17	**—**	8,507
Construction contracts	18	**305,032**	—
Deferred tax assets	26	**4,903**	2,925
Total non-current assets		**363,868**	34,542
CURRENT ASSETS			
Construction contracts	18	**425,010**	324,939
Trade receivables	19	**281,270**	209,900
Prepayments, deposits and other receivables	20	**45,617**	44,571
Pledged deposits	21	**—**	62,520
Cash and cash equivalents	21	**257,367**	143,919
Total current assets		**1,009,264**	785,849
CURRENT LIABILITIES			
Corporate bonds	22	**248,908**	—
Trade and bills payables	23	**355,490**	228,366
Other payables and accruals	24	**96,053**	47,869
Interest-bearing bank borrowings	25	**28,925**	50,000
Tax payable		**82,927**	50,012
Total current liabilities		**812,303**	376,247
NET CURRENT ASSETS		**196,961**	409,602
TOTAL ASSETS LESS CURRENT LIABILITIES		**560,829**	444,144

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*25*	**–**	110,000
Deferred tax liabilities	*26*	**6,481**	1,378
Total non-current liabilities		**6,481**	111,378
NET ASSETS		**554,348**	332,766
EQUITY			
Equity attributable to owners of the parent			
Share capital	*27*	**285,312**	212,140
Other reserves		**268,136**	119,726
		553,448	331,866
Non-controlling interests		**900**	900
Total equity		**554,348**	332,766

Wu Zhengping
Director

Xiao Li
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

		Attributable to owners of the parent							
	Note	Share capital RMB'000	Share premium account RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits 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 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)
At 31 December 2014		60,917	151,223	3,471*	(753)*	117,008*	331,866	900	332,766

	Notes	Share capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent								
At 1 January 2015		60,917	151,223	–	3,471	(753)	117,008	331,866	900	332,766
Profit for the year		–	–	–	–	–	150,506	150,506	–	150,506
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	(5,325)	–	(5,325)	–	(5,325)
Total comprehensive income for the year		–	–	–	–	(5,325)	150,506	145,181	–	145,181
Issue of shares	27	4,685	96,593	–	–	–	–	101,278	–	101,278
Share issue expense		–	(500)	–	–	–	–	(500)	–	(500)
Equity-settled share option arrangement	29	–	–	3,229	–	–	–	3,229	–	3,229
Dividend declared		–	(27,606)	–	–	–	–	(27,606)	–	(27,606)
At 31 December 2015		65,602	219,710	3,229*	3,471*	(6,078)*	267,514*	553,448	900	554,348

* These reserve accounts comprise the consolidated other reserves of RMB268,136,000 (2014: RMB119,726,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**200,735**	148,259
Adjustments for:			
Share of profits and losses of a joint venture and an associate		**19**	(710)
Depreciation of items of property, plant and equipment	*6,13*	**1,365**	1,504
Amortisation of other intangible assets	*6,15*	**339**	335
Impairment of trade receivables	*19*	**1,716**	4,688
Loss on disposal of an associate	*5*	**407**	—
Loss on disposal of items of property, plant and equipment	*6*	**237**	—
Finance costs	*7*	**12,667**	9,475
Share issue expense		**—**	19,279
Equity-settled share option expense	*6*	**3,229**	—
		220,714	182,830
Increase in trade receivables		**(68,155)**	(42,234)
Decrease/(increase) in prepayments, deposits and other receivables		**1,183**	(12,557)
Increase in construction contracts		**(405,103)**	(296,888)
Decrease in biological assets		**—**	1,810
Increase in trade and bills payables		**124,636**	155,400
Increase in other payables and accruals		**23,591**	11,868
Cash (used in)/generated from operations		**(103,134)**	229
PRC tax paid		**(17,652)**	(12,149)
Net cash flows used in operating activities		**(120,786)**	(11,920)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(11,959)**	(4,936)
Purchase of intangible assets		**—**	(40)
Proceeds from disposal of an associate		**8,100**	—
Acquisition of a subsidiary	*29*	**(2,759)**	—
Net cash flows used in investing activities		**(6,618)**	(4,976)

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**168,595**	377,172
Repayment of bank loans	**(240,952)**	(291,676)
Proceeds from issue of corporate bonds	**259,718**	—
Proceeds from issue of shares	**101,278**	173,289
Capital injection by the then equity shareholders	**—**	50,022
Donation from the equity shareholders	**—**	3,471
Share issue expense	**(500)**	(30,031)
Repayment of acquisition of equity interests by the Group from the then equity shareholders	**—**	(124,112)
Dividends paid	**(27,606)**	—
Interest paid	**(17,559)**	(8,113)
Net cash flows from financing activities	**242,974**	150,022
Net increase in cash and cash equivalents	**115,570**	133,126
Cash and cash equivalents at beginning of year	**143,919**	10,793
Effect of foreign exchange rate changes, net	**(2,122)**	—
Cash and cash equivalents at end of year	**257,367**	143,919

1. Corporate and Group Information

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is P.O. 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 design and gardening and the related services.

In the opinion of the directors, the holding companies and the ultimate holding companies of the Company are Broad Landscape International Company Limited and Eastern Greenstate International Company Limited, which are incorporated in British Virgin Islands.

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2014 direct	2014 indirect	2015 direct	2015 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")/ Mainland China	26 December 2013	USD 37,000,000	–	100%	**–**	**100%**	Investment holding
Shanghai Qianyi Investing Company Limited***#	PRC/Mainland China	20 May 2015	RMB 2,000,000	–	–	**–**	**100%**	Investment holding
Shanghai Greenstate Landscape Properties Company Limited***#	PRC/Mainland China	15 June 2004	RMB 32,000,000	–	100%	**–**	**100%**	Landscaping
Shanghai Broad Landscape Construction and Development Company Limited ("Shanghai Broad")***#	PRC/Mainland China	1 June 1999	RMB 400,000,000	–	100%	**–**	**100%**	Landscaping
Shanghai Greenstate Gardening Company Limited ("Shanghai Greenstate")***#	PRC/Mainland China	17 September 2004	RMB 5,000,000	–	100%	**–**	**100%**	Landscaping
Shanxi Broad Weiye Landscape Engineering Company Limited ("Shanxi Broad")*#**	PRC/Mainland China	11 September 2013	RMB 2,000,000	–	55%	**–**	**55%**	Landscaping
Zhejiang Greenstate Ecological Gardening Company Limited ("Zhejiang Greenstate")***#	PRC/Mainland China	14 April 2015	RMB 30,000,000	–	–	**–**	**100%**	Landscaping
Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. ("Shanghai Dongjiang")***#	PRC/Mainland China	26 March 2010	RMB 13,000,000	–	–	**–**	**100%**	Construction
Shanghai Dongjiang Building Landscape Engineering Co., Ltd ("Dongjiang Landscape")	PRC/Mainland China	25 May 2010	RMB 10,000,000	–	–	**–**	**100%**	Landscaping

1. Corporate and Group Information (Continued)

* *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.*

During the year, the Group acquired Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd from a third party. Further details of this acquisition are included in note 30 to the financial statements.

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. 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.

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

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 for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKAS 19Defined *Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordnance (Cap.622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 *Effective for annual periods beginning on or after 1 January 2016*
2 *Effective for annual periods beginning on or after 1 January 2018*
3 *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*
4 *No mandatory effective date yet determined but is available for adoption*

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 previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS will have an impact on the classification and measurement of the Group's financial assets.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption. During the year ended 31 December 2015, the Group performed a preliminary assessment on the impact of the adoption of HKFRS 15.

Since the Group's principal activities consist of landscape design and gardening and the related services. The impact arising from the adoption of HKFRS 15 is expected to be minimal.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

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

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Investments in associates and joint ventures (Continued)

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

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

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

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

Fair value measurement

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Fair value measurement (Continued)

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets, 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.

2.4 Summary of Significant Accounting Policies (Continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

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

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged 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:

Leasehold improvements	Over the shorter of the lease terms and 20%
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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready to use.

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill)

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

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.

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 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.

2.4 Summary of significant accounting policies(Continued)

Investments and other financial assets (Continued)

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.

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.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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 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 profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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, corporate bonds and interest-bearing bank borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

2.4 Summary of Significant Accounting Policies (Continued)

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.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

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.

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.

2.4 Summary of significant accounting policies(Continued)

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.

Revenue recognition

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

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

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

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Contracts for services

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Share-based payments (Continued)

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

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

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

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

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group contributes on a monthly basis to this pension plan based on percentages of the total salary of employees, subject to a certain ceiling. The Group also operates a defined contribution Mandatory Provident Fund ("MPF") scheme for its employees employed in Hong Kong. The Group and the employees both contribute 5% of the employees' relevant income per month as required by the Hong Kong MPF Scheme Ordinance subject to a maximum of HKD1,500 per person. 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.

2.4 Summary of Significant Accounting Policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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.

Foreign currencies

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

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

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

The functional currencies of certain overseas entities 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 profits or losses and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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 RMB4,903,000 as at 31 December 2015 (2014: RMB2,925,000) (note 26).

3. Significant Accounting Judgements and Estimates (Continued)

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 2015, impairment provision for receivables amounted to approximately RMB8,821,000 (2014: RMB4,914,000). Further details are given in note 19.

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 2015 was RMB1,916,000 (2014: RMB1,916,000). Further details are given in note 14.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 14 to the financial statements.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

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.

4. Operating Segment Information

The Group's principal business is the providing of landscape design and gardening and related services. 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 geographical segments is provided for the Reporting Period.

Information about major customers

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

	2015 RMB'000	2014 RMB'000
Customer A	**243,708**	116,181
Customer B	**228,095**	199,284
Customer C	*	73,042
Customer D	*	59,312

* Less than 10% of the total revenue.

5. Revenue, Other Income and Gains

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

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

(a) Revenue:

	2015 RMB'000	2014 RMB'000
Construction contracts	**620,246**	522,914
Rendering of services	**2,447**	7,195
	622,693	530,109

(b) Other income and gains:

	2015 RMB'000	2014 RMB'000
Bank interest income	**3,123**	653
Other interest income	**19,255**	4,471
Government grants*	**5,427**	3,021
Loss on disposal of an associate	**(407)**	—
Foreign exchange difference, net	**—**	1,149
	27,398	9,294

* *The construction revenues is measured at the fair value of the consideration received or receivable which is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as other interest income.*

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

6. Profit Before Tax

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of construction contracts		**392,326**	333,108
Cost of services provided		**2,135**	7,069
Employee benefit expenses (including directors' and chief executive's remuneration as set out in note 8)			
Wages and salaries		**11,551**	7,944
Equity-settled share option expense		**3,229**	—
Pension scheme contributions		**5,278**	2,457
		20,058	10,401
Depreciation	*13*	**1,365**	1,504
Amortisation of other intangible assets^	*15*	**339**	335
Impairment of trade receivables	*19*	**1,716**	4,688
Consulting fees		**7,048**	1,889
Auditors' remuneration		**1,742**	1,900
Loss on disposal of items of property, plant and equipment		**237**	—
Minimum lease payments under operating lease:		**1,499**	454

^ *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

	2015 RMB'000	2014 RMB'000
Interest on bank loans	**7,173**	8,113
Interest on corporate bonds	**5,494**	—
Other finance costs	**—**	1,362
	12,667	9,475

8. Directors' and Chief Executive's Remuneration

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

	2015 RMB'000	2014 RMB'000
Fees	**240**	104
Other emoluments:		
Salaries, allowances and benefits in kind	**3,986**	3,923
Equity-settled share option expense	**2,236**	-
Pension scheme contributions	**392**	297
	6,854	4,324

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and Chief Executives' Remuneration (Continued)

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

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

8. Directors' and Chief Executives' Remuneration (Continued)

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

Name of director and senior management	Fees 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
Senior management				
Mr. Wong Wai Ming (d)	—	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 13 January 2014 and resigned on 31 August 2015
(e) Appointed on 31 August 2015

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

9. Five Highest Paid Employees

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

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**3,756**	3,923
Equity-settled share option expense	**1,839**	—
Pension scheme contributions	**373**	297
	5,968	4,220

The remuneration of the non-director and non-chief executive highest paid employee fell within the band 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.

	2015 RMB'000	2014 RMB'000
Current — PRC		
Charge for the year	**50,567**	40,616
Deferred tax *(note 26)*	**(338)**	(1,699)
Total tax charge for the year	**50,229**	38,917

10. Income Tax (Continued)

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

A reconciliation of the tax expense applicable to profit before tax at the statutory 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, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	**200,735**	148,259
Tax at the statutory tax rate (25%)	**50,184**	37,065
Profits and losses attributable to a joint venture and an associate	**5**	(177)
Lower tax rate enacted by local authority	**(3,881)**	—
Tax losses not recognised	**2,811**	1,260
Expenses not deductible for tax	**1,110**	769
Tax charge at the Group's effective rate	**50,229**	38,917

11. Dividends

	2015 RMB'000	2014 RMB'000
Proposed final — HK$1.4 cents (2014: HK$4.5 cents) per ordinary share	**38,784**	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.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Parent, and the weighted average number of ordinary shares of 3,191,318,684 (2014: 2,436,143,516) in issue during the year, as adjusted to reflect the share subscription during the year.

The weighted average number of ordinary shares in issue during the year ended 31 December 2015 used to calculate the basic earnings per share has accounted for the share subdivision which was effective from 19 August 2015, where each share of the Company of HK$0.10 per share was subdivided into 4 shares of HK$0.025 per share. The corresponding weighted average number of ordinary shares of 2014 has been retrospectively adjusted to reflect the said share subdivision.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Parent, adjusted to reflect the interest of equity-settled share options, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assume to have been issued at no consideration on the deemed exercise of all diluted potential ordinary shares into ordinary shares.

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

	2015 RMB'000	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Parent, used in the basic earnings per share calculation:	**150,506**	109,342

	Number of shares	
	2015	2014 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,191,318,684**	2,436,143,516
Effect of dilution — weighted average number of ordinary shares:		
Share options	**3,198,831**	—
Basic earnings per share (RMB)	**0.05**	0.05
Diluted earnings per share (RMB)	**0.05**	0.05

13. Property, Plant and Equipment

31 December 2015

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Leasehold improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 31 December 2014 and at 1 January 2015:							
Cost	9,235	2,342	3,201	200	—	—	14,978
Accumulated depreciation and Impairment	(439)	(1,569)	(2,476)	(171)	—	—	(4,655)
Net carrying amount	8,796	773	725	29	—	—	10,323
At 1 January 2015, net of accumulated depreciation and impairment	8,796	773	725	29	—	—	10,323
Additions	3,576	389	6,955	—	500	539	11,959
Acquisition of a subsidiary *(note 30)*	—	71	—	—	—	—	71
Disposal	—	(237)	—	—	—	—	(237)
Depreciation provided for the year *(note 6)*	(495)	(323)	(536)	(11)	—	—	(1,365)
At 31 December 2015, net of accumulated depreciation and impairment	11,877	673	7,144	18	500	539	20,751
At 31 December 2015							
Cost	12,811	2,565	10,156	200	500	539	26,771
Accumulated depreciation and impairment	(934)	(1,892)	(3,012)	(182)	—	—	(6,020)
Net carrying amount	11,877	673	7,144	18	500	539	20,751

13. Property, Plant and Equipment (Continued)

31 December 2014

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
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

At 31 December 2015, certain of the Group's building with a net carrying amount of approximately RMB8,357,000 (2014: RMB8,796,000) was pledged to secure bank loans granted to the Group.

14. Goodwill

	RMB'000
At 31 December 2015 and 31 December 2014	
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 2015 and 31 December 2014. 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 landscape gardening service, budgeted gross margins, discount rates and raw materials price inflation are consistent with external information sources.

15. Other Intangible Assets

	Licences RMB'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	5,546
Acquisition of a subsidiary *(note 30)*	20,753
Amortisation provided during the year *(note 6)*	(339)
At 31 December 2015	25,960
At 31 December 2015:	
Cost	27,443
Accumulated amortisation	(1,483)
Net carrying amount	25,960
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

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

16. Investment in a Joint Venture

	2015 RMB'000	2014 RMB'000
Share of net assets	**5,306**	5,325

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

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

The Group's investment in the joint venture is held by Shanghai Greenstate Landscape Properties Company Limited., which is a wholly-owned subsidiary of the Company.

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

16. Investment in a Joint Venture (Continued)

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

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	**9,477**	8,945
Other current assets	**28,130**	32,024
Current assets	**37,607**	40,969
Non-current assets	**95**	473
Current liabilities	**(2,326)**	(5,942)
Net assets	**35,376**	35,500
Net assets, excluding goodwill	**35,376**	35,500
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	**5,306**	5,325
Carrying amount of the investment	**5,306**	5,325
Revenue	**7,351**	3,702
Depreciation and amortisation	**(132)**	(139)
(Loss)/profit for the year and total comprehensive income for the year	**(123)**	467

17. Investment in an Associate

On 30 September 2015, the Group has decided to dispose of Shanghai Taifu Diandang Company Limited. Shanghai Taifu Diandang Company Limited engages in the pawn industry. The Group has decided to cease its pawn business because it plans to focus its resources on its landscape gardening services.

	2015 RMB'000	2014 RMB'000
Share of net assets	**–**	8,507

18. Construction Contracts

	2015 RMB'000	2014 RMB'000
Current	**425,010**	324,939
Non-current	**305,032**	—
Gross amount due from contract customers	**730,042**	324,939
Contract costs incurred plus recognised profits less recognised losses to date	**1,110,347**	388,507
Less: Progress billings	**(380,305)**	(63,568)
	730,042	324,939

19. Trade Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**290,091**	214,814
Impairment	**(8,821)**	(4,914)
	281,270	209,900

The Group's trading terms with its customers are mainly on credit. The credit period varies with actual projects, ranging from 7 to 42 days (excluding retention money receivables). The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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:

	2015 RMB'000	2014 RMB'000
Within one year	**225,724**	192,599
Over one year but within two years	**48,736**	15,515
Over two years	**6,810**	1,786
	281,270	209,900

19. Trade Receivables (Continued)

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

	2015 RMB'000	2014 RMB'000
At 1 January 2015	**4,914**	226
Impairment losses recognised *(note 6)*	**1,716**	4,688
Acquisition of a subsidiary	**2,191**	
	8,821	4,914

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB8,821,000 (2014: RMB4,914,000) with a carrying amount before provision of approximately RMB276,777,000 (2014: RMB184,111,000).

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

For retention money receivables in respect of construction works carried out by the Group, the respective due dates usually range from one to three years after the completion of the relevant construction work. At 31 December 2015, retention money held by customers included in trade receivables amounted to approximately RMB8,248,000 as compared to RMB30,667,000 as at 31 December 2014.

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.

20. Prepayments, Deposits and Other Receivables

	2015 RMB'000	2014 RMB'000
Prepayments	**13,469**	6,716
Deposits and other receivables	**32,148**	37,855
	45,617	44,571

Net of prepayments, deposits and other receivables is a provision of RMB36,000 (2014: RMB36,000).

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

	2015 RMB'000	2014 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 (2014: RMB36,000) with a carrying amount before provision of RMB36,000 (2014: RMB36,000). The individually impaired receivables relate to a portion of receivables that were not expected to be recovered.

21. Cash and Cash Equivalents and Pledged Deposits

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**257,367**	206,439
Less:		
Pledged for interest-bearing bank borrowings	**–**	62,520
Cash and cash equivalents	**257,367**	143,919

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

	2015 RMB'000	2014 RMB'000
RMB	**251,905**	203,960
USD	**2,182**	2,472
HKD	**3,280**	7
	257,367	206,439

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.

22. Corporate Bonds

	2015 RMB'000	2014 RMB'000
Current corporate bonds	**248,908**	—

On 15 October 2015, the Company issued corporate bonds in the PRC with a face value of USD40,000,000. The bonds are denominated in RMB and fully repayable within one year by 15 October 2016, and bear interest at a fixed rate of 9.00% per annum. The bonds are guaranteed by 100% of the shares of Greenstate Times held by the Company.

The bonds were initially recognised at their fair value of RMB259,718,000, after deducting the transaction costs and semi-annum interest are directly attributable to the bonds amounting to approximately RMB11,687,000. As at 31 December 2015, the estimated fair value of the bonds was approximately RMB262,721,000. The fair value is calculated based on discounted cash flows using applicable discount rates from the prevailing market interest rates offered to the Group for debts with substantially the same characteristics and maturity dates. The discount rate used was approximately 4.5% per annum.

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:

	2015 RMB'000	2014 RMB'000
Within one year	**220,060**	225,885
Over one year but within two years	**134,883**	2,403
Over two years	**547**	78
	355,490	228,366

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

24. Other Payables and Accruals

	2015 RMB'000	2014 RMB'000
Other tax payable	**52,094**	37,941
Other payables	**27,902**	1,374
Deposits from sub-contractors	**6,749**	6,047
Staff payroll and welfare payables	**3,819**	2,507
Interest payable	**5,489**	—
	96,053	47,869

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

25. Interest-Bearing Bank Borrowings

		2015			2014		
Group		**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans — unsecured		**—**	**—**	**—**	6.16	2015	27,000
Bank loans — secured	*(i)*	**3.00**	**2016**	**28,925**	6.16	2015	23,000
				28,925			50,000
Non-current							
Other secured bank loans				**—**	4.5	2016	110,000

(i) The bank loans are secured by the share charge over the 300,000,000 shares of the Company held by the Company's controlling shareholder.

(ii) All borrowings are denominated in HKD 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:

	Payroll payables RMB'000	Losses available for offsetting against future taxable profits RMB'000	Impairment of trade receivables RMB'000	Total RMB'000
At 1 January 2015	**50**	**1,512**	**1,363**	**2,925**
Acquisition of a subsidiary	**—**	**1,725**	**—**	**1,725**
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	**(50)**	**—**	**303**	**253**
At 31 December 2015	**—**	**3,237**	**1,666**	**4,903**
At 1 January 2014	1,206	—	184	1,390
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(1,156)	1,512	1,179	1,535
At 31 December 2014	50	1,512	1,363	2,925

26. Deferred Tax (Continued)

Deferred tax liabilities:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Changes in fair value of biological assets RMB'000	Total RMB'000
At 1 January 2015	**1,378**	**—**	**1,378**
Acquisition of a subsidiary *(note 30)*	**5,188**	**—**	**5,188**
Deferred tax credited to profit or loss during the year *(note 10)*	**(85)**	**—**	**(85)**
At 31 December 2015	**6,481**	**—**	**6,481**
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 31 December 2015, 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 (2014: Nil).

27. Share Capital

Shares

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
3,306,616,000 (31 December 2014: 767,214,000 ordinary shares of HK$0.1) ordinary shares of HK$0.025	**65,602**	60,917

On 25 June 2015, Greenland Financial Overseas Investment Group Co., Ltd. subscribed for 59,440,000 ordinary shares with a par value of HK$0.10 each. The subscription price was HK$2.15 per share.

On 19 August 2015, each of the existing issued and unissued shares of par value of HK$0.1 each in the share capital of the Company was subdivided into four shares of par value of HK$0.025 each.

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

Share

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

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 60 to 61 of the financial statements.

Share premium

The share premium of the Group represents the amount paid by shareholders for capital injection in excess of its nominal value. Details of the movements in the share premium are set out in the consolidated statement of changes in equity.

29. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme became effective on 1 September 2015 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

29. Share Option Scheme (Continued)

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

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

No share options were exercised during the year.

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

2015

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

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

29. Share Option Scheme (Continued)

The fair value of the share options granted during the year was RMB34,010,000 (RMB0.31 each), of which the Group recognised a share option expense of RMB3,229,000 during the year ended 31 December 2015.

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

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

The expected life of the options is based on the historical data over the past two years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Changes in the subjective assumptions and other uncertainties could materially affect the fair value estimates.

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

At the end of the reporting period, the Company had 109,750,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 109,750,000 additional ordinary shares of the Company and additional share capital of HK$2,743,750 (before issue expenses).

At the date of approval of these financial statements, the Company had 109,750,000 share options outstanding under the Scheme, which represented approximately 3.32% of the Company's shares in issue as at that date.

30. Business Combination — Acquisition of a Subsidiary

The Group acquired a 100% interest in Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd., which is engaged in the construction service business in Mainland China, from an independent third party on 15 December 2015 at a total consideration of RMB3,000,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid by Shanghai Greenstate Landscape Properties Company Limited

The fair values of identifiable assets and liabilities of Shanghai Dongjiang as at the acquisition date were as follows:

	Notes	**Fair values recognised on acquisition** RMB'000
Property, plant and equipment	*13*	71
Other intangible assets	*15*	20,753
Deferred tax assets	*26*	1,725
Trade receivables		5,252
Prepayments and other receivables		2,230
Cash and cash equivalents		241
Trade payables		(2,488)
Accruals and other payables		(18,996)
Interest-bearing bank borrowings		(600)
Deferred tax liability		(5,188)
Total identifiable net assets at fair value		3,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB5,252,000 and RMB2,230,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB5,252,000 and RMB2,230,000, respectively.

The Group incurred no transaction costs for this acquisition.

An analysis of the cash flows in respect of the acquisition of this subsidiary is as follows:

Cash consideration	(3,000)
Cash and cash equivalents acquired	241
Net cash outflow	(2,759)

Since the acquisition date was 15 December 2015, Shanghai Dongjiang Building Survey and Design Engineering Co., Ltd. had no significant contribution to the Group's revenue and consolidated profit for the year ended 31 December 2015.

31. Operating Lease Arrangements

As lessee

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

As at 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**731**	374
In the second to fifth years, inclusive	**808**	418
After five years	**60**	74
	1,599	866

32. Related Party Transactions

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

	2015 RMB'000	2014 RMB'000
Leases of office from Mr. Wu Zhengping and Ms. Xiao Li	**800**	360

(b) Other transactions with related parties:

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

(ii) Mr. Wu Zhengping, the Company's controlling shareholder, has guaranteed certain bank loans made to the Group of up to RMB28,925,000 as at the end of the reporting period, as further detailed in note 25 to the financial statements.

32. Related Party Transactions (Continued)

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

	2015 RMB'000	2014 RMB'000
Salaries	**3,986**	3,923
Pension scheme contributions	**392**	297
Equity-settled share option expense	**2,236**	—
	6,614	4,220

33. Financial Instruments by Category

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

31 December 2015

Financial assets

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

Financial liabilities

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

33. Financial Instruments by Category (Continued)

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

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

34. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

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

As at 31 December 2015, the Group did not hold any assets or liabilities measured at fair value (2014: 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.

35. Commitments

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

36. Contingent Liabilities

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

37. Financial Risk Management Objectives and Policies

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in equity** RMB'000
2015			
RMB	**15**	**(100)**	**(75)**
RMB	**(15)**	**100**	**75**
2014			
RMB	15	(3,198)	(2,399)
RMB	(15)	3,198	2,399

37. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. As nearly all of the Group's assets and liabilities were denominated in RMB, the Group was not subject to significant foreign currency risk as at 31 December 2015. As at 31 December 2015, the Group's assets and liabilities denominated in USD and HKD were mainly held by the Company and a subsidiary incorporated outside Mainland China which had HKD and PRC as their functional currencies. The Company and the subsidiary incorporated outside Mainland China also held company bonds denominated in USD and interest-bearing bank borrowings in HKD, from which foreign currency exposure arises.

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

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2015			
If HKD weakens against USD	**1**	**(2,466)**	**(1,850)**
If HKD strengthens against USD	**(1)**	**2,466**	**1,850**
If RMB weakens against HKD	**1**	**(256)**	**(192)**
If RMB strengthens against HKD	**(1)**	**256**	**192**

* *Excluding retained profits*

Credit risk

The Group has no significant concentration 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.

37. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

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

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

	31 December 2015					
	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
Corporate bonds	—	—	271,473	—	—	271,473
Interest-bearing bank borrowings	—	216	28,994	—	—	29,210
Trade and bills payables	355,490	—	—	—	—	355,490
Other payables	40,140	—	—	—	—	40,140
	395,630	216	300,467	—	—	696,313

	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

37. 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 2015 and 31 December 2014.

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, corporate bonds, trade and bills payables, other payables and accruals, less cash and cash equivalents. The gearing ratios as at the end of the reporting period were as follows:

	2015 RMB'000	2014 RMB'000
Interest-bearing bank borrowings	**28,925**	160,000
Corporate bonds	**248,908**	
Trade and bills payables	**355,490**	228,366
Other payables and accruals	**40,140**	7,421
Less: Cash and cash equivalents	**257,367**	143,919
Net debt	**416,096**	251,868
Equity	**554,348**	111,378
Capital and net debt	**970,444**	363,246
Gearing ratio	**43%**	69%

38. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

39. Statement of Financial Position of the Company

	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**3**	4
Investments in subsidiaries	**562,902**	305
Total non-current assets	**562,905**	309
CURRENT ASSETS		
Prepayments, deposits and other receivables	**31,326**	167,576
Cash and cash equivalents	**3,276**	62,599
Total current assets	**34,602**	230,175
CURRENT LIABILITIES		
Corporate bonds	**248,908**	—
Interest-bearing bank borrowings	**28,925**	—
Other payables and accruals	**21,072**	15,737
Total current liabilities	**298,905**	15,737
NET CURRENT (LIABILITIES)/ASSETS	**(264,303)**	214,438
TOTAL ASSETS LESS CURRENT LIABILITIES	**298,602**	214,747
NET ASSETS	**298,602**	214,747
EQUITY		
Equity attributable to owners of the parent		
Share capital	**285,312**	212,140
Other reserves *(note)*	**13,290**	2,607
Total equity	**298,602**	214,747

39. Statement of Financial Position of the Company (Continued)

Note:

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

	Share option reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	—	—	—	—	—
Profit for the year	—	—	—	517	517
Exchange differences on translation of foreign operations	—	—	(1,381)	—	(1,381)
Total comprehensive income for the year	—	—	(1,381)	517	(864)
Donation by then equity shareholders	—	3,471	—	—	3,471
At 31 December 2014	—	3,471	(1,381)	517	2,607
Total comprehensive income for the year	**—**	**—**	**17,639**	**(10,185)**	**7,454**
Equity-settled share option arrangement	**3,229**	**—**	**—**	**—**	**3,229**
At 31 December 2015	**3,229**	**3,471**	**16,258**	**(9,668)**	**13,290**

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

40. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2016.

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
"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 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
''Company Charged Shares''	100,000 ordinary shares of Greenstate Times, representing the entire issued share capital of Greenstate Times, legally and beneficially held by the Company as at the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under the Company Share Charge
''Company Share Charge''	the charge of all rights, entitlements, interests and benefits in the Company Charged Shares and all derived interests to be made by the Company in favor of Greenland Financial on the closing date of the issue of the Notes as security for all sums due and payable to the holders of the Notes under the Note Purchase Agreement and the other transaction documents relating to the transactions contemplated thereunder
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules, 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
"Deed of Novation"	the deed of novation entered into on 11 September 2015 between the Company, Greenland Leasing and Greenland Financial, pursuant to which Greenland Leasing shall novate all its rights, obligations and liabilities under the Note Purchase Agreement to the Purchaser
"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), 3.2% by Mr. Wang Lei (王磊), 1.6% by Ms. Zhu Wen (朱雯), and 46.9% by other parties
"Founding Shareholders"	Mr. Wu Zhengping (吳正平), Ms. Xiao Li (肖莉) and the Management Shareholders
"Greenland"	Greenland Holding Group Company Limited (綠地控股集團有限公司), a company incorporated under the laws of the PRC
"Greenland Financial"	Greenland Financial Overseas Investment Group Co., Ltd. (綠地金融海外投資集團有限公司), a company incorporated under the laws of the British Virgin Islands, an indirectly wholly-owned subsidiary of Greenland
"Greenland Leasing"	Greenland Financial Leasing Co., Ltd. 綠地融資租賃有限公司, a company incorporated under the laws of the PRC, an indirectly wholly-owned subsidiary of Greenland

"Greenstate 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
"Greenstate Times Charged Shares"	10,000 ordinary shares of Greenstate International, representing the entire issued share capital of Greenstate International, legally and beneficially held by Greenstate Times as at the date of the Note Purchase Agreement and to be charged in favor of Greenland Financial under a share charge to be made by Greenstate Times
"Greenstate Times Share Charge"	the charge of all rights, entitlements, interests and benefits in the Greenstate Times Charged Shares and all derived interests to be made by Greenstate Times in favor of Greenland Financial on the closing date of the issue of the Notes as security for all sums due and payable to the holders of the Notes under the Note Purchase Agreement and the other transaction documents relating to the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	a person(s) or company(ies) who/which is or are independent of and not connected (within the meaning of the Listing Rules) with the Company and our connected persons
"IPSOS"	Ipsos Hong Kong Limited
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	21 July 2014, the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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
"Nomination Committee"	the nomination committee of the Company
"Non-competition Deed"	a deed of non-competition dated 25 June 2014 executed by the Controlling Shareholders and the Company
"Note Purchase Agreement"	the note purchase agreement entered into on 20 August 2015 between the Company and Greenland Leasing (subsequently novated to Greenland Financial pursuant to the Deed of Novation), pursuant to which the Company conditionally agreed to issue and sell, and Greenland Leasing (subsequently novated to Greenland Financial pursuant to the Deed of Novation) conditionally agreed to purchase a redeemable fixed coupon promissory note due 2016 with a principal amount of US$40,000,000 (equivalent to approximately RMB258.4 million based on the conversion rate of US$1 to RMB6.46) at the rate of 9.00% per annum
"Notes"	the redeemable fixed coupon promissory note due 2016 with a principal amount of US$40,000,000 (equivalent to approximately RMB258.4 million based on the conversion rate of US$1 to RMB6.46) at the rate of 9.00% per annum issued pursuant to the terms and conditions of the Note Purchase Agreement
"Remuneration Committee"	the remuneration committee of the Company
"Renminbi" or "RMB"	the lawful currency of China
"Reporting Period"	the year ended 31 December 2015
"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 Charges"	the Company Share Charge and the Greenstate Times Share Charge

"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
"Share Subdivision"	the subdivision of each of the issued and unissued shares of par value of HK$0.10 each in the share capital of the Company into four (4) subdivided shares of par value of HK$0.025 each with effect from 19 August 2015
"Shareholders"	holder(s) of our Share(s) from time to time
"Shares"	ordinary shares of HK$0.025 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supplemental Prospectus"	the supplemental prospectus of the Company dated 14 July 2014

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