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Broad Greenstate International Company Limited

博大綠澤國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1253)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

		Six months ended 30 June		Change
		2014	2013	
		Audited	Unaudited	
Revenue	RMB'000	273,239	174,509	+56.6%
Gross profit	RMB'000	98,840	52,619	+87.8%
Net profit attributable to owners of the Parent	RMB'000	55,859	35,824	+55.9%
Gross profit margin	%	36.2	30.2	+6.0% points
Net profit margin	%	20.4	20.5	-0.1% points

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

The board (the “**Board**”) of directors (the “**Directors**”) of Broad Greenstate International Company Limited (the “**Company**” or the “**Parent**”) is pleased to announce the audited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014 (the “**Reporting Period**”), together with unaudited comparative figures for the corresponding period in the year 2013.

AUDITED INTERIM RESULTS OF THE GROUP FOR THE REPORTING PERIOD

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended

		Six-month period ended 30 June	
	Notes	2014 Audited RMB'000	2013 Unaudited RMB'000
REVENUE	3(a)	273,239	174,509
Cost of sales		<u>(174,399)</u>	<u>(121,890)</u>
Gross profit		98,840	52,619
Other income and gains	3(b)	2,642	1,031
Administrative expenses		(23,069)	(5,455)
Finance costs	9	(3,908)	(400)
Share of profits and losses of:			
A joint venture		(22)	6
An associate		<u>172</u>	<u>—</u>
Profit before tax		74,655	47,801
Income tax expense	10	<u>(18,796)</u>	<u>(11,977)</u>
Profit for the period		<u>55,859</u>	<u>35,824</u>
Total comprehensive income for the period		<u>55,859</u>	<u>35,824</u>
Attributable to:			
Owners of the Parent		<u>55,859</u>	<u>35,824</u>
Earnings per share attributable to ordinary equity holders of the Parent			
Basic and diluted	11	<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Financial Position

As at 30 June 2014

		As at 30 June 2014	As at 31 December 2013
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		10,985	11,357
Goodwill		1,916	1,916
Other intangible assets		5,674	5,841
Investment in a joint venture		5,233	5,255
Investment in an associate		8,039	7,867
Deferred tax assets		1,044	1,390
Total non-current assets		32,891	33,626
CURRENT ASSETS			
Biological assets		—	1,810
Construction contracts	7	54,016	28,051
Trade receivables	5	276,190	173,941
Prepayments, deposits and other receivables		27,928	32,961
Due from related parties		299	305
Cash and cash equivalents		16,153	10,793
Total current assets		374,586	247,861
CURRENT LIABILITIES			
Trade and bills payables	6	89,680	72,966
Other payables and accruals	8	58,918	43,897
Interest-bearing bank borrowing		37,984	11,984
Amounts due to the Founding Shareholders ⁽¹⁾		—	120,682
Tax payable		28,561	21,545
Total current liabilities		215,143	271,074
NET CURRENT ASSETS/(LIABILITIES)		159,443	(23,213)
TOTAL ASSETS LESS CURRENT LIABILITIES		192,334	10,413

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
NON-CURRENT LIABILITIES		
Long term loans	126,192	—
Deferred tax liabilities	<u>1,418</u>	<u>1,542</u>
Total non-current liabilities	<u>127,610</u>	<u>1,542</u>
NET ASSETS	<u>64,724</u>	<u>8,871</u>
EQUITY		
Equity attributable to owners of the Parent		
Issued capital	299	305
Reserves	<u>63,525</u>	<u>7,666</u>
Non-controlling interests	<u>900</u>	<u>900</u>
Total equity	<u>64,724</u>	<u>8,871</u>

Note:

- (1) Founding Shareholders refer to Mr. Wu Zhengping (吳正平), Ms. Xiao Li (肖莉) and the Management Shareholders (which include 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 30 June 2014.

1. CORPORATE INFORMATION

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

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

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

Name	Place of incorporation/ registration and business	Date of incorporation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company				Principal activities
				2014		2013		
				direct	indirect	direct	indirect	
Greenstate Times International Company Limited**	British Virgin Islands	30 October 2013	USD50,000	100%	—	100%	—	Investment holding
Greenstate International Company Limited	Hong Kong	12 November 2013	HKD10,000	—	100%	—	100%	Investment holding
Shanghai Qianyi Landscape Engineering Company Limited [#]	People's Republic of China (the “PRC” or “China”)	26 December 2013	USD2,000,000	—	100%	—	100%	Investment holding
Shanghai Greenstate Landscape Properties Company Limited [#]	the PRC	15 June 2004	RMB32,000,000	—	100%	—	100%	Landscaping
Shanghai Broad Landscape Construction and Development Company Limited (“Shanghai Broad”) [#]	the PRC	1 June 1999	RMB20,000,000	—	100%	—	100%	Landscaping
Shanghai Greenstate Gardening Company Limited (“Shanghai Greenstate”) [#]	the PRC	17 September 2004	RMB500,000	—	100%	—	100%	Landscaping
Shanxi Broad Weiye Landscape Engineering Company Limited* [#]	the PRC	11 September 2013	RMB2,000,000	—	55%	—	55%	Landscaping

* Shanxi Broad Weiye Landscape Engineering Company Limited ("Shanxi Broad") was incorporated as a subsidiary of a non-wholly-owned subsidiary of the Shanghai Broad and accordingly, is accounted for as a subsidiary by virtue of the Shanghai Broad's control over it.

** 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.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and 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 Group for the six-month period ended 30 June 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

Taxes on income in the period are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and revised standards adopted by the Group

The following new standard and amendment to standards are mandatory for the first time for the financial year beginning 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> — <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on or after 1 January 2014 and have not been early adopted:

HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ⁴
HKFRS 11 Amendments	<i>Amendments to HKFRS 11 — Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
HKAS 16 and HKAS 18 Amendments	<i>Amendments to HKAS 16 and HKAS 18 — Amendments Acceptable Methods of Depreciation and Amortisation</i> ²
HKAS 19 Amendments	<i>Amendments to HKAS 19 Employee Benefits — Defined Benefit Plans: Employee Contributions</i> ¹
HKAS 16 and HKAS 40 Amendments	<i>Amendments to HKAS 16 and HKAS 40 — Agriculture: Bearer Plants</i> ²
HKAS 27	<i>Amendments to HKAS 27 Equity Method in Separate Financial Statements</i> ²
Annual Improvements 2010–2012 Cycle	<i>Amendments to a number of HKFRSs issued in January 2014</i> ¹
Annual Improvements 2011–2013 Cycle	<i>Amendments to a number of HKFRSs issued in January 2014</i> ¹

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue of construction contracts and the value of services rendered during the Reporting Period.

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

(a) Revenue:

	Group	
	Six-month period	
	ended 30 June	
	2014	2013
	Audited	Unaudited
	RMB'000	RMB'000
Construction contracts	268,969	172,040
Rendering of services	4,270	2,469
	273,239	174,509

(b) Other income and gains:

	Group	
	Six-month period ended	
	30 June	
	2014	2013
	Audited	Unaudited
	RMB'000	RMB'000
Bank interest income	78	139
Other interest income	1,845	88
Government grants*	719	769
Fair value gains on biological assets	—	35
	<u>2,642</u>	<u>1,031</u>

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

4. PROFIT BEFORE TAX

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

	Group	
	Six-month period ended	
	30 June	
	2014	2013
	Audited	Unaudited
	RMB'000	RMB'000
Cost of construction contracts	161,117	113,601
Cost of services provided	3,812	2,069
Employee benefit expenses (including directors' and chief executive's remuneration)		
Wages and salaries	2,601	1,792
Pension scheme contribution	683	436
	<u>3,284</u>	<u>2,228</u>
Depreciation	780	477
Amortisation of other intangible assets^	167	167
Share issue expenses	15,597	—
Consulting fees	578	223
Auditors' remuneration	380	—
Loss on disposal of items of property, plant and equipment	—	20
Minimum lease payments under operating leases:		
Land and buildings	189	180

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

5. TRADE RECEIVABLES

	Group	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Trade receivables	276,416	174,167
Impairment	<u>(226)</u>	<u>(226)</u>
	<u>276,190</u>	<u>173,941</u>

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

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

	Group	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Within one year	269,835	157,316
Over one year but within two years	4,894	13,019
Over two years	<u>1,461</u>	<u>3,606</u>
	<u>276,190</u>	<u>173,941</u>

Provision for impairment of trade receivables is RMB226,000 during the Reporting Period.

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB226,000 with a carrying amount before provision of RMB226,000 at both 30 June 2014 and 31 December 2013.

For retention money receivables in respect of construction works carried out by the Group, the respective due date usually range from one to three years after the completion of the relevant construction work. As at 30 June 2014, retention money held by customers included in trade receivables amounted to approximately RMB45,533,000 as compared to RMB46,948,000 as at 31 December 2013.

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

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	<u>276,190</u>	<u>173,941</u>

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.

6. TRADE AND BILLS PAYABLES

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

	Group	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Within one year	86,532	67,395
Over one year but within two years	2,835	3,775
Over two years	<u>313</u>	<u>1,796</u>
	<u>89,680</u>	<u>72,966</u>

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

7. CONSTRUCTION CONTRACTS

	Group	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Gross amount due from contract customers	<u>54,016</u>	<u>28,051</u>
Contract costs incurred plus recognised profits less recognised losses to date	332,174	94,959
Less: Progress billings	<u>(278,158)</u>	<u>(66,908)</u>
	<u>54,016</u>	<u>28,051</u>

8. OTHER PAYABLES AND ACCRUALS

	Group	
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Other tax payable	31,741	25,493
Other payables	18,173	5,703
Deposits from sub-contractors	4,981	4,277
Staff payroll and welfare payables	4,023	4,994
Payables for purchase of equity interests from non-controlling interests	—	3,430
	<u>58,918</u>	<u>43,897</u>

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

9. FINANCE COSTS

	Group	
	Six-month period ended	
	30 June	
	2014	2013
	Audited	Unaudited
	RMB'000	RMB'000
Interest on bank loans	<u>3,908</u>	<u>400</u>

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

	Group	
	Six-month period ended	
	30 June	
	2014	2013
	Audited	Unaudited
	RMB'000	RMB'000
Current — PRC		
Charge for the period	18,574	12,168
Deferred tax	<u>222</u>	<u>(191)</u>
Total tax charge for the period	<u>18,796</u>	<u>11,977</u>

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

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

	Group	
	Six-month period ended	
	30 June	
	2014	2013
	Audited	Unaudited
	RMB'000	RMB'000
Profit before tax	74,655	47,801
Tax at the statutory tax rate (25%)	18,663	11,950
Profits and losses attributable to a joint venture and an associate	(38)	(2)
Expenses not deductible for tax	<u>171</u>	<u>29</u>
Tax charge at the Group's effective rate	<u>18,796</u>	<u>11,977</u>

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share amounts for the Reporting Period is based on the profit of RMB55,859,000 attribute to ordinary equityholders of the Parent, and the ordinary shares of 3,800,000 (2013: nil) in issue during the Reporting Period.

Earnings per share information is not presented as its inclusion, for the purpose of this announcement, is not considered meaningful due to the reorganisation. The Group had no potentially dilutive ordinary shares in issue during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As a fast-growing integrated landscape architecture design service provider in China, the Company always focuses on major urban landscape projects across China and offers our customers “one stop” project-based landscape architecture design and construction service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance. During previous years, our landscape projects won a number of honors and industry awards, including the “Gold Award for Outstanding Landscape Project of China Landscaping Award (中國園藝杯優秀景觀金獎工程)”, the “Outstanding Landscape Project Award in Shanghai (上海傑出園林項目)” and the “Gold Award for Outstanding Landscape Project (優秀園林綠化工程獎金獎)”, which are the highest recognition for our performance. The Company was successfully listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 21 July 2014 (stock code: 1253). The success of listing not only marked a key milestone to the Group, but also laid an important foundation for the Group’s further development, enriching our capital strength and providing the Group with better capabilities and advantages to undertake large-scale governmental projects.

INDUSTRY REVIEW

The PRC landscape architecture service market is a fast-growing industry. The growth is attributable to the continuing steady growth of the PRC economy, and increasing urbanization and public demand for high quality landscape projects like public parks and private gardens.

According to IPSOS Hong Kong Limited (“**IPSOS**”), the total revenue of the landscape architecture service industry in China increased from approximately RMB160.4 billion in 2008 to approximately RMB417.5 billion in 2012, representing a compound annual growth rate of approximately 27.0%. According to IPSOS, the investment of government on environmental construction and landscape construction experienced a year-by-year increase in recent years, growing significantly from approximately RMB145.1 billion of 2008 to approximately RMB296.3 billion of 2012. In addition, Chinese government carried out a number of policies including the “Beautiful China” (美麗中國) and “ecological civilization” (生態文明) construction and accelerating urbanization construction during the period of Eighteenth National Congress (十八大). Under the promotion of relevant policies, the landscape architecture design and construction industry is expected to enter into a new stage of rapid development.

Meanwhile, compared with developed countries, urban per capita green area in China in 2013 remained at a considerable low level. According to information provided by the State Forestry Administration, PRC, at the end of 2013, the per capita green area in China is 12.26 square meters with a target of reaching 15 square meters in 2020. While the per capita green area in lots of cities in Europe and America reached over 70 square meters. Thus, although China has become a world power in terms of economy, the per capita green area of China is still far from that of developed countries, which brings a broad development potential for the market.

Therefore, urban greening industry is one of the few high growth industries which are not affected by the slower pace of economic development and governmental macro-adjustment. As the urbanization speeds up, demand of the state on urban greening will absolutely be on a steady increase.

BUSINESS REVIEW

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

Major Projects

During the Reporting Period, the Group conducted 9 major landscape projects⁽¹⁾ orders with a total initial contract value of RMB816.3 million, and the revenue recognised during the Reporting Period was RMB257.7 million. As at 30 June 2014, the net value of backlog of all landscape projects awarded was RMB547.7 million.

Completed Major Landscape Projects

During the Reporting Period, all of the major landscape projects were in progress and there were no completed project.

Major Landscape Projects in Progress

The following table sets out our major landscape projects⁽¹⁾ with which commenced, but were not completed during the Reporting Period. These landscape projects in progress contributed approximately 94.3% of the total revenue recognized for the same period.

Note:

(1) Major landscape projects refer to projects with an initial contract value of RMB5.0 million or more.

Item	Project name	Customer type	Site address	Initial contract value (RMB'000)	Commencement	Expected completion year	The amount of revenue recognized during the Reporting Period (RMB'000)
1	Quanzhou Taiwanese Merchants Investment Zone (泉州台商投資區)	State-invested enterprise	Quanzhou Taiwanese Merchants Investment Zone Baiqi East Lake Area Hui'an County, Quanzhou City, Fujian Province (福建省泉州市惠安縣泉州台商投資區百崎湖東片區)	350,000	March 2014	2015	132,357
2	Chenzhou Project (郴州項目)	State-invested enterprise	Chenzhou New and High Technology Industrial Park Chenzhou City, Hunan Province (湖南省郴州市郴州高新技術產業園區)	166,352	December 2012	2015	33,015
3	Taiyuan Bei Zhonghuan (太原北中環)	Government	Bei Zhonghuan Taiyuan City, Shanxi Province (山西省太原市北中環)	101,690	December 2013	2015	59,312
4	Bonan Lake System, Bole City (博樂市博南湖水系)	Private enterprise	Bole City, Xinjiang (新疆省博樂市)	50,000	April 2013	2015	17
5	Changping Garden, Shandong Province (山東昌平花園)	State-invested enterprise	Chang Ping Hill Road, Zou City, Shandong Province (山東省鄒城市昌平山路)	40,374	May 2011	2014	13,262
6	Beidaihe government office (北戴河政府辦公室)	Government	Courtyard of Beidaihe Front Office Hebei Province (河北省北戴河接待辦公室的庭院)	39,860	December 2010	2015	0
7	Artificial lake in Guoxin Suburban Forest Park, Shanxi (山西國信城郊森林公園人工湖)	State-invested enterprise	Shanxi Guoxin Suburban Forest Park Taiyuan City, Shanxi Province (山西省太原市山西國信城郊森林公園)	39,300	May 2013	2015	10,281
8	The first tender of Jiading ecological special construction project (嘉定生態專項建設項目工程第一次投標)	State-invested enterprise	Outer ring of Jiangqiao Town Jiading District, Shanghai (上海市嘉定區江橋鎮外環線)	15,764	January 2008	2015	1,745
9	Jiading Yuanxiang Lake (嘉定遠香湖)	State-invested enterprise	Jiading District, Shanghai (上海市嘉定區)	13,000	June 2014	2014	7,736
Total				816,340			257,725

New Major Landscape Projects Awarded but not Yet Commenced

The following table sets out our new major landscape projects⁽¹⁾ which were awarded to us in 2013 and 2014 but did not commence, or no relevant revenue was recognized during the Reporting Period.

Item	Project name	Customer type	Site address	Initial contract value (RMB'000)	Commencement	Expected completion year	The amount of revenue recognized during the Reporting Period
1	Third tender of Jiading ecological special construction project (嘉定生態專項建設項目第三次招標)	State-invested enterprise	Jiading District, Shanghai (上海市嘉定區)	26,397	July 2014	2015	0
2	Fourth tender of Jiading ecological special construction project (嘉定生態專項建設項目第四次招標)	Private enterprise	Jiading District, Shanghai (上海市嘉定區)	17,095	July 2014	2015	0

Note:

(1) Major landscape projects refer to projects with an initial contract value of RMB5.0 million or more.

Summary of Net Value of Backlog as at 30 June 2014

The table below sets out the initial contract value, recognized revenue and net value of the backlog of all of our landscape projects which were awarded to us as at 30 June 2014:

As at
30 June 2014
(RMB'000)

The initial contract value of landscape projects awarded but not completed as at 30 June 2014	889,760
Revenue recognition	342,108
Net value of backlog	547,652

The Group will continue to actively identify new projects through various channels to achieve our sustainable growth. Management regularly monitors the public tender invitations published in newspapers and relevant websites of local governments and closely follows up with our clients for new project opportunities.

Major Customers

Our customers currently are classified into two categories: (1) the public sector, including urban public green areas and various theme parks; and (2) the private sector, including residential and resort landscape. We have a strong and well-established customer base. Our customers mainly consist of state and local government and state-invested enterprises, and the projects awarded by these customers have contributed approximately 98.6% of our total revenue for the six months ended 30 June 2014 as compared to 96.4% for the comparable period in 2013.⁽¹⁾

Qualifications and Licenses

Landscape industry has a diversified market, and in order to ensure the product and service quality, Chinese government has carried out market access regulation for landscape construction. Regardless of design or construction, there are tailored requirements and restrictions for different scales of projects. As a provider that can offer customers “one stop” project-based landscape architecture design and construction service solutions, the Group’s qualifications and licenses absolutely show our strong technicality, specialty and flexibility on specific environmental and resource conditions. The Group holds multiple qualifications including a Grade One qualification in urban landscape construction and a Grade Two qualification in scenery landscape design, which allow us to undertake the landscape design and construction work of any medium to large-scale landscape projects, including but not limited to comprehensive parks, community parks, theme parks and gardens. Multiple industry qualifications give us a competitive advantage in our ability to undertake large-scale municipal and city level public sector

Note:

(1) The customers were categorized based on the information available from their respective corporate website.

landscape projects across China. In addition, our outstanding track record of completing 18 major landscape projects in five provinces and municipalities of China allows us to obtain a more stable position in landscape architecture design and construction market.

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

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

Costs Control of the Group

The sales costs of the Group mainly consist of raw materials and subcontracting fees. The raw materials are plants, seedlings, steel and cement. Subcontracting fees mainly include low-end labour outsourcing and subcontracting professional construction that the Group does not provide. We always focus on strict control on the sales costs: on the one hand, in preparing the budget of each project, we take into account the procurement expenses and potential price fluctuation of raw materials and we calculate anticipated increase in costs of raw materials in the quotation; on the other hand, our procurement department collects price quotations of raw materials from our suppliers and sub-contractors for new projects and conducts market research on the prevailing market prices of such raw materials, and we compare the prices among a number of qualified suppliers before making a final order. We generally fix raw materials prices in the supply and subcontracting agreements with no price adjustment mechanism for raw materials, so as to reduce the adverse impact on profit brought by price fluctuation of raw materials.

We have optimized an integrated information management system to further enhance the effective management of our projects and raw materials procurement. The management system provides our senior management with access to the latest information regarding our procurement of plants and other raw materials and incurred costs and expenses of our projects. Our relevant departments regularly upload site photos into the project management system. According to relevant information of projects, management may also track the progress of a project. As a result, our integrated information management system allows us to make prompt and informed decisions on project planning, procurement and quality control.

Effective cost control has helped the Group maintain an ideal gross profit margin during the Reporting Period.

Quality Control

We have established a strict quality management system which is accredited with GB/T 19001-2008/ISO 9001:2008/GB/T 50430-2007 standards in respect of construction, greening and maintenance of landscape projects and GB/T 19001-2008/ISO 9001:2008 standards in respect of the design of landscape projects. We believe, equipping with quality management system accredited to international standards plays a positive role to improve customer confidence and goodwill.

Research and Development

We always focus on maintaining our competitive advantages via research and development. We intend to enter into strategic alliances with other biotechnology companies to take advantage of new planting technologies. We acquired a 15% equity interest in Shanghai City Investment Virescience Technology and Development Company Limited (上海城投綠化科技發展有限公司) (“**City Investment Virescience**”), a biotechnology company focusing on rare plant nursery, planting and maintenance in April 2005. We also entered into a strategic cooperative agreement with the Shanghai Gardening Science Research Institute (上海園林科學研究所) in December 2013 on research and development of new and rare plant seedling cultivation. According to such agreement, Shanghai Gardening Science Research Institute will provide us with technical know-how such as seedling selection, soil improvement and planting skills as well as necessary trainings for our employees. We will continue to explore opportunities to form collaboration and/or cooperation with companies and institutions with research and development capabilities to nurture and improve the quality of rare species of seedlings and plants.

OUTLOOK

Looking into the future, the Group will leverage its position and favorable reputation brought by listing in Hong Kong to raise its competitiveness in China. Large-scale municipal government projects remain as a key area to develop. Therefore, we strongly believe that public projects will continuously contribute high return to the Group. In order to increase the profit, we will expand our business nationwide while solidifying the market foundation in established areas to further improve our brand recognition and to achieve good outcome for our business throughout the country. At the same time, we will also strengthen our project design capability, and with the Grade One qualification in scenery landscape design, the development potential of project design will become another important growth impetus of the Group.

We will also reinforce our planting research and management and strengthen the cooperation with City Investment Virescience, with an aim to increase the varieties of plant species for our future projects and highlight our projects with new species and rare species, so as to achieve the competitive advantages of diversity and seek for better profit sources.

We endeavor to develop constantly with a purpose of becoming one of top ten enterprises of the landscape sector in China within five years.

FINANCE REVIEW

Revenue

After obtaining the Grade One urban landscape construction enterprises qualification certificate in August 2011, there has been no restriction for the project scale undertaken by the Group, and we were able to conduct larger scale projects. Leveraging on this advantage, we expanded our business out of Shanghai, which led to a significant growth in revenue from 2011 to 2013. During the Reporting Period, we continued to maintain the growth, and also improved our project execution capability. Our revenue increased from RMB174.5 million for the six months ended 30 June 2013 to RMB273.2 million for the six months ended 30 June 2014, representing an increase of 56.6%. The average initial contract value of the top five projects during the Reporting Period was RMB139.6 million as compared to RMB104.3 million in the comparable period in 2013, and their average revenue recognized during the Reporting Period was RMB49.7 million as compared to RMB26.6 million in the comparable period in 2013, among which the project with maximum initial contract value was RMB350.0 million as compared to RMB185.3 million in the comparable period in 2013.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2014, our gross profit was RMB98.8 million as compared to RMB52.6 million in the comparable period in 2013, representing an increase of 87.8%. Our gross profit margin increased by 6.0 percentage points from 30.2% for the six months ended 30 June 2013 to 36.2% for the comparable period in 2014, which was due to the ability of the Group in undertaking larger scale projects which have higher gross profit margin as the projects are more complex and require more integrated management.

Administrative expenses

Our administrative expenses consist principally of salaries and benefits for administrative staff, consultation fees, depreciation and amortisation, travelling and business meeting expenses, equipment expenses and other expenses. During the Reporting Period, administrative expenses of the Group was RMB23.1 million as compared to RMB5.5 million for the comparable period in 2013, representing an increase of RMB17.6 million, which was mainly attributable to the listing-related expenses of RMB15.6 million incurred during the period and business expansion.

Financial cost

For the six months ended 30 June 2014, the financial cost of the Group was RMB3.9 million as compared to RMB0.4 million in the comparable period in 2013. The increase was mainly due to extra interest bearing bank borrowings incurred as a result of the group structure reorganization carried out for the listing.

Income Tax

The income tax of the Group increased from RMB12.0 million for the same period of last year to RMB18.8 million for the six months ended 30 June 2014, mainly due to the increased assessable profit of the Group. During the Reporting Period, the effective tax rate of the Group was 25.2% as compared to 25.1% for the comparable period in 2013.

Net Profit and Net Profit Margin

During the Reporting Period, net profit attributable to the owners of the Parent increased by RMB20.1 million from RMB35.8 million of the same period of last year to RMB55.9 million representing an increase of 55.9%. The net profit margin was 20.4% as compared to 20.5% for the comparable period in 2013.

Liquidity and capital resources

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

As at 30 June 2014, cash and cash equivalents of the Group was RMB16.2 million as compared to RMB10.8 million as at 31 December 2013, the interest-bearing bank borrowing and long term loan of the Group was RMB164.2 million as compared to RMB12.0 million as at 31 December 2013. The increase of interest-bearing bank borrowings was due to additional long term loan of RMB126.2 million incurred as a result of the Group's structure reorganization carried out for the listing. As at 30 June 2014, the unutilized and unrestricted banking facilities of the Group was RMB55.0 million.

Gearing Ratio

As at 30 June 2014, the Group's gearing ratio was 80.4% as compared to 96.4% as at 31 December 2013, which is calculated at the net debt divided by the equity plus net debt. The high gearing ratio was due to the long term loan of RMB126.2 million incurred as a result of the Group's structure reorganization carried out for the listing. Excluding the long term loan of RMB126.2 million, and based on the interest-bearing bank borrowings incurred only from the requirement of operation, the Group's (operational) gearing ratio was 67.9% as at 30 June 2014.

At the date of this announcement, using the same data as at 30 June 2014 and if also taking into consideration of the additional capital injection of HK\$63.0 million (equivalent to approximately RMB50.7 million) into the Company by Broad Landscape International Company Limited (博大國際有限公司), Eastern Greenstate International Company Limited (綠澤東方國際有限公司) and YiYu International Company Limited (乙羽國際有限公司) in July 2014, and the net proceeds of

approximately HK\$183.5 million (equivalent to approximately RMB147.6 million) raised from the global offering of the Company, the gearing ratio of the Group will further decrease to approximate 19.3%.

Capital Expenditure and Capital Commitment

During the Reporting Period, the Group's capital expenditure was RMB0.4 million.

As at 30 June 2014 and 31 December 2013, the Group had no capital commitment.

We expect to incur further capital expenditures for the year ending 31 December 2014 for the upgrading of our information management system and the general acquisition of property, plant and equipment.

Pledge of Assets

As at 30 June 2014 and 31 December 2013, the Group has not pledged any asset.

Market Risks

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

Interest rate risk

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

Credit risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2013 and 30 June 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise 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 the balance sheet dates, our cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both of our financial instruments and financial assets such as trade receivables and projected cash flows from operations. We also manage our capital structure and make adjustments to it

in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the six months ended 30 June 2014.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 22 October 2013 as an exempted company with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on 21 July 2014 (the “**Listing Date**”).

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

Since the Company was not listed on the Stock Exchange during the Reporting Period, 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.

CORPORATE GOVERNANCE

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices since the Listing Date.

Throughout the period from the Listing Date up to the date of this announcement, the Company has been in compliance with all the applicable code provisions of the CG Code with the exception of code provision A.2.1.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Wu Zhengping currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will review the management structure regularly and consider separating the roles of the chairman and chief executive officer if and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with the CG Code, and comprises three members, namely Mr. Zhang Qing, Mr. Dai Guoqiang and Mr. Wang Xiaohong. The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited interim results for the Reporting Period.

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND 2014 INTERIM REPORT

This announcement is published on the websites of the Company (www.broad-greenstate.com.cn) and the Stock Exchange (www.hkexnews.hk). The 2014 interim report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange as and when appropriate.

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

Shanghai, PRC
28 August 2014

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