

博大綠澤國際有限公司

Broad Greenstate International Company Limited

Global Offering

Incorporated in the Cayman Islands with limited liability

Stock code: 1253



Sole Sponsor



Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	248,000,000 Shares (including 200,000,000 new Shares and 48,000,000 Sale Shares subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	24,800,000 Shares (subject to adjustment)
Number of International Offer Shares	:	223,200,000 Shares (including 175,200,000 new Shares and 48,000,000 Sale Shares subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$1.76 per Offer Share (payable in full on application, plus a brokerage of 1.0%, an SFC transaction levy of 0.003% and a Hong Kong Stock Exchange trading fee of 0.005% and subject to refund) and expected to be not less than HK\$1.30 per Offer Share
Nominal value	:	HK\$0.10 per Share
Stock code	:	1253

Sole Sponsor



Joint Global Coordinators



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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 4 July 2014 and, in any event, not later than Wednesday, 9 July 2014. The Offer Price will not be more than HK\$1.76 and is currently expected to be not less than HK\$1.30. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.76 for each Share together with a brokerage of 1%, an SFC transaction levy of 0.003% and a Hong Kong Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators, on behalf of the Underwriters, may, with our consent (on behalf of ourselves and the Selling Shareholders), reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which is HK\$1.30 to HK\$1.76 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.broad-greenstate.com.cn.

If, for any reason, the Joint Global Coordinators (on behalf of the Underwriters) and we are unable to reach an agreement on the Offer Price by Wednesday, 9 July 2014, the Global Offering will not become unconditional and will lapse immediately.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the subsection headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination".

30 June 2014

EXPECTED TIMETABLE⁽¹⁾

Our Company will issue an announcement in Hong Kong to be published on our website at www.broad-greenstate.com.cn and the website of the Hong Kong Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Hong Kong Public Offering.

Latest time to complete electronic applications
under the **HK eIPO White Form** service through
the designated website www.hkeipo.hk⁽²⁾11:30 a.m. on Friday, 4 July 2014

Application lists open⁽³⁾11:45 a.m. on Friday, 4 July 2014

Latest time for lodging **WHITE** and **YELLOW**
Application Forms and giving **electronic**
application instructions to HKSCC⁽⁴⁾12:00 noon on Friday, 4 July 2014

Latest time to complete payment of **HK eIPO**
White Form applications effecting internet banking
transfer(s) or PPS payment transfer(s).12:00 noon on Friday, 4 July 2014

Application lists close⁽²⁾12:00 noon on Friday, 4 July 2014

Price Determination Date⁽⁵⁾12:00 noon on Friday, 4 July 2014

Announcement of the Offer Price, the indication
of the levels of interest in the International Offering,
the results of applications in respect of the
Hong Kong Public Offering and the results
and basis of allotment under the Hong Kong
Public Offering (with successful applicants’
identification document numbers, where applicable)
to be published on our website at www.broad-greenstate.com.cn
and the website of the Hong Kong Stock Exchange
at www.hkexnews.hk on or before Thursday, 10 July 2014

Results of allocations in the Hong Kong Public Offering
(with successful applicants’ identification document numbers,
where appropriate) to be available through a variety of
channels as described in the subsection headed “How to Apply for
Hong Kong Public Offer Shares – 11. Publication of results”
in this prospectus from Thursday, 10 July 2014

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong

Public Offering will be available at

www.tricor.com.hk/ipo/result with a

“search by ID” function Thursday, 10 July 2014

Despatch of Share certificates in respect

of wholly or partially successful applications

pursuant to the Hong Kong Public Offering on or before⁽⁶⁾ Thursday, 10 July 2014

Despatch of e-Auto Refund Payment instructions/refund

cheques in respect of wholly successful

(if applicable) or wholly or partially unsuccessful

applications pursuant to the Hong Kong

Public Offering on or before⁽⁷⁾ Thursday, 10 July 2014

Dealings in Shares on the Main Board of the Hong Kong Stock

Exchange to commence on Friday, 11 July 2014

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website, **www.hkeipo.hk**, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 July 2014, the application lists will not open and close on that day. Further information is set out in “10. Effect of bad weather conditions on the opening of the application lists” under the section headed “How to apply for Hong Kong Public Offer Shares” in this prospectus. If the application lists do not open and close on Friday, 4 July 2014, the dates mentioned in this section may be affected. A press announcement will be made by our Company in such event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “6. Applying by giving **electronic application instructions** to HKSCC via CCASS” under the section headed “How to apply for Hong Kong Public Offer Shares” in this prospectus.
- (5) Please note that the Price Determination Date is expected to be on or around Friday, 4 July 2014. If, for any reason, the Offer Price is not agreed between our Company (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on or before Wednesday, 9 July 2014, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Thursday, 10 July 2014 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the sub-paragraph headed “Grounds for termination” under the section headed “Underwriting” in this prospectus has not been exercised and has lapsed. Investors who trade the Hong Kong Public Offer Shares on the basis of publicly available allocation details before the receipt of their share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.
- (7) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

For further details in relation to the Hong Kong Public Offering, see the sections entitled “How to Apply for Hong Kong Public Offer Shares” and “Structure of the Global Offering” in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in the prospectus. Any information or representation not made in the prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholders, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read this section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a fast-growing integrated landscape architecture service provider in China. We focus on major urban landscape projects across China and offer our customers “one stop” project-based landscape architecture service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance.

During the Track Record Period, we have completed over 50 landscape projects, including 18 major landscape projects⁽¹⁾ across five provinces and municipalities in China with a total initial contract value of approximately RMB494.9 million, which contributed approximately 64.8% of our total revenues recognised for the same period. Our major landscape projects in progress, but not yet completed, accounted for approximately 23.3% of our total revenues recognised during the Track Record Period. Our landscape projects have received numerous accolades 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)”. We currently hold a Grade One qualification in urban landscape construction and a Grade Two qualification in scenery landscape design. Our Grade One qualification in urban landscape construction allows us to undertake any scale and form of landscaping construction work, including but not limited to comprehensive parks, community parks, theme parks and gardens. Our Grade Two scenery landscape design qualification entitles us to undertake landscape design and planning work in medium to large scale landscape projects with a total investment value not exceeding RMB20.0 million. We believe that our dual industry qualifications give us a competitive advantage in our ability to undertake large-scale municipal and city level public sector landscape projects across China.

Since the commencement of our business in 2004, we have focused on delivering consistent, high quality and customised landscape architecture services. By leveraging our expertise in landscape planning and design and project construction, we work with our customers in the initial stages of the project and customise and develop a design concept into construction plans and drawings. We are also able to assist our customers to refine the landscape architecture plans prepared by third parties and transform them into detailed

Note:

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

SUMMARY

drawings. We oversee all aspects of a project's construction work and assume overall project management responsibility. As a result of our extensive project experience in different regions in China, we have acquired a deep understanding of local market conditions. We have also developed an extensive information database relating to the sourcing and pricing of raw plant and scrub materials, as well as local qualified sub-contractors, which enable us to more accurately formulate our business strategies.

We receive progress payments on our landscape projects from customers on a monthly or bi-monthly basis, the amount of which is determined with reference to the value of the completed portions of the relevant projects. We are also currently undertaking the Chenzhou Project for which we are not receiving any progress payments and will only be paid upon the completion of such project. The revenue recognised in the Chenzhou Project during the Track Record Period represented approximately 16.7% of our total revenues for the same period. We generally maintain the proportion of revenue generated from BT projects at around 30% of our total revenue recognised for a certain financial year. If, depending on our financial condition and resources, we are able to undertake more BT projects, we will consider increasing our number of BT projects accordingly, subject to Board approval. As we do not plan to significantly increase the proportion of BT projects in our project portfolio in the foreseeable future, our competitors who have greater financial resources may take up more BT projects and, as a result, our market share of landscape projects may be reduced. For the relevant risks and impact in relation to BT projects, please refer to the subsections headed "Risk Factors – Risks relating to our business – We face risks associated with undertaking BT and other similar projects" and "Risk Factors – Risks relating to our industry – Our business and prospects could be adversely affected by competition" in this prospectus.

We have a strong and well-established customer base. Our top five customers during the Track Record Period have mainly consisted of state and local governments and state-invested enterprises. The projects awarded by these customers have contributed approximately 73.7%, 58.0% and 71.9% of our total revenue, respectively, for the years ended 31 December 2011, 2012 and 2013. In addition, according to IPSOS, landscape projects initiated by the local governments and state-invested enterprises generally have higher payment credibility as compared to the projects initiated by private enterprises, and therefore the non-payment risk for projects initiated by the local governments and state-invested enterprises is believed to be relatively lower.

The PRC landscape architecture service market is a fast-growing industry. We believe the growth is attributable to the continuing steady growth in the PRC economy, and increasing urbanization and public demand for public and private parks and gardens with quality landscape projects. Although the growth rate of China's GDP decreased from approximately 9.3% in 2011 and to approximately 7.8% in 2012, China remains one of the fastest growing economies in the world. According to IPSOS, the total revenue of landscape architecture service industry in China increased from approximately RMB160.4 billion in 2008 to approximately RMB417.5 billion in 2012, representing a CAGR of approximately 27.0%. The landscape architecture service market is highly fragmented. There were over 17,000 landscape architecture service providers in China in 2012 with the top ten landscape architecture service providers, in aggregate, contributing only approximately 4.7% of the total revenue of the landscape architecture service industry in China for the same period. According to the IPSOS

SUMMARY

Report, the domestic-listed landscape architecture service providers who are more reputable and larger in size as compared to private companies in the same industry tend to have a much higher growth rate generally with a CAGR of over 40.0%.

We grew rapidly during the Track Record Period. Our revenue increased by RMB44.6 million, or 25.2%, from RMB177.0 million for the year ended 31 December 2011 to RMB221.6 million for the year ended 31 December 2012, and further by RMB68.3 million, or 30.8%, from RMB221.6 million for the year ended 31 December 2012 to RMB289.9 million for the year ended 31 December 2013. Our net profit increased by RMB5.7 million, or 30.3%, from RMB18.8 million for the year ended 31 December 2011 to RMB24.5 million for the year ended 31 December 2012, and further grew significantly by RMB29.0 million, or 118.4%, from RMB24.5 million for the year ended 31 December 2012 to RMB53.5 million for the year ended 31 December 2013.

We have a strong order book of ten major landscape projects⁽¹⁾ in hand, with a total initial contract value of RMB846.8 million as at the Latest Practicable Date⁽²⁾. We commenced work on seven of these projects in 2013 and commenced, or expect to commence, work on the remaining three projects in 2014. We expect to complete all of these landscape projects by the end of 2015. Based on the construction schedule and project delivery dates, we expect to recognise revenue of approximately RMB250.0 million for the six months ending 30 June 2014.

The table below sets out the initial contract value, recognised revenue and net value of backlog of our landscape projects which were awarded to us and of which certain work was completed during the year ended 31 December 2013:

	<u>31 December 2013</u>
	<i>RMB'000</i>
Initial contract value of landscape projects awarded in 2013 ⁽³⁾	428,942
Revenue recognition ⁽⁴⁾	81,073
Net value of backlog ⁽⁵⁾	347,869

Notes:

- (1) Major landscape projects refer to projects with an initial contract value of RMB5.0 million or more.
- (2) Our order book as at a given date represents the total initial contract value of the projects that have not been completed, including the portion of revenue that we had recognised using the percentage-of-completion method in respect of certain projects as at such date.
- (3) Initial contract value of landscape project awarded in 2013 refers to the aggregate initial contract value of the landscape projects which were awarded to us and of which certain work was completed during the year ended 31 December 2013. We expect to complete all of our newly awarded projects by the end of 2015.
- (4) Recognised revenue refers to the portion of the total revenue of these projects that was recognised in respect of the completed work for the year ended 31 December 2013.
- (5) Net value of backlog refers to the portion of the total revenue of these projects that was not recognised for the year ended 31 December 2013.

SUMMARY

The net value of backlog as at 31 December 2013 was generally higher than the backlog we had experienced during the Track Record Period, primarily due to the Chenzhou Project, which has a total initial contract value of approximately RMB166.4 million, and the recognised revenue for the year ended 31 December 2013 was only approximately RMB46.6 million.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are key factors for our ongoing success:

- We are a dual-qualified China-based integrated landscape architecture service provider holding a Grade One qualification in urban landscape construction and a Grade Two qualification in scenery landscape design
- We are well-positioned to capitalise on the fast-growing landscape architecture service market in China
- We have a strong and well-established customer base, many of which are state and local governments and state-invested enterprises
- We offer a broad range of customised, integrated landscape architecture service with a proven track record of completed quality projects and effective project management
- We have an experienced management team with a proven track record of generating growth

OUR STRATEGIES

We intend to further strengthen our position in PRC landscape architecture service market and enhance our overall competitiveness and market share by pursuing the following key strategic initiatives:

- Further expand our business and geographical coverage in China
- Further develop our project design and research and development capabilities
- Continue to apply new technologies and develop our information management system to further improve our work efficiency and service quality
- Continue to attract and retain more talented personnel

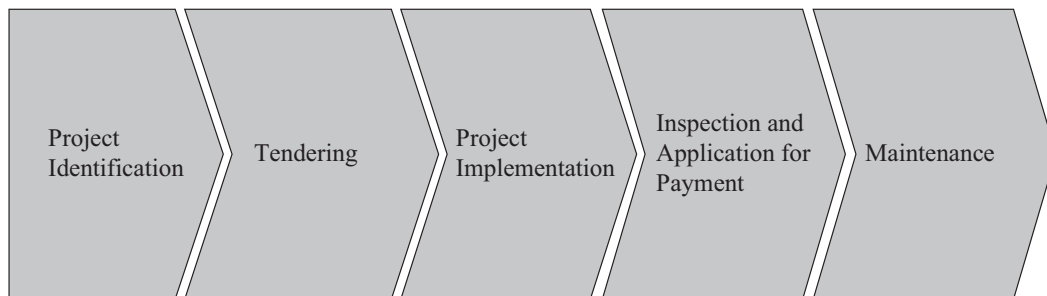
OUR PRINCIPAL BUSINESS

We principally provide landscape design, construction and maintenance services to our customers.

SUMMARY

- **Design:** We prepare an initial design plan for the purpose of tendering for a new project primarily based on the information collected from our on-site inspection and tender documents. We also assist our customers to refine the landscape architecture plans prepared by third parties and transform them into detailed drawings based on the information collected from our on-site inspection.
- **Construction:** We undertake landscape construction projects by providing an extensive range of services which generally include cultivating seedlings and plants, paving garden pathways, modifying the layout of land and constructing landscape facilities.
- **Maintenance:** We provide maintenance services associated with our landscape construction projects. Our maintenance services generally include plant maintenance, removal and replacement of dead plants and landscape facilities repair and maintenance.

The following diagram illustrates the general operational procedures undertaken by us in providing our landscape architecture services:



Our cost of sales consists principally of subcontracting fees and raw materials for cultivating plants and seedlings, subcontracting fees and raw materials for other construction work such as steel structures and membrane work, direct labour, business taxes and other construction related expenses. The principal raw materials for our landscape projects are seedlings, plants and general construction and building materials (such as cement, timber, steel, stone and sand). For the years ended 31 December 2011, 2012 and 2013, our cost of sales was RMB147.4 million, RMB177.0 million and RMB206.6 million, respectively.

We outsource all of our construction work to our sub-contractors. We also outsource our general gardening work to sub-contractors who are mainly responsible for planting and plant maintenance work. Our sub-contractors are generally responsible for the procurement of raw materials (including the seedlings and plants) required for their sub-contracted work. The raw materials purchased by these sub-contractors are generally paid for by them and the corresponding raw material costs are included in the sub-contracting price.

SUMMARY

RISK FACTORS

There are certain risks involved in our operations. Any risk and uncertainty could have a material adverse effect on our business, financial condition and results of operations or the trading price of our Shares, and could cause you to lose all or a portion of your investment. Below sets forth the major risk factors in relation to our operations:

- We had net current liabilities as at 31 December 2013 and we had negative net operating cash flow for the years ended 31 December 2012 and 2013, which exposes us to certain liquidity risks
- We do not have long-term commitments with our customers and we generate our revenue on project basis which is not recurring in nature
- Progress payments and retention money in relation to our projects may not be paid to us on time and in full
- We are providing landscape design work on the Chenzhou Project, the value of which is beyond the limit of our Grade Two scenery landscape design qualification

Further details of our risk factors are set out in the section headed “Risk Factors” in this prospectus.

HISTORICAL NON-COMPLIANCE INCIDENT

Our Grade Two scenery landscape design qualification entitles us to undertake design work in medium to large scale scenery landscape projects with a total investment value not exceeding RMB20.0 million. The Chenzhou Project we are currently undertaking has a total initial contract value of approximately RMB166.4 million. As a result, according to the relevant PRC laws and regulations, Broad Landscape may be required by the relevant local authorities to cease work on the Chenzhou Project and to pay a fine of not less than the amount equal to the relevant initial contract value of the design work (the “Design Work Value”) and not more than twice the amount of the Design Work Value. Based on the Design Work Value of the Chenzhou Project, which is approximately RMB3.27 million, the potential maximum fine will be approximately RMB6.54 million. The relevant local authorities may also confiscate all of our fees generated from the relevant design work, require Broad Landscape to suspend work and downgrade our Grade Two scenery landscape design qualification. Further, if such non-compliance is deemed as serious by the relevant local authorities, our Grade Two scenery landscape design qualification may also be revoked.

Our Directors have confirmed that: (i) the Planning and Construction Section of Chenzhou Export Processing Zone Administration Bureau in Hunan Province (湖南郴州出口加工區管理局規劃建設科) (the “Planning and Construction Section”), the relevant authority overseeing the Chenzhou Project, only required that the tendering party shall hold, among other qualifications, a Grade Two scenery landscape design qualification in the public tender

SUMMARY

invitation; (ii) the Planning and Construction Section selected us as one of the tendering parties notwithstanding the fact that we only hold a Grade Two scenery landscape design qualification; (iii) the tender invitation for the Chenzhou Project had gone through all necessary public notice procedures under the supervision of the Planning and Construction Section; and (iv) we have obtained a confirmation letter dated 9 January 2014 jointly issued by the Shanghai Administration Station of Greening and City Environment (上海市綠化和市容(林業)管理站) (the “Administration Station”) and the Shanghai Construction Project Trading Centre and Greening Project Trading Sub-centre (上海市建設工程交易中心綠化和市容(林業)工程交易分中心) (the “Trading Centre”) confirming that (a) we have filed the relevant contracts for the Chenzhou Project with the Trading Centre on 13 December 2013 and such filing has been reviewed and approved; (b) it is noted from the public tender invitation for the Chenzhou Project that the tendering party is only required to hold a Grade Two scenery landscape design qualification or above; and (c) the Administration Station will not impose any penalties on Broad Landscape for undertaking the Chenzhou Project. As advised by our PRC legal advisers, Jincheng Tongda & Neal Law Firm, the Administration Station is the competent authority responsible for monitoring compliance of our Grade Two scenery landscape design qualification, and the Trading Centre is the competent authority responsible for the regulatory filing requirements in relation to our landscape projects. In view of the above, our PRC legal advisers are of the view that the risk that the relevant authorities may impose the above penalties on us in relation to our undertaking of the landscape design work of the Chenzhou Project is remote.

For further details, including details relating to our internal control measures to ensure we will not undertake any future project which exceeds our landscape qualifications, please refer to the disclosure in the subsection headed “Business – Compliance Matters” in this prospectus.

SHAREHOLDERS’ INFORMATION

On 12 January 2014, in preparation for the Listing, Mr. Wu, Ms. Xiao and the Management Shareholders executed the Acting in Concert Deed, whereby they confirmed the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner upon the Listing to consolidate their control over our Group until the Acting in Concert Deed is terminated by them in writing. By virtue of the Acting in Concert Deed, our Controlling Shareholders include Mr. Wu, Ms. Xiao and the Management Shareholders. Immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), our Controlling Shareholders will be entitled to exercise or control the exercise of approximately 67.97% of the issued share capital of our Company.

SUMMARY

SUMMARY OF CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL POSITION

Key Income Statement Information

The following table sets forth our consolidated income statements for the years indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	176,986	221,550	289,883
Cost of sales	(147,387)	(177,028)	(206,568)
Gross profit	29,599	44,522	83,315
Profit before tax	19,151	32,942	71,598
Profit for the year/period	<u>18,840</u>	<u>24,528</u>	<u>53,500</u>

Key Statement of Financial Position Information

The following table sets forth a summary of our consolidated balance sheets as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	16,003	24,788	33,626
Current assets	133,216	171,919	247,861
Current liabilities	73,060	96,318	271,074
Net current assets/liabilities	<u>60,156</u>	<u>75,601</u>	<u>(23,213)</u>
Total assets less current liabilities	<u>76,159</u>	<u>100,389</u>	<u>10,413</u>
Non-current liabilities	1,906	1,608	1,542
Net assets	<u>74,253</u>	<u>98,781</u>	<u>8,871</u>
Total equity	<u>74,253</u>	<u>98,781</u>	<u>8,871</u>

SUMMARY

Trade receivable turnover days

The following table sets forth our trade receivable turnover days for the years indicated:

	Year ended 31 December		
	2011	2012	2013
Trade receivables turnover days⁽¹⁾	126	103	128

Note:

- (1) Average trade receivables are equal to the average trade receivables (excluding retention money) at the beginning and the end of the year. Average trade receivables turnover days for the years ended 31 December 2011, 2012 and 2013 are equal to the average trade receivables (excluding retention money) divided by revenue for the relevant year and multiplied by 365 days. Retention money is not included in the calculation of trade receivables turnover days as any unused portion of retention money generally will be returned to us within one month of the expiry of the warranty period, which is normally one to two years after completion of the relevant project.

The trade receivables turnover days generally increased during the Track Record Period primarily due to the longer payment cycle and completion schedules of the major projects that we undertook during such period.

Key Cash Flow Statement Information

The following table sets forth a summary of our cash flow for the years indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from/(used in) operating activities	19,165	(4,368)	(35,690)
Net cash from/(used in) investing activities	11,864	(9,395)	(5,565)
Net cash from financing activities	–	11,745	132
Cash and cash equivalents at the beginning of year	22,905	53,934	51,916
Cash and cash equivalents at the end of year/period	53,934	51,916	10,793

SUMMARY

Financial Ratios

The following table sets forth a summary of our key financial ratios for the years indicated:

	As at 31 December		
	2011	2012	2013
Current ratio	1.82	1.78	0.91
Gearing ratio (%)	nil	12.1%	135.1%
Debt to equity ratio (%)	nil	nil	13.4%

PROFIT FORECAST

Profit forecast for the six months ending 30 June 2014

	Forecast for the six months ending 30 June 2014
Forecast consolidated profit attributable to owners of our Group ⁽¹⁾	not less than RMB55.1 million (equivalent to HK\$68.5 million)
Unaudited pro forma forecast earnings per Share ⁽²⁾	not less than RMB0.07 (equivalent to HK\$0.09)

Notes:

- (1) The forecast consolidated profit attributable to owners of our Group for the six months ending 30 June 2014 is extracted from Appendix III to this prospectus. The bases and assumptions on which the above forecast for the six months ending 30 June 2014 has been prepared are summarised in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of our Group for the six months ending 30 June 2014 and on the assumptions that a total of 800,000,000 Shares were in issue during the six months ending 30 June 2014, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8043.
- (3) The forecast income tax expense and Listing-related expenses attributable to owners of our Group for the six months ending 30 June 2014 are approximately RMB18.5 million and RMB16.9 million respectively.
- (4) Pursuant to Rule 11.18 of the Hong Kong Listing Rules, we have given an undertaking to the Hong Kong Stock Exchange that the interim report for the six months ending 30 June 2014 will be audited.

SUMMARY

LISTING-RELATED EXPENSES

As at 31 December 2013, we had incurred Listing-related expenses of approximately RMB3.8 million in connection with the Global Offering. During the period from 1 January 2014 to the completion of the Global Offering, we expect to incur additional Listing-related expenses of approximately RMB29.9 million, of which an estimated amount of approximately RMB16.9 million will be recognised as our administrative expenses and an estimated amount of approximately RMB13.0 million will be recognised directly as equity.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$1.30 per Share	Based on an Offer Price of HK\$1.76 per Share
	<hr/>	<hr/>
Market capitalisation of the Shares ⁽¹⁾	HK\$1,040 million	HK\$1,408 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽²⁾⁽³⁾	HK\$0.32	HK\$0.44

Notes:

- (1) The calculation of the market capitalisation of our Shares is based on 800,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
- (2) The pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2013 and an Offer Price of HK\$1.30 per Share, being the low end of the Offer Price range, and 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2013 and an Offer Price of HK\$1.76 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option. The pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8043.
- (3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial information" in this prospectus and on the basis of 800,000,000 Shares in issue at the respective Offer Price of HK\$1.30 and HK\$1.76 per Share immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

SUMMARY

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us (on behalf of ourselves and the Selling Shareholders) and assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$1.53 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK\$298.3 million. We currently intend to apply such net proceeds for the following purposes:

- approximately HK\$149.2 million, or 50%, of the net proceeds from the Global Offering will be used by 31 December 2015 to finance our existing and potential projects, including:
 - approximately HK\$59.7 million, or 20%, of the net proceeds from the Global Offering to finance the completion of the Chenzhou Project; and
 - approximately HK\$89.5 million, or 30%, of the net proceeds from the Global Offering for our potential future projects;
- approximately HK\$59.7 million, or 20%, of the net proceeds from the Global Offering will be used for potential acquisition of landscape architecture service companies or design companies;
- approximately HK\$29.8 million, or 10%, of the net proceeds from the Global Offering will be used for expansion of our geographical coverage in China by establishing more subsidiaries and branches;
- approximately HK\$29.8 million, or 10%, of the net proceeds from the Global Offering will be used for our research & development activities; and
- approximately HK\$29.8 million, or 10%, of the net proceeds from the Global Offering will be used as general working capital of our Group.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders estimate that they will receive, in aggregate, net proceeds from the Global Offering of approximately HK\$71.6 million after deducting the estimated underwriting commissions and expenses payable by them in the Global Offering and assuming an Offer Price of HK\$1.53 per Share.

For more details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY

RECENT DEVELOPMENTS

Based on our unaudited condensed interim consolidated financial statements for the four months ended 30 April 2014, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, we recorded revenue of approximately RMB165.4 million.

Our revenue increased from RMB125.4 million for the four months ended 30 April 2013 (based on our unaudited condensed interim consolidated financial statements for such period) to RMB165.4 million for the four months ended 30 April 2014, primarily as a result of an increase in the number of our new projects with revenue recognized during such period as we expanded our business in China. We were awarded a major landscape architecture project in Quanzhou, Fujian province, with a total initial contract value of RMB350.0 million in March 2014. We commenced the construction work for this project in March 2014 and expect to complete the project in 2015. Please refer to the subsection headed “Business – Our new landscape projects which commenced in 2014” and “Business – Key land construction contract terms with customers – Summary of key contract terms for the Quanzhou Project” in this prospectus for details.

As at 31 December 2013, we had net current liabilities of RMB23.2 million primarily due to an amount due to the Founding Shareholders of RMB120.7 million and an amount due to the Pre-IPO Investors of RMB3.4 million (excluding withholding individual income tax) which we incurred as at 31 December 2013 in relation to the Onshore Acquisitions. Please refer to the subsection headed “History and Development – Our Reorganisation Acquisitions of Broad Landscape, Greenstate Landscape and Greenstate Gardening by Shanghai Qianyi” for details. We settled the amount due to the Founding Shareholders and the amount due to the Pre-IPO Investors on 14 March 2014 with a long-term bank loan of RMB126.2 million that we obtained from a PRC commercial bank. As a result, we had net current assets of RMB138.2 million as at 30 April 2014. Please refer to the subsection headed “Financial Information – Indebtedness – Borrowings” in this prospectus for details.

We continue to improve our working capital position in accordance with our prudent financial policies. For the four months ended 30 April 2014, we recorded net cash inflow from operating activities of RMB1.5 million, primarily attributable to progress payments from our customers in relation to certain projects, partially offset by an increase in amount due from a contract customer in relation to the Chenzhou Project. As at 31 May 2014, we had unutilised and unrestricted banking facilities of RMB55.0 million. Please refer to the subsection headed “Financial Information – Recent Developments” in this prospectus for details.

SUMMARY

To further improve our working capital position, in June 2014, Eastern Greenstate International, Board Landscape International and YiYu International, based on their respective equity interests in our Company, agreed to contribute an aggregate amount of HK\$63.0 million to our Company as additional capital injection on or before the Price Determination Date. In consideration, our Company will allot and issue a total of 1,000,000 Shares to the Shareholders according to their respective equity interests in our Company. We plan to inject the amount of HK\$63.0 million into Greenstate Times as capital contribution and Greenstate Times will issue additional 50,000 shares to our Company as consideration.

We continue to actively identify new projects through various channels to achieve our sustainable growth. We regularly monitor the public tender invitations published in newspapers and relevant websites of local governments and closely follow up with our clients for new project opportunities.

We are currently negotiating with a State-invested enterprise for a new project mandate in Shanghai with an initial contract value of RMB13.0 million. The project is expected to commence in the second half of 2014 with a completion date before the end of 2014. As at the Latest Practicable Date, we had not entered into any legally-binding agreement with our customer in relation to this potential project in the capacity of a sub-contractor.

Our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the Latest Practicable Date. As far as we are aware, there was no material change in the general market conditions in the PRC landscape architecture industry that had affected, or would affect, our business operations or financial conditions in a material and adverse manner.

DIVIDEND POLICY

For the years ended 31 December 2011, 2012 and 2013, we did not distribute any dividend. Subject to the factors discussed in the section headed “Financial Information” in this prospectus, we currently intend to pay dividends which will amount to approximately 25% of our profit attributable to the owners of the Company for each of the two years after the Listing. However, we cannot assure you that we will be able to declare or distribute dividends in any amount each year or in any year. The declaration and payment of dividends may be limited by legal restrictions or financing arrangements that we may enter into in the future. In addition, the determination to pay dividends will be made at the discretion of the Board.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Acting in Concert Deed”	a deed of confirmation dated 12 January 2014 executed by Mr. Wu, Ms. Xiao 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 this prospectus
“Application Forms(s)”	WHITE application form(s) and YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 25 June 2014, to become effective upon the Listing, and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules
“Board of Directors” or “Board”	the board of Directors
“BOCOM International Securities”	BOCOM International Securities Limited, which is a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
“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

DEFINITIONS

“Broad Weiye”	Shanxi Broad Weiye Landscape Engineering Company Limited* (山西博大偉業園林綠化工程有限公司), a company established in the PRC with limited liability on 11 September 2013 which is owned as to 55% by Broad Landscape (our wholly-owned subsidiary) and 45% by Mr. Liu Ruifeng (劉瑞豐), an Independent Third Party
“BT”	Build-Transfer is, in respect of the landscape architecture service industry, a project format in which the customer does not make any progress payments before completion of the project and the project contract value will be paid through instalments over a certain period of time following the completion of the project
“Business Day”	any day (excluding a Saturday, or a Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a measurement to assess the growth rate of value over time
“Capital Injection”	the additional capital injection of HK\$63.0 million to the Company by Broad Landscape International, Eastern Greenstate International and YiYu International based on their respective equity interests in our Company
“Capitalisation Issue”	the issue of 595,200,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Further Information about our Group - Written resolutions of our Shareholders passed on 25 June 2014” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS at a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chenzhou Project”	our BT project in Chenzhou, Hunan province, China, with an initial contract value of RMB166.4 million
“China” or the “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Circular No. 30”	the Notice of the State Administration of Taxation on Issuing the Measures for Verification Collection of Enterprise Income Tax (for Trial Implementation) (《國家稅務總局關於印發《企業所得稅核定徵收辦法》(試行)的通知》), generally known in the PRC as the Circular No. 30
“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)
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time

DEFINITIONS

“Company”	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 which, as at the date of this prospectus, is owned as to approximately 68.7% by Broad Landscape International, 29.8% by Eastern Greenstate International and 1.5% by YiYu International
“connected person(s)”	has the same meaning ascribed thereto under the Hong Kong Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Hong Kong Listing Rules, and in the context of this prospectus refers to Broad Landscape International, Eastern Greenstate International, Mr. Wu, Ms. Xiao and the Management Shareholders
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Hong Kong Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 25 June 2014 and executed by the Controlling Shareholders and our Company, particulars of which are set out in the subsection headed “F. Other Information – 1. Tax and other indemnities” in Appendix V to this prospectus
“Director(s)”	the director(s) of our 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, 16.1049% by Mr. Shen Wenlin (沈文林), 8.1% by Mr. Song Shudong (宋曙東), 6.4% by Mr. Zhang Kequan (張克泉), 4.0% by Mr. Jiao Ye (焦擘), 3.2% by Mr. Wang, 3.2% by Mr. Li Qiuliang (李秋亮), 2.4% by Mr. Xiao Xu (肖旭), 1.6% by Ms. Zhu, 1.6% by Mr. She Lei (佘磊), 1.7% by Mr. Zhao Guanghua (趙光華) and 3.3% by Ms. Zhou Wei (周維)
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Founding Shareholders”	Mr. Wu, Ms. Xiao and the Management Shareholders

DEFINITIONS

“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth), unless otherwise stated
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“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 our 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 our 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 our 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 our Company
“Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company

DEFINITIONS

“Haitong International”	Haitong International Securities Company Limited, which is a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities automated trading services) regulated activities
“HK eIPO White Form”	the application for the Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Hong Kong Public Offer Shares”	the 24,800,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)

DEFINITIONS

“Hong Kong Public Offering”	the issue and offer for subscription of the Hong Kong Public Offer Shares to the public in Hong Kong for cash (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage, SFC transaction levy, and Hong Kong Stock Exchange trading fee), subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms as further described in the subsection headed “Structure of the Global Offering – Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 27 June 2014 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Independent Third Parties”	a person(s) or company(ies) who/which is or are independent of and not connected (within the meaning of the Hong Kong Listing Rules) with our Company and our connected persons
“Industrial Securities”	Industrial Securities (Hong Kong) Capital Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“International Offer Shares”	the 175,200,000 new Shares and 48,000,000 Sale Shares being initially offered by us and the Selling Shareholders, respectively for subscription and purchased under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement dated 4 July 2014 relating to the International Offering expected to be entered into by, among others, the International Underwriters, our Company and the Selling Shareholders, as further described in the section headed “Underwriting” in this prospectus
“IPSOS”	Ipsos Hong Kong Limited
“Joint Bookrunners” and “Joint Lead Managers”	Kim Eng, BOCOM International Securities, Haitong International and Industrial Securities
“Joint Global Coordinators”	Kim Eng and BOCOM International Securities
“Kim Eng”, “Sole Sponsor” and “Stabilising Manager”	Kim Eng Securities (Hong Kong) Limited, acting as the Sole Sponsor, a Joint Global Coordinator, a Joint Bookrunner and a Joint Lead Manager of the Global Offering, a licenced corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“Latest Practicable Date”	20 June 2014
“Listing”	the listing of the Shares on the main board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date on which dealing in the Shares first commences on the Main Board
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Hong Kong Stock Exchange

DEFINITIONS

“Management Shareholders”	Mr. Shen Wenlin (沈文林), Mr. Song Shudong (宋曙東), Mr. Zhang Kequan (張克泉), Mr. Jiao Ye (焦擘), Mr. Wang, Mr. Li Qiuliang (李秋亮), Mr. Xiao Xu (肖旭), Ms. Zhu and Mr. She Lei (佘磊), who are full time employees of our Group and indirect Shareholders of our Company as at the date of the prospectus, and are considered as Controlling Shareholders
“Memorandum”	the memorandum of association of our Company, conditionally adopted on 25 June 2014, to become effective upon the Listing, and as amended from time to time
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD”	the 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)
“Mr. Chen”	Mr. Chen Zhengliang (陳正亮), the sole shareholder of YiYu International
“Mr. Wang”	Mr. Wang Lei (王磊), one of the executive Directors of our Company and one of the Management Shareholders
“Mr. Wu”	Mr. Wu Zhengping (吳正平), chairman and one of the executive Directors of our Company, and one of our Controlling Shareholders. Mr. Wu is the spouse of Ms. Xiao
“Ms. Xiao”	Ms. Xiao Li (肖莉), one of the executive Directors of our Company and one of our Controlling Shareholders. Ms. Xiao is the spouse of Mr. Wu
“Ms. Zhu”	Ms. Zhu Wen (朱雯), one of the executive Directors of our Company and one of the Management Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (國家發展和改革委員會)

DEFINITIONS

“Non-competition Deed”	a deed of non-competition dated 25 June 2014 executed by the Controlling Shareholders and our Company, particulars of which are set out in the subsection headed “Relationship with Controlling Shareholders – Non-competition Deed” in this prospectus
“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, an SFC transaction levy of 0.003% and a Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK\$1.76 and expected to be not less than HK\$1.30, such price to be agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Public Offer Shares and the International Offer Shares
“Onshore Acquisitions”	the onshore acquisitions of our Group, as part of our Reorganisation, details of which are set out in the subsection headed “History and Development – Acquisitions of Broad Landscape, Greenstate Landscape and Greenstate Gardening by Shanghai Qianyi” in this prospectus
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to which our Company is required to allot and issue up to an aggregate of 37,200,000 Shares (representing in aggregate 15% of the Shares initially being offered under the Global Offering) at the Offer Price to, among other things, cover over-allotment in the International Offering, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pre-IPO Investors”	Mr. Zhao Guanghua (趙光華), Mr. Chen and Ms. Zhou Wei (周維)

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“Price Determination Agreement”	the agreement to be entered into between our Company (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators, acting on behalf of the Underwriters, on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around 4 July 2014 or such later time as may be agreed by our Company (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters), on which the Offer Price will be determined
“Regulation S”	Regulation S under the Securities Act
“Reorganisation”	the reorganisation of the companies within our Group conducted in preparation for the Listing, details of which are set out in the subsection headed “History and Development – Our Reorganisation” in this prospectus
“RMB” or “Renminbi”	the lawful currency of China
“SAFE”	the State Administration of Foreign Exchange of the PRC (國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
“Sale Shares”	the 48,000,000 Offer Shares initially being offered by the Selling Shareholders at the Offer Price in the International Offering
“SAT”	State Administration of Taxation of PRC (中華人民共和國國家稅務總局)
“Securities Act”	the United States Securities Act of 1933, as amended from time to time
“Selling Shareholders”	Broad Landscape International, Eastern Greenstate International and YiYu International, our existing Shareholders who are expected to offer to sell Shares in the International Offering, as detailed in the section headed “Statutory and General Information – F. Other information – 11. Selling Shareholders” in Appendix V of this prospectus

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended 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 our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 25 June 2014, the principal terms of which are summarised in the subsection headed “Share Option Scheme – Summary of terms” in Appendix V to this prospectus
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m”	square metre(s)
“Stock Borrowing Agreement”	a stock borrowing agreement to be entered into between Broad Landscape International and Kim Eng pursuant to which Kim Eng may borrow up to an aggregate of 37,200,000 Shares from Broad Landscape International for the purpose of covering over-allocation in the International Offering
“subsidiary(ies)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Taifu Diandang”	Shanghai Taifu Diandang Company Limited* (上海泰孚典當有限公司), a company established in the PRC with limited liability on 1 August 2013, which is owned as to 27.0% by Broad Landscape, 20.0% by Ms. Zhou Wei (周維) and 53.0% by several Independent Third Parties
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by SFC, as amended from time to time

DEFINITIONS

“Track Record Period”	three years ended 31 December 2013
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“United States” or “U.S.”	the United States of America
“YiYu International”	YiYu International Company Limited (乙羽國際有限公司), a company incorporated in BVI on 8 October 2013 and is wholly-owned by Mr. Chen

In this prospectus, the terms “associate”, “connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, 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 “” are for identification purpose only.*

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses, our ability to implement such strategies and plans, and the expected timetable of such implementation;
- our financial condition;
- our dividend distribution plans;
- the prospects of our business and operations, including development plans for our existing and new businesses;
- the regulatory environment, as well as the general industry outlook, for the landscape architecture service industry in China;
- further developments in, and competitive environment for, the landscape architecture service industry in China; and
- the general economic trend of China.

The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would” the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or those of any of our directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that all of our business is located in the PRC, and we are governed by a legal and regulatory environment which may differ from that which prevails in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESSES

We had net current liabilities as at 31 December 2013 and we had negative net operating cash flow for the years ended 31 December 2012 and 2013, which exposes us to certain liquidity risks

We are exposed to liquidity risk. We require a high level of working capital to sustain our operations and maintain our growth. Our liquidity and financial condition could be materially and adversely affected if we do not receive payments from our customers on a timely basis to meet our working capital requirements, or if we are unable to obtain financing on satisfactory terms or at all. We had net current liabilities of approximately RMB23.2 million as at 31 December 2013. We also had negative net cash flow from our operating activities of approximately RMB4.4 million and RMB35.7 million for the years ended 31 December 2012 and 2013, respectively, primarily due to a substantial increase in our trade receivables resulting from the increased revenue recognised for our projects. Our gearing ratio increased from nil as at 31 December 2011 to approximately 12.1% as at 31 December 2012 and further to approximately 135.1% as at 31 December 2013, and our gearing ratio is expected to remain high after the Listing.

We cannot assure you that our business will be able to generate positive operating cash flow or that we will be able to obtain adequate financing to meet our future working capital requirements and we may have net current liabilities in the future. Our high gearing ratio may also limit our capability for external financing. Moreover, we obtained a bank loan of RMB126.2 million from a commercial bank in the PRC to settle the amount due to the Founding Shareholders and the amount due to the Pre-IPO Investors as at 31 December 2013 in relation to the Onshore Acquisitions. We may not have sufficient positive operating cash flow or obtain additional borrowings to repay the loan when it becomes due in March 2016. Our inability to generate positive operating cash flow or obtain additional external borrowings on a timely basis or on acceptable terms, or at all, may also force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

If the financial condition of our major government and state-invested enterprise customers deteriorates, our financial condition and results of operations may be materially and adversely affected

Our top five customers during the Track Record Period mainly consisted of state and local governments, and state-invested enterprises. Revenue derived from the projects awarded by these customers for the three years ended 31 December 2011, 2012 and 2013 contributed approximately 73.7%, 58.0% and 71.9% of our total revenue for the same periods, respectively. During the same periods, our total trade receivables increased significantly from RMB53.5 million as at 31 December 2011 to RMB85.5 million as at 31 December 2012 and further to RMB173.9 million as at 31 December 2013. A large portion of such increase was attributable to longer payment cycle and completion schedules of the relevant projects we undertook for these government and state-invested enterprise customers. It is noted that there have been concerns in recent years in relation to the financial standing of certain local governments in China according to publicly available information and media reports. It has been reported that some landscape architecture service providers experienced difficulties in collecting their trade receivables from some of these local governments. We cannot assure you that our major government and state-invested enterprise customers will be able to continue to maintain their current strong financial position. If their financial condition deteriorates, we may not be able to collect our trade receivable when due, and our financial condition and results of operations may be materially and adversely affected.

We do not have long-term commitments with our customers and we generate our revenue on project basis which is not recurring in nature

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. Our results of operations will continue to depend on (i) our ability to continue to secure projects from our customers; and (ii) the financial condition and commercial success of our customers. Further, as the landscape projects undertaken by us are mainly on a case-by-case basis, our revenue derived from such projects is not recurring in nature. 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. If any of the foregoing events occurs with our current major customers, our financial condition and results of operations may be materially and adversely affected.

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.

RISK FACTORS

Progress payments and retention money in relation to our projects may not be paid to us on time or in full

We normally receive progress payments in respect of our projects from our customers on a monthly or bi-monthly basis. The amount of each payment is determined with reference to the value of the relevant project completed at that stage. Our customers will also withhold a portion of the total contract value as retention money which generally ranges from 5% to 10% of the total contract value, and is released to us after the warranty period. We cannot assure you that progress payments in respect of our projects will be paid on time or in full, or the retention money or any future retention money will be paid by our customers to us on a timely basis or in full. In the event that our customers fail to make such payments on time or in full, our liquidity position may be materially and adversely affected.

We are providing landscape design work on the Chenzhou Project, the value of which is beyond our Grade Two scenery landscape design qualification

Our Grade Two scenery landscape design qualification allows us to undertake landscape design work in medium to large scale scenery landscape projects with a total investment value not exceeding RMB20.0 million.

Our Broad Landscape is currently undertaking the Chenzhou Project, which has a total initial contract value of approximately RMB166.4 million. As a result, according to the relevant PRC laws and regulations, we may be required by the relevant local authorities to cease work on the Chenzhou Project and to pay a fine of not less than the amount equal to the relevant contract value of the design work (the “Design Work Value”) and not more than twice the amount of the Design Work Value. Based on the Design Work Value of the Chenzhou Project, which is approximately RMB3.2 million, the potential maximum fine will be approximately RMB6.5 million. The relevant local authorities may also confiscate all of our fee generated from the relevant design work, require us to suspend work and downgrade our Grade Two scenery landscape design qualification. Further, if such non-compliance is deemed as serious by the relevant local authorities, our Grade Two scenery landscape design qualification may also be revoked. For details, please refer to the subsection headed “Business – Compliance Matters” in this prospectus. We cannot assure you that we will not be penalised by the relevant local authorities due to the above non-compliance incident. If the relevant local authorities impose any of the above penalties on us, our business, financial conditions and results of operations could be materially and adversely affected.

We record our revenue and profit based on our best estimates at the relevant times, which are subject to inherent uncertainties and subsequent adjustments

We measure and recognise our revenue using the percentage-of-completion method of accounting, by reference to the value of work performed during the year. We recognise our profit based on the latest available budget of the construction projects with reference to the overall performance of each contract which requires management’s best estimates and judgements. We estimate the revenue in accordance with the terms set out in the relevant

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contracts and the relevant costs based on the quotations provided by our major sub-contractors and suppliers from time to time. Although we estimate the revenue and costs based on our best efforts and historical experience, the inherent uncertainty of the estimation may result in material differences between the actual revenue and cost from the estimates, which could lead to material adjustments to our profits in subsequent fiscal periods.

If we fail to accurately estimate our costs on fixed-price contracts or fail to complete relevant projects within our cost estimates, our results of operations would be adversely affected

Our revenue is substantially derived from fixed-price contracts, with prices being determined by reference to our tendering documents which are substantially agreed at the time a project is awarded to us. We are typically responsible for all of our own costs, and our ability to achieve our target profitability on any project is largely dependent on our ability to accurately estimate and control these costs. The total costs we incur on a project could be affected by a variety of factors, including, among other things, fluctuations in the price of raw materials, variations in labour costs over the term of a contract and changes in project scope or conditions. Although some of our contracts provide for price adjustments if certain specified events occur, these adjustment provisions may not adequately protect us in the event of a cost overrun. If our costs for a project exceed the contracted price and any price adjustment provisions in the relevant contract do not adequately cover the cost overrun, we may incur losses, which could materially and adversely affect our financial condition and results of operations.

Failure to fully comply with the pre-agreed project schedules under the contracts may result in liquidated damages to us

Our contracts generally provide for specific project schedule completion requirements with liquidated damages payable by us if we fail to meet the schedule requirements. Liquidated damages are typically levied at a rate as provided in the relevant contract for each day behind the relevant project schedule. Any failure to meet the schedule requirements of the contracts could cause our Group to pay significant liquidated damages, which would adversely affect our liquidity and cash flows, as well as our business and reputation.

If we are unable to obtain sufficient amounts of raw materials that meet our quality standards or at commercially acceptable prices, our business, financial condition and results of operations would be materially and adversely affected

Our principal raw materials are seedlings and plants, cement, timber, steel, stone and sand for building various facilities at site. We source our raw materials from domestic or local suppliers. We cannot assure you that there would not be any sudden shortage or disruption in our supply of raw materials in the future. We also cannot assure you that our suppliers will continue to provide us with sufficient raw materials that meet our requisite quality standards or are in required quantities, or that the prices of raw materials will remain stable in the future. If any of the above occurs, we may not be able to have adequate raw materials to support our

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business. If we are unable to find alternative sources at the same or similar price level offered by suppliers, or at otherwise commercially acceptable prices or terms, or in a timely manner or at all, it would disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects.

The construction work of our projects is labour intensive and we rely on a stable supply of labour to carry out our projects

The construction work of our projects is labour intensive. For any given project, a large amount of work is generally required from different labourers with different skills. There is no assurance that the supply of labour in local markets will be stable. In the event that we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to meet the demand of our existing or future projects, or there is a significant increase in costs of labour, we may not be able to complete our projects on schedule or within budget and our operations and profitability may be adversely affected.

Increase in costs of sales such as costs of raw materials and labour in the PRC may adversely affect our business and our profitability

The principal raw materials for our landscape projects are seedlings and plants, and general construction and building materials such as cement, timber, steel, stone and sand. We are vulnerable to increases in the prices of these raw materials, which are determined principally by market forces and our bargaining power with our suppliers. In addition, labour costs in the PRC have increased significantly in recent years and have impacted our cost structure. In addition to inflation and other factors, the implementation of the PRC Employment Contract Law* (《中華人民共和國勞動合同法》), which was revised on 28 December 2012 and became effective on 1 July 2013, imposes more stringent requirements on employers in relation to fixed term employment contracts, dismissal of employees, provision of severance payment and paid annual leave for employees, which has contributed to an increase in labour costs in the PRC. We expect that the labour costs in the PRC will continue to increase in the future. If we are unable to pass on such increase in the cost of raw materials or labour to our suppliers, sub-contractors or customers, our business, financial condition and results of operations may be materially and adversely affected. Furthermore, we cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Any future disputes with our employees could adversely affect our business, financial condition and results of operations.

We rely on our sub-contractors to complete our projects

We delegate all of our construction work and general gardening work to our sub-contractors. We have a number of procedures in place for selecting and monitoring sub-contractors. We have maintained good relationships with our sub-contractors throughout the years of our operation. However, there can be no assurance that we will always be able to directly and effectively monitor the performance of these sub-contractors.

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In addition, sub-contractors may not be readily available when we need to outsource our construction work. Our ability to complete our projects on time may be impaired if we are unable to secure qualified sub-contractors. If a sub-contractor fails to provide the services as required under a contract, or in the event that we have disputes with, or lose the services of, any of our existing sub-contractors, we may not be able to find suitable alternative sub-contractors on a timely basis to complete the work, which could adversely affect our business, financial condition and results of operations.

Deterioration in our brand names and corporate image could adversely affect our business

We rely on our brand names and our corporate image to attract potential customers. Any negative incident or publicity concerning us or our landscape projects could adversely affect our reputation and business prospects. Brand value is based largely on customer perceptions with subjective elements and can be damaged even by isolated business incidents. Demand for our services and our brand value could diminish significantly if we fail to preserve the quality of our services, or fail to deliver a consistently positive consumer experience in our landscape projects, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity could have a material adverse effect on our business, results of operations and financial position.

We may not be able to maintain our high growth rate in future

We have grown rapidly during the Track Record Period and we anticipate a further expansion of our business operations over the next few years. However, our growth will depend on a number of factors, many of which are beyond our control, including but not limited to global economic condition, macroeconomic policies of the PRC government, the level of competition in our industry, and changes in market demand. We cannot assure you that we will be able to maintain our historically high growth rate and, to the extent that we experience any significant decrease in demand for our services or any material increase in market competition, our growth, financial condition and results of operations may be materially and adversely affected.

We face risks associated with undertaking BT or other similar type of projects

We have undertaken and expect to continue to undertake a portion of our landscape projects on a BT project type or other similar project type basis. The risks associated with BT projects include, among others, the risk that our customers may delay, or even be unable to make, payment upon completion of the project. By undertaking BT projects, we are also exposed to the risk of an incorrect forecast at the tendering stage concerning the revenue to be derived from the BT projects and the risk of extended exposure to fluctuating economic conditions. Reduced profitability or losses from BT projects that do not perform as forecast could have a material and adverse effect on our results of operations. Undertaking BT projects or other similar type of projects also requires significant capital outlays over extended periods which would have an adverse impact on our cash flow. As a result, we may not be able to properly execute or complete BT projects or other similar type of projects as planned, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

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. Please refer to the subsection headed “Business – Major qualifications and licences” in this prospectus for further details. We must comply with the restrictions and conditions imposed by the relevant authorities to maintain our qualifications and licences. Please refer to the section headed “Regulations” in this prospectus for more information on the requirements applicable to us. 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.

We may face claims or litigation arising from personal injuries or fatal accidents

We are currently involved in a civil claim against our Group in relation to a fatal accident involving an employee of our supplier. For details, please refer to the subsection headed “Business – Environmental project and work safety – Work place safety” in this prospectus. We are also subject to the risk of claims or litigation initiated by our suppliers, customers, sub-contractors, employees and other working parties. Any of such proceedings and adverse consequences (if any) could be costly and could divert our senior management’s attention from our business, which could have a material adverse effect on our business, financial condition and results of operations.

We do not have insurance to cover damages to our assets and other risks related to our operations

We currently do not maintain insurance coverage on our properties, machinery, equipment and biological assets, third party liability or against personal injuries that may occur during construction of our projects.

Our sub-contractors are responsible for quality and safety control during the course of the project construction and they are required to maintain accident insurance for their own construction workers pursuant to PRC laws and regulations. However, due to the nature of our business, risks of accidents or personal injuries to workers are inherent and cannot be completely eliminated. If we are sued or held liable for damages and losses arising from construction-related personal injuries or other tortious acts, we may not have sufficient financial resources to cover such losses, damages and liabilities.

Moreover, our business may be materially and adversely affected due to occurrence of natural disasters and other unanticipated catastrophic events, with respect to which we do not carry any insurance. Furthermore, there are certain losses for which no insurance is available on commercially practicable terms, such as losses suffered due to earthquake, nuclear contamination, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in connection with our projects, we may not have sufficient financial resources to fully cover such losses, damages or liabilities or to replace any construction that has been

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destroyed, and may lose all or a portion of our investment in the affected projects and anticipated future income from such properties. Any such material loss without relevant insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

We depend on the continuing services of our senior management team and other key personnel

Our success depends on the continued services provided by our executive Directors and members of our senior management. Competition for talented employees is intense in the PRC landscape architecture service industry. We are particularly dependent on our Chairman, Mr. Wu and other senior management members for their management expertise and business vision to lead our Company, as well as their industry knowledge, all of which are crucial to our business and operations. If we lose the services of any core management team member and fail to find a suitable substitute in a timely manner, our business will be adversely impacted.

Our Controlling Shareholders have substantial control over our company and their interests may not be aligned with the interests of our other public minority Shareholders

Immediately following the Global Offering, our Controlling Shareholders will remain to exert substantial control over our issued share capital. As a result, subject to our Memorandum and Articles of Association and the Companies Law, our Controlling Shareholders, by virtue of their controlling ownership of our share capital and their positions on our Board of Directors, will be able to exercise significant control or influence over our business or otherwise on matters of significance to us. Certain matters for which our Controlling Shareholders could have significant control or influence in determining the outcome include, among others:

- election of Directors;
- selection of senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of, or merger with, other entities;
- overall strategic development and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our Memorandum and Articles of Association.

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The interests of our Controlling Shareholders may differ from the interests of our other public minority Shareholders and our Controlling Shareholders are free to exercise their votes according to their interests. In the event that there is a divergence of our strategic and other interests from those of our Controlling Shareholders in the future, the Controlling Shareholders may exercise control over us in ways that conflict with the interests of our other Shareholders, and the interest of minority Shareholders could be disadvantaged.

RISKS RELATING TO OUR INDUSTRY

Our business and prospects could be adversely affected by competition

We are subject to competition with respect to our businesses. Competition among landscape architecture service providers may result in higher costs for raw materials, shortages of skilled sub-contractors, a decrease in tender prices and an increase in administrative costs for hiring or retaining qualified personnel, any of which may materially and adversely affect our business, results of operations and financial condition.

Certain of our competitors are well capitalised and have greater financial, marketing and other resources than we have. As we do not plan to significantly increase the proportion of BT projects in our project portfolio in the foreseeable future, our competitors who have greater financial resources may take up more BT projects and, as a result, our market share may be reduced. Some competitors also have large nursery gardens and sufficient seedling stock, higher name recognition, longer track records and more established relationships with local governments, sub-contractors, suppliers and customers in certain markets than us. Such landscape architecture service providers may be able to respond to changes in market conditions more promptly and effectively than we can, or may be more competitive during the tender process. If we are unable to maintain a competitive position and adapt to changing market conditions or otherwise compete successfully against our competitors, our prospects, business, financial condition and results of operations may be materially and adversely affected.

Work progress of our 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. In the event that any delay is caused by such adverse weather condition, we may have to accelerate our work progress afterwards so as to meet the time for completion as scheduled, and such acceleration works will typically involve additional costs, thereby adversely affecting the profitability of our business. If there is any delay in completion of the projects, we may be subject to the payment of liquidated damages or penalties, which could materially and adversely affect our business, financial condition and results of operations.

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Our landscape architecture service business is dependent on the performance of the real estate market in China

Our landscape architecture service business is subject to the conditions of the PRC real estate market. The PRC property market is affected by many factors, including changes in the PRC's political, economic and legal environment. Any over-development, market downturn, or fluctuations in the PRC real estate market in general could have a material adverse impact on our business, financial condition and results of operations. Furthermore, the PRC government may from time to time revise its fiscal and monetary policies to adjust the growth rate of the PRC national economy and local economies, and such policy changes may affect the real estate market in the regions where we have or will have business operation. We cannot assure you that our business will maintain at the levels we achieved during the Track Record Period.

RISKS RELATING TO CHINA

Our business, financial condition and results of operations are heavily impacted by the political and economic situation in the PRC

The PRC economy has experienced significant growth over the past few decades. However, the PRC economy has shown signs of potential slowdown or downturn in recent periods. In addition, the PRC government may from time to time implement measures to control the rate of economic growth in China. As a result, we cannot assure you that the PRC economy will continue to grow at its historical rate, or at all, in the future.

The PRC economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payment position. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilisation of market forces in development of the PRC economy. Although we believe these reforms will have a positive effect on the PRC's overall long-term development, we cannot predict whether changes in the economic, political and social conditions of the PRC will materially and adversely affect our current or future business, financial condition, results of operations or prospects. Moreover, even if new policies may benefit us in the long-term, we cannot assure you that we will be able to successfully adjust to such policies. 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.

In addition, demand for our services may be affected by a variety of factors, many of which may be beyond our control, including:

- political stability or changes in social conditions within the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;

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- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Any significant changes in relation to any of these factors may materially and adversely affect our business, financial condition, results of operations and prospects.

We may be treated as a resident enterprise for PRC tax purposes under the EIT Law, which could result in unfavourable tax consequences to us and our non-PRC Shareholders

We are incorporated under the laws of the Cayman Islands, but substantially all of our operations are in China. Under the EIT Law and its implementation rules, an enterprise incorporated in a foreign country or region may be classified as either a “non-resident enterprise” or a “resident enterprise”. If an enterprise incorporated in a foreign country or region has its “de facto management bodies” located within China, such enterprise will be considered a PRC tax resident enterprise and will normally be subject to the enterprise income tax of 25% on its worldwide income. The relevant implementation rules define “de facto management bodies” as those which exercise substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other aspects of an enterprise. In April 2009, the State Tax Bureau issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the Circular 82, which sets forth certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in mainland China. However, the Circular 82 only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals. Substantially all of the members of our management are currently located in China and we expect them to continue to be located in China. Due to the lack of clear guidance on the criteria pursuant to which the PRC tax authorities will determine our tax residency under the EIT Law, it remains unclear whether the PRC tax authorities will treat us as a PRC resident enterprise for tax purposes. As a result, if we are deemed to be a PRC tax resident enterprise, we will be subject to an enterprise income tax rate of 25% on our worldwide income, and be obligated to withhold PRC income tax on the gross amount of dividends we pay to our Shareholders who are non-PRC tax residents. The withholding income tax rate is 10%, unless otherwise provided under applicable double taxation treaties between China and the governments of foreign tax jurisdictions where Shareholders reside. In addition, if we are deemed to be a PRC resident enterprise for tax purposes under the EIT Law, gains on sales or other transfers of the Offer Shares by an investor may also be treated as income derived from sources within the PRC and be subject to PRC tax.

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Fluctuations in the value of RMB may have a material adverse impact on your investment

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. In 2005, the PRC Government changed its policy of pegging the value of RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a band against a basket of currencies determined by the PBOC, against which it could rise or fall by as much as 0.3% each day. On 21 May 2007, the PRC government further widened the daily trading band to 0.5%. Between 21 July 2005 and 31 December 2009, RMB has appreciated significantly against the U.S. dollar. In June 2010, the PRC government indicated that it would make the foreign exchange rate of RMB more flexible, which increases the possibility of sharp fluctuations of RMB's value in the near future and the unpredictability associated with RMB's exchange rate. On 16 April 2012, the PRC government further widened the daily trading band to 1%. Nevertheless, there still remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in further and more significant fluctuations in the value of RMB against the U.S. dollar.

Any significant revaluation of the RMB may have an adverse effect on our revenue and financial condition and the value of any dividends payable on the Shares in foreign currency terms. To the extent that we need to convert our proceeds in Hong Kong dollars from the Global Offering into the RMB amount for our operations, appreciation of RMB against the Hong Kong dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we need to convert our RMB funds into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against RMB would have a negative effect on the Hong Kong dollar amount to be converted into.

We are subject to the PRC governmental control of currency conversion

The PRC government imposes controls on convertibility of RMB into foreign currencies and, in certain cases, remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local SAFE branch by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as repayment of bank borrowings denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

RISK FACTORS

China's legal system is still developing and there are inherent uncertainties that may affect the protection afforded to our business and Shareholders

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system. Recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, interpretations and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We are a holding company that substantially relies on dividend payments from our subsidiaries for funding, and our corporate structure may limit our ability to receive dividends from, and transfer funds to, our PRC subsidiaries, which could restrict our ability to act in response to changing market conditions and reallocate funds from one affiliated PRC entity to another in a timely manner.

We are a holding company incorporated in the Cayman Islands and operate our core business through our subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries are currently subject to or may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

RISK FACTORS

Distribution by our PRC subsidiaries to us other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from our Company to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC government authorities, including relevant administration of foreign exchange or relevant examining and approval authority. In addition, it is not permitted under PRC laws for our PRC subsidiaries to directly lend money to each other. Therefore, it is difficult to change our plans with respect to use of funds or capital expenditure plans once the relevant funds have been remitted from our Company to our PRC subsidiaries. These limitations on free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and reallocate funds from one PRC subsidiary to another in a timely manner.

The national and regional economies in China and our prospects may be materially and adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as avian influenza A (H5N1 and H7N9) virus and influenza A (H1N1) virus

Some regions in China, including the cities where we operate, are susceptible to epidemics. Past occurrences of epidemics, depending on their scales, have caused different degrees of damage to the national and local economies in China. A recurrence of Severe Acute Respiratory Syndrome, or SARS, or an outbreak of any other epidemics in China, such as avian influenza A (H5N1 and H7N9) virus and influenza A (H1N1) virus or other widespread communicable disease, especially in the cities where we have operations, may result in material disruptions to the progress and completion of our landscape projects, which in turn may materially and adversely affect our business, financial condition, results of operations and prospects.

You may experience difficulties in effecting service of process, enforcing foreign judgements or bringing original actions in China against us or our Directors or officers

We are a company incorporated under the laws of the Cayman Islands, but substantially all of our operations and assets are located in China. Substantially all of our Directors and officers reside in China, and substantially all of their assets are located in China. As a result, it may be difficult or impossible for you to effect service of process upon us or our Directors and officers.

Moreover, China does not have treaties providing for the reciprocal recognition and enforcement of judgements awarded by courts in the United States, the Cayman Islands and most other western countries. As a result, recognition and enforcement in China of the judgement of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Furthermore, an original action may be brought in China against us or our Directors or officers only if the actions are not required to be arbitrated by the PRC law and upon satisfaction of the conditions for institution of a cause of action pursuant to the PRC Civil Procedure Law. As a result of the conditions set forth in the PRC Civil Procedure Law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, there remains uncertainty on whether an investor like you will be able to bring an original action in China in this manner.

RISK FACTORS

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position

On 21 October 2005, SAFE issued the Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings and Round-trip Investment by Domestic Residents Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 or the “Circular 75”). Circular 75 came into force on 1 November 2005 and requires PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside China, referred to as an “offshore special purpose company”, for the purpose of raising funds from overseas with the assets of or equity interest in PRC companies. Circular 75 also requires that any PRC resident that is the shareholder of an offshore special purpose company shall amend its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, share exchange, merger, division, long-term investment with creditor's right investment and the provision of guaranty to a foreign party without involving round-trip investment.

We are committed to complying with the requirements of Circular 75 and to ensuring the compliance by our Shareholders who are PRC citizens or residents. To the best of our knowledge, as at the Latest Practicable Date, our Shareholders who are required to make the foreign exchange registration under Circular 75 have completed such registration with SAFE or its local counterpart. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the requirements of Circular 75. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 75 or other related regulations. According to relevant PRC foreign exchange laws and regulations, if any of our Shareholders who are required to make the foreign exchange registration and amendment fails to do so, our PRC subsidiaries may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, the principal and interests of shareholder's loans, advance recovery of investment or liquidation to us, otherwise could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, which would materially and adversely affect our Company and your investment in our Shares.

RISK FACTORS

Our dividend income from our foreign invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is applicable to dividends paid by PRC enterprises to their foreign shareholders who are not “PRC tax resident enterprises”, unless the jurisdiction of such foreign shareholder has a tax treaty or similar arrangement with the PRC that provides for a different withholding arrangement and the foreign shareholder obtains approval from competent local PRC tax authorities for application of such tax treaty or similar arrangement. According to the Arrangement on Avoidance of Double Taxation and Tax Evasion between the Mainland and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), if a Hong Kong incorporated entity is the direct “beneficial owner” of 25% or more interest in a PRC entity, a lower rate of 5% will be applied to the dividend made by the PRC entity to such Hong Kong entity. The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (《國家稅務總局關於如何理解和認定稅收協定中“受益所有人的通知”》), which expressly excludes from the definition of a beneficial owner a “conduit company”, or any company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management. We invest in our PRC subsidiaries through Greenstate International, our subsidiary incorporated in Hong Kong. We intend to pay 5% withholding tax on the distributable profits of WFOE, the direct PRC subsidiary of Greenstate International. It is uncertain whether our Hong Kong subsidiary will be considered a “beneficial owner” and there is no assurance that the tax authority will not impose a higher withholding tax rate of 10% on our dividend income from WFOE. If the dividends from WFOE are subject to the higher withholding tax under the EIT Law, our financial condition and results of operations could be adversely affected.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business

In utilising the proceeds from the Global Offering or any future offerings, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in China to finance their activities may not exceed statutory limits and must be registered with SAFE or its local counterpart. Any capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. In addition, on 29 August 2008, SAFE promulgated Circular 142 which requires that Renminbi obtained from the settlement of capital of a foreign-invested enterprise be used for purposes within the business scope approved by the applicable government authority. Unless otherwise specified, the Renminbi obtained from the settlement of capital may not be used for domestic equity investment. Furthermore, SAFE has been strengthening its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign invested

RISK FACTORS

enterprise. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the foreign-invested enterprise's approved business scope. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we receive from the Global Offering and to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

RISKS RELATING TO OUR GLOBAL OFFERING

There has been no prior public market for our Shares. The market prices and liquidity of our Shares following the Global Offering may be volatile

Prior to the Global Offering, there has been no public market for our Shares. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market on which our Shares are listed. We cannot assure you that an active, liquid public trading market for our Shares will develop upon the present Listing on the Hong Kong Stock Exchange. In addition, following the Global Offering our Shares may trade in the public market below the Offer Price. The Offer Price will be determined by agreement among us (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators, on behalf of the Underwriters, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, and elsewhere in the world. In particular, performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong, and in particular other companies engaged in landscape architecture services or similar type of business, may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC companies have listed their securities, or are in the process of preparing to list their securities, in Hong Kong. Some of the recently listed companies have experienced significant share price volatility, including significant declines, after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong whose operations are primarily in China, and, consequently, may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

RISK FACTORS

In addition to market and industry factors, the share price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow, or occurrence of any of the risks described elsewhere in this section, could cause the market price of our Shares to fluctuate substantially. Any of these factors may result in large and sudden changes in the price and trading volume of our Shares.

Future sales of substantial amounts of our securities in the public market (or transactions perceived as sales) could have a material adverse impact on the prevailing market price of our Shares

The market price of the Offer Shares could decline as a result of future sales of a substantial number of Shares or other securities relating to the Offer Shares in the public market or the issuance of new Shares or other securities, or the perception that such sale or issuances may occur. Future sale of substantial amounts of our securities, including any future offerings, or the perception that such sale is likely to occur, may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem to be appropriate.

In addition, the Shares held by our Controlling Shareholders are subject to a lock-up period. Please refer to the subsection headed “Underwriting – Hong Kong Public Offering – Other Undertakings” in this prospectus for further details. While we are not aware of any intentions of these Shareholders to dispose of a significant number of their Shares after the completion of the lock-up periods, we are not in a position to give any assurances that they will not dispose of any Shares they may own. Future sale of a substantial number of our Shares by our Controlling Shareholders following expiry of the relevant lock-up periods could materially and adversely affect the prevailing market price of our Shares.

Purchasers of our Shares in the Global Offering will experience immediate dilution, and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the value of the net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution to the value of the pro forma adjusted net tangible assets of RMB0.35 (equivalent to HK\$0.44) per Share based on the maximum offer price of HK\$1.76 per Share.

In order to expand our business, we may consider issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

RISK FACTORS

There are no assurances that we will pay dividends in the future

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition, amount of distributable profits, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. For further details of our dividend policy, please refer to the subsection headed “Financial Information – Dividend policy” in this prospectus. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

Certain facts and other statistics with respect to China, the PRC economy and the PRC landscape architecture service industry in this prospectus are derived from various official government sources and third-party sources and may not be reliable

Certain facts and other statistics in this prospectus relating to China, the PRC economy and the PRC landscape architecture service industry have been derived from various official government publications and third-party sources. We believe that the sources of such information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us, the Selling Shareholders, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, or any of our affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced based on other sources. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

You should rely on this prospectus, and not place any reliance on any information contained in press articles or other media, in making your investment decision

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Hong Kong Listing Rules. We have not authorised any such press and media reports, and any financial information, financial projections, forecast, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for, or arising from, any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus and the Application Forms.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In preparation for the Global Offering, our Company has sought the following waiver from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

Management Presence

Pursuant to Rule 8.12 of the Hong Kong Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must ordinarily reside in Hong Kong. Our Group's core business and operations have been located, managed and conducted in the PRC since our Group's establishment, and all of our executive Directors ordinarily reside in the PRC. Therefore, we do not, and in the foreseeable future will not, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Hong Kong Listing Rules.

As a result, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Hong Kong Listing Rules, on the following conditions to ensure that regular and effective communication is maintained between the Hong Kong Stock Exchange and our Company:

1. Authorised Representatives

We have appointed two authorised representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorised representatives are Ms. Zhu and Mr. Wong Wai Ming (黃偉明) (the "Authorised Representatives"). The Authorised Representatives have provided their usual contact details to the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and email, and will be available to meet the Hong Kong Stock Exchange to discuss any matters within a reasonable time frame.

2. Directors

As and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters, each of the Authorised Representatives has means to contact all of the Directors (including the independent non-executive Directors) promptly at all times. We will implement the following measures: (a) each Director must provide his/her mobile numbers, office telephone numbers, email addresses and facsimile numbers to the Authorised Representatives; and (b) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorised Representatives.

We have provided the mobile phone numbers, office phone numbers, email addresses and facsimile numbers of each Director to the Hong Kong Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

Meetings with the Hong Kong Stock Exchange and our Directors can be arranged through the Authorised Representatives, or directly with our Directors with reasonable notice. Each of the Directors who does not ordinarily reside in Hong Kong holds valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange within a reasonable period of time.

3. Compliance Adviser

We have appointed Kim Eng as our compliance adviser (the “Compliance Adviser”) pursuant to Rule 3A.19 of the Hong Kong Listing Rules, who will act as our additional principal channel of communication with the Hong Kong Stock Exchange for a period commencing on the date of Listing until the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing following the Listing.

The Compliance Adviser will have access to the Authorised Representatives, the Directors and other senior management staff of our Company to ensure that it is in a position to provide prompt responses to any enquiries or requests from the Hong Kong Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and our Company (on behalf of ourselves and the Selling Shareholders) on or before the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

SELLING RESTRICTIONS

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S..

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholders, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus and in the relevant Applications Forms.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants should consult their professional advisers if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasized that none of our Group, the Selling Shareholders, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in our Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in our Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder.

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, Kim Eng, as stabilising manager, or any person acting for it may over-allot Shares or effect any other transactions with a view to stabilising and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on Kim Eng or any person acting for it to conduct any such stabilising action.

In connection with the Global Offering, our Company is expected to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Global Coordinators (on behalf of the International Underwriters) no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 37,200,000 Shares, representing 15% of the total number of Shares initially available under the Global Offering, to, among other things, cover over-allotment in the Global Offering, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed "Structure of the Global Offering" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed “How to apply for Hong Kong Public Offer Shares” in this prospectus and in the relevant Application Forms.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed Tricor Investor Services Limited, our Hong Kong Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, (i) the translations between Renminbi and Hong Kong dollars were made at the rate of RMB100 to HK\$124.3, (ii) the translations between Renminbi and U.S. dollars were made at the rate of RMB623.45 to US\$100, and (iii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$775.14 to US\$100.

CHINESE NAMES

In this prospectus, if there is any inconsistency between the Chinese name of the entities or enterprises established in China, PRC nationals, PRC government entities or PRC laws, rules and regulations and their English translations, the Chinese names shall prevail. English translations of names of entities or enterprises established in China and PRC laws, rules and regulations are for identification purpose only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Wu Zhengping (吳正平)	Room 1802 No. 3, Lane 500 Huang Jin Cheng Road Chang Ning District Shanghai China	Chinese
Xiao Li (肖莉)	Room 1802 No. 3, Lane 500 Huang Jin Cheng Road Chang Ning District Shanghai China	Chinese
Zhu Wen (朱雯)	Room 304 No.76, Camellia Garden 959 Pu Bei Road Xuhui District Shanghai China	Chinese
Wang Lei (王磊)	Room 601 No. 15 Mei Chuan Road Lane 1558 Jiading District Shanghai China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent Non-executive Directors

Dai Guoqiang (戴國強)	Room 2101 No.1, Lane 288 Huahai West Road Shanghai China	Chinese
Zhang Qing (張清)	Room 701, 7/F No. 3, Lane 800 Dong An Road Shanghai China	United States of America
Wang Xiaohong (王孝泓)	Room 1503 No. 2 Lujiabang Road Lane 1060 Shanghai China	Chinese

For further information about our Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Name	Address
Sole Sponsor	Kim Eng Securities (Hong Kong) Limited Level 30, Three Pacific Place 1 Queen's Road East Hong Kong
Joint Global Coordinators	Kim Eng Securities (Hong Kong) Limited Level 30, Three Pacific Place 1 Queen's Road East Hong Kong BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Kim Eng Securities (Hong Kong) Limited Level 30, Three Pacific Place 1 Queen's Road East Hong Kong BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong Industrial Securities (Hong Kong) Capital Limited Unit 3201, Infinitus Plaza 199 Des Voeux Road Central Sheung Wan, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong law

Deacons

5/F, Alexandra House
18 Chater Road
Central Hong Kong

as to PRC law

Jincheng Tongda & Neal Law Firm

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Beijing
China

as to Cayman Islands law

Maples and Calder

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99 Queen's Road Central
Hong Kong

Legal advisers to the Underwriters

As to Hong Kong Law

Morrison & Foerster

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The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law

Jingtian & Gongcheng

Suite 1202-1204 K.Wah Centre
1010 Huai Hai Road (M)
Xu Hui District, Shanghai
China

Reporting Accountants

Ernst & Young

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1 Tim Mei Avenue
Central
Hong Kong

Compliance Adviser

Kim Eng Securities (Hong Kong) Limited

Level 30, Three Pacific Place
1 Queen's Road East
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving bank**Bank of Communications Co., Ltd. Hong Kong Branch**

25th Floor, Bank of Communications Tower
231-235 Gloucester Road
Wan Chai
Hong Kong

Selling Shareholders**Board Landscape International**

P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

Eastern Greenstate International

P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

YiYu International

P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

CORPORATE INFORMATION

Registered Office in the Cayman Islands	The offices of Maples Corporate Services Limited PO Box 309, Umland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters	Floor 8 No. 1357, Mei Chuan Road Putuo District Shanghai, PRC
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	www.broad-greenstate.com.cn <i>(the information on this website does not form part of this prospectus)</i>
Company Secretary	Mr. Wong Wai Ming (黃偉明) <i>(HKICPA, ACCA)</i> Flat C, Floor 13 Hoi Sing Mansion No. 10, Taikoo Shing Road Hong Kong
Authorised Representatives	Ms. Zhu Room 304 No. 76, Camellia Garden 959 Pu Bei Road Xuhui District Shanghai, PRC Mr. Wong Wai Ming (黃偉明) <i>(HKICPA, ACCA)</i> Flat C, Floor 13 Hoi Sing Mansion No. 10, Taikoo Shing Road Hong Kong
Audit Committee	Mr. Zhang Qing (張清) (Chairman) Mr. Dai Guoqiang (戴國強) Mr. Wang Xiaohong (王孝泓)

CORPORATE INFORMATION

Remuneration Committee

Mr. Wang Xiaohong (王孝泓) (Chairman)
Mr. Dai Guoqiang (戴國強)
Ms. Zhu

Nomination Committee

Mr. Dai Guoqiang (戴國強) (Chairman)
Mr. Wang Xiaohong (王孝泓)
Ms. Xiao

**Principal Share Registrar and
Transfer office in Cayman Islands**

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PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

**Hong Kong Share Registrar and
Transfer Office**

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Level 22, Hopewell Centre
183 Queen's Road East
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Principal Bank

Shanghai Bank Changning Branch
No. 320, Xianxia Road
Changning District
Shanghai
PRC

INDUSTRY OVERVIEW

We believe that the sources of the information in this section are appropriate sources for such information, and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. The information from official government and non-official sources has not been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Selling Shareholders, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned IPSOS, an Independent Third Party, to conduct an industry analysis of and produce a report (the “IPSOS Report”) on, amongst other things, the landscape architecture service industry in China, for inclusion in this prospectus. In connection with our engagement of IPSOS, the service fee amounts to approximately HK\$308,000. The payment of such service fee was not conditional on our successful listing.

IPSOS is part of IPSOS SA which was founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999. IPSOS employed approximately 16,000 personnel worldwide across 86 countries. IPSOS conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. As at 6 January 2014, IPSOS has prepared reports for inclusion in prospectuses of 25 applicants which are currently listed on the main board of the Hong Kong Stock Exchange.

The information contained in the IPSOS Report is derived by means of data and intelligence gathering which include: (i) desktop research; (ii) client consultation; and (iii) primary research by interviewing key stakeholders and industry experts in China (including Shanghai Landscape Architecture Gardening Trade Association (上海園林綠化行業協會), Chinese Flowers Gardening and Landscaping Industry Association (中國花卉園藝與園林綠化行業協會), Chinese Society of Landscape Architecture (中國風景園林學會) and 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), as well as key competitors and customers of landscape architecture services. According to IPSOS, this methodology guaranteed a full circle or multi-level information sourcing process, where information gathered can be reconciled between different sources to ensure accuracy. The intelligence gathered by IPSOS was analysed, assessed and validated using their in-house analysis models and techniques.

With respect to analyses, projections and data relating to future periods in the IPSOS Report, the following bases and assumptions are adopted:

- the supply of raw materials for landscape architecture service industry is assumed to be stable and without shortage over the forecast period;

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- it is assumed that there is no external influence, such as financial crisis or natural disasters, on the demand and supply of landscape architecture service over the forecast period; and
- it is assumed that the urbanization rate will grow at an average rate of approximately 1.3% annually in China.

With respect to the market size of landscape architecture service industry, the following parameters are considered:

- the GDP growth rate, the urbanization rate and the government expenditure on environmental embellishment and protection in China from 2008 to 2017; and
- the “National Twelfth Five-Year Plan” for Environmental Protection 《國家環境保護“十二五”規劃》.

OVERVIEW OF THE PRC ECONOMIC ENVIRONMENT

PRC Economy

According to the National Bureau of Statistics of China, the GDP growth rate in China decreased from approximately 9.6% in 2008 to approximately 9.2% in 2009, primarily due to the global economic crisis. In 2010, the GDP growth rate rebounded and increased to approximately 10.4%, primarily due to the stimulus package of RMB4 trillion announced by the PRC government to improve ecological environment. The GDP growth rate in China decreased to approximately 9.3% in 2011 and further decreased to approximately 7.7% in 2013, primarily due to the slowdown in the global economic recovery and the European debt crisis. The GDP in China is expected to grow at a sluggish rate from 2014 to 2017 with projected GDP growth rates ranging from approximately 7.0% to 7.5%. This is primarily due to the “Twelfth Five-Year Plan of the People’s Republic of China and the National Economy for Social Development” (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》), according to which the PRC government has targeted at maintaining China’s economic growth at an annual GDP growth rate of approximately 7.0%.

Urbanisation

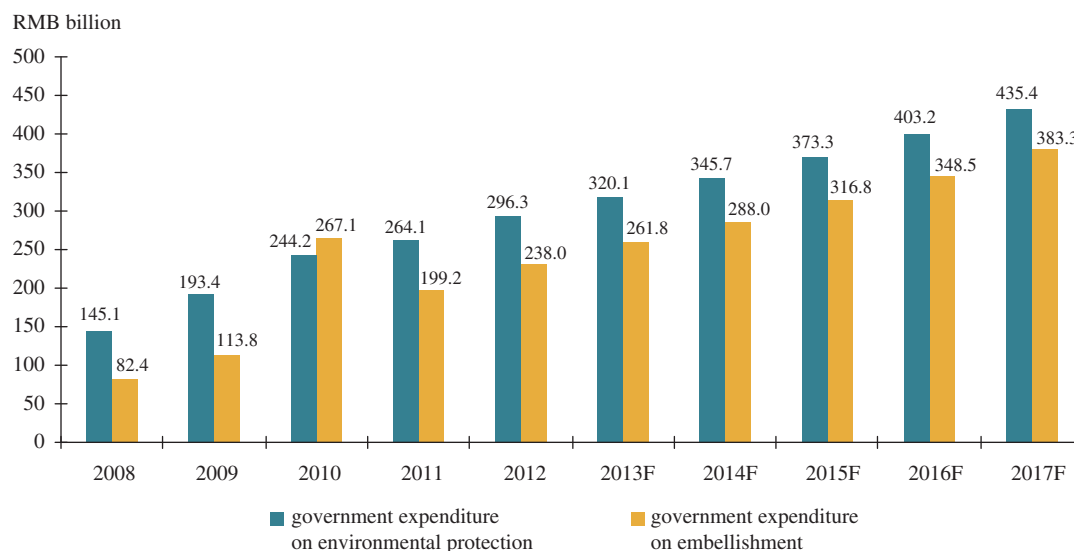
The economic growth in China has been accompanied by rapid urbanisation. According to the National Bureau of Statistics of China, the urbanisation rate in China increased from approximately 47.0% in 2008 to approximately 53.7% in 2013, representing a CAGR of approximately 2.7% over those five years, primarily due to the PRC government’s policy of actively relocating qualified farmers into the cities over the past decade. According to the National Bureau of Statistics of China, the urbanisation rate in China is expected to continue to increase from 2014 to 2017 as processing and service industries move from rural to urban areas in China and due to the migration of labour as a result of such movement. It is expected that the urbanisation rate will reach approximately 58.9% by 2017 and approximately 20,000 to 50,000 new skyscrapers will be built in China in the next two decades as a result of such urbanisation.

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Government expenditure on environmental embellishment and protection

The PRC government has recognised the importance of urban greening and promulgated various related laws and regulations, namely the Urban Greening Regulations (《城市綠化條例》), which encourages development of advanced technology for improving urban greening, and the Provisions for the Indicators for Planning and Construction of Urban Greening (《城市綠化規劃建設指標的規定》), which aims at securing minimum area of green space. In November 2012, the PRC government published the Guidance on the Promotion of Healthy Development of Urban Landscape (《關於促進城市園林綠化事業健康發展的指導意見》) which specifies the area of afforestation.

According to the National Bureau of Statistics of China, the total government expenditure spent on environmental protection in China increased from approximately RMB145.1 billion in 2008 to approximately RMB296.3 billion in 2012, representing a CAGR of approximately 19.5% over those five years. Meanwhile, the total government expenditure spent on environmental embellishment, including gardening and greening, in China increased from approximately RMB82.4 billion in 2008 to approximately RMB238.0 billion in 2012, representing a CAGR of approximately 30.4% over the same period. According to the National Bureau of Statistics of China and the IPSOS Report, it is expected that total projected expenditure of the PRC government on environmental protection will increase from approximately RMB320.1 billion in 2013 to approximately RMB435.4 billion in 2017, at a CAGR of approximately 8.0% over those five years. Meanwhile, it is expected that total projected expenditure of the PRC government on environmental embellishment will increase from approximately RMB261.8 billion in 2013 to approximately RMB383.3 billion in 2017, at a CAGR of approximately 10.0% over the same period. The following chart sets forth the historical and projected government expenditure on environmental protection and embellishment in China from 2008 to 2012 and from 2013 to 2017, respectively:



Source: National Bureau of Statistics of China

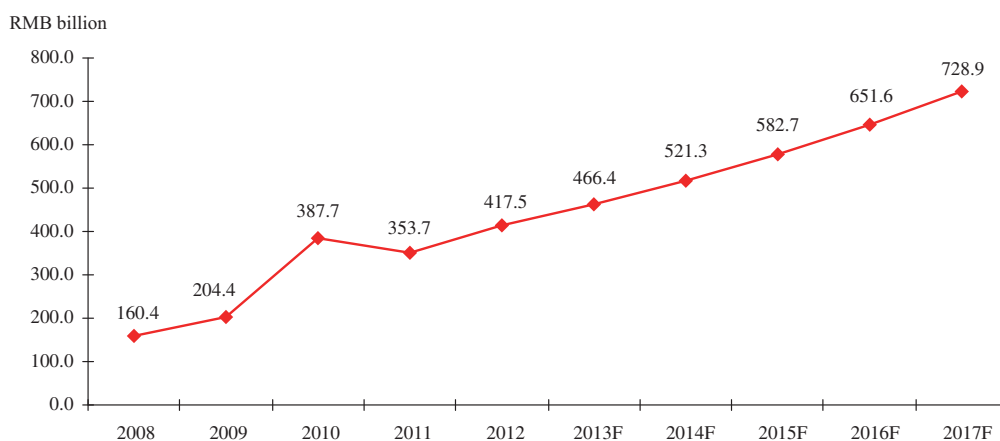
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OVERVIEW OF THE LANDSCAPE ARCHITECTURE SERVICE INDUSTRY IN CHINA

Market overview of the landscape architecture service industry in China

Landscape architecture service refers to the service of creating an artificial garden through, among other things, transformation of existing topography and landscape, and planting and construction of buildings and pavement. It covers seedling cultivation, landscape design and planning, landscape construction and ongoing general landscape maintenance. The major types of landscape projects in China are urban greening, garden landscape for real estate and ecological restoration. Urban greening is carried out in public urban areas and funded by the PRC and local governments while garden landscape for real estate generally covers the high-end residential areas and is mainly invested by property developers. Ecological restoration covers work for areas where the ecosystems have been impaired, such as abandoned mines and excavated mountain slopes. The landscape architecture service providers in China generally render services on the design and construction of pavement, buildings, landscape walls, fences, micro-topography, waterscape, as well as the installation of lighting and drainage. The total number of landscape architecture service providers in China increased steadily from approximately 16,000 in 2008 to approximately 17,400 in 2013, representing a CAGR of approximately 1.7% over those six years.

The following table sets forth the total revenue of landscape architecture service industry in China from 2008 to 2012 and from 2013 to 2017, respectively:



Source: IPSOS Report

According to the IPSOS Report, the total revenue of landscape architecture service industry in China increased from approximately RMB160.4 billion in 2008 to approximately RMB417.5 billion in 2012, representing a CAGR of approximately 27.0%. Such growth was primarily driven by the rapid development of the PRC economy and the rapid urbanization in China over such period. The increase in revenue for landscape architecture service industry was also due to the growing demand for a better living environment in China and the favourable policies and regulations implemented by the PRC government to encourage

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environmental embellishment and protection. According to the IPSOS Report, it is expected that the total revenue of landscape architecture service industry in China will continue to grow from approximately RMB466.4 billion in 2013 to approximately RMB728.9 billion in 2017, representing a CAGR of approximately 11.8% over those five years. According to the IPSOS Report, the PRC listed landscape architecture service providers who are more reputable and larger in size as compared to private companies in the same industry tend to have a much higher growth rate generally with a CAGR of over 40.0%.

According to the IPSOS Report, the top ten landscape architecture service providers contributed approximately 4.1% of the total revenue of the landscape architecture service industry in China in 2011 and further increased to 4.7% in 2012. It is believed that the industry consolidation in China has enabled the companies which have more financial resources and experience in the landscape architecture service industry to further expand their business scope and coverage by leveraging their quality, brand reputation and scale advantages.

Revenue of the landscape architecture service industry in China by customer type

The following table sets forth the historical and projected revenue of landscape architecture service industry in China by customer type from 2008 to 2012 and from 2013 to 2017, respectively:

Year	Revenue generated in government sector		Revenue generated in private sector		Total revenue	
	(RMB in billion)	(%)	(RMB in billion)	(%)	(RMB in billion)	(%)
2008	82.4	51.4%	78.0	48.6%	160.4	100.0%
2009	113.8	55.7%	90.6	44.3%	204.4	100.0%
2010	267.1	68.9%	120.6	31.1%	387.7	100.0%
2011	199.2	56.3%	154.5	43.7%	353.7	100.0%
2012	238.0	57.0%	179.5	43.0%	417.5	100.0%
2013F	261.8	56.1%	204.6	43.9%	466.4	100.0%
2014F	288.0	55.2%	233.3	44.8%	521.3	100.0%
2015F	316.8	54.4%	266.0	45.6%	582.7	100.0%
2016F	348.5	53.5%	303.2	46.5%	651.6	100.0%
2017F	383.3	52.6%	345.6	47.4%	728.9	100.0%

Source: IPSOS Report

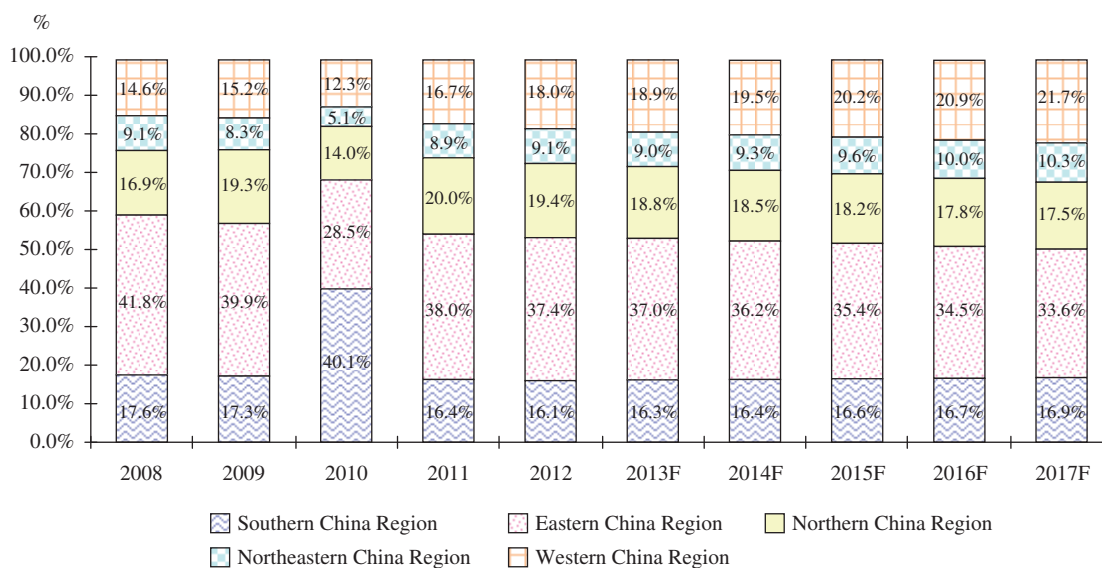
According to the IPSOS Report, the revenue of the landscape architecture service industry in China derived from the government sector increased from approximately RMB82.4 billion in 2008 to approximately RMB238.0 billion 2012, representing a CAGR of approximately 30.4% over those five years. On the other hand, the revenue derived from the private sector such as property developers increased from approximately RMB78.0 billion in 2008 to approximately 179.5 billion in 2012, representing a CAGR of approximately 23.2% over the same period. The government sector is a major contributor to the revenue primarily attributable to the significant investment in the landscape architecture service industry in 2010 as a result of the RMB4.0 trillion stimulus package by the PRC government in response to the global financial crisis. During the period from 2008 to 2012, the revenue derived from the government

INDUSTRY OVERVIEW

sector each year contributed an average of approximately 57.9% of the total annual revenue of the landscape architecture service industry in China. Landscape projects in public sector are more attractive for landscape architecture service providers than those in private sector, as the profit margin derived from the public sector is generally higher.

Revenue of the landscape architecture services industry in China by region

The following table sets forth the historical and projected percentage of the revenue of landscape architecture services industry in China analysed by region from 2008 to 2012 and from 2013 to 2017, respectively:



Source: IPSOS Report

Note: Southern China region includes Henan, Hubei, Hunan, Guangdong, Guangxi, and Hainan; Eastern China region includes Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, and Shandong; Northern China region includes Beijing, Tianjin, Hebei, Shanxi, and Inner Mongolia; Northeastern China region includes Liaoning, Jilin, and Heilongjiang; and Western China region includes Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang.

From 2008 to 2012, the Eastern China region was the top contributor to the total revenue of landscape architecture services industry in China with an average of approximately 37.1% of the total revenue of the landscape architecture services per year. In 2012, Eastern China region contributed to approximately 37.4% of the total revenue of landscape architecture services in China and continued to be the top contributor across China in terms of total revenue generated. The significant revenue contribution from Eastern China region was primarily driven by the increasing demand for landscape architecture services in such region as a result of the rapid urbanization. The urbanization rate of Eastern China was approximately 60.2% in 2012 as opposed to the national average urbanization rate of approximately 52.6% in the same year.

INDUSTRY OVERVIEW

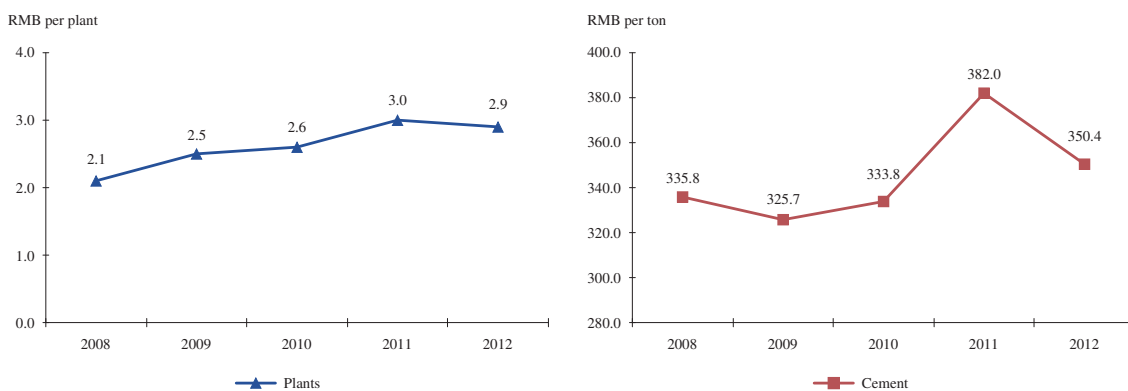
According to the IPSOS Report, the landscape architecture services in the Western China region grew at the fastest pace from 2008 to 2012 amongst all regions in China. The CAGR of the revenue derived from landscape architecture services in the Western China region was approximately 33.9% over those five years as compared to the CAGR of the revenue derived from landscape architecture services in the Southern China region, the Eastern China region, the Northern China region and the Northeastern China region of approximately 24.1%, 23.5%, 31.4% and 27.1%, respectively, over the same period. Such revenue growth in the Western region was primarily due to the Western China Development Programme (西部大開發) that started in 2000. According to the IPSOS Report, the landscape architecture services in the Western China region is expected to continue its fastest pace of growth and make a greater contribution to the total revenue of the landscape architecture services in China, primarily due to the “Twelfth Five-Year Plan” launched by the PRC government that places an emphasis on the development of more urban clusters within the Central and Western regions and the second phase of the China Western Development Programme from 2011 to 2020 that aims to strengthen ecological protection and construction in the region. According to the IPSOS Report, the percentage of the revenue derived from landscape architecture services in the Western China region to the total revenue of landscape architecture services industry in China is projected to increase from approximately 18.9% in 2013 to approximately 21.7% in 2017.

According to the IPSOS Report, the revenue generated from the Northeastern China region increased from approximately RMB14.5 billion in 2008 to approximately RMB38.0 billion in 2012, representing a CAGR of approximately 27.1% over those five years. It is expected that the revenue generated from the Northeastern China region will reach approximately RMB42.1 billion in 2013 and further increase to approximately RMB75.3 billion in 2017, representing a CARG of approximately 15.6% over those five years, primary due to the “Implementation Measures for Accelerating the Integration into the Integrated Economic Development in Northeast China” (《加快融入東北經濟一體化發展的實施方案》) promulgated in 2012. According to this implementation, the PRC government aims to create a garden-like environment for the Northeastern China region with a goal of attracting approximately five million visitors in the next five years.

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Trend in average prices of raw materials for the landscape architecture service industry in China

Plants and cement are the major raw materials in the landscape architecture service industry in China. The average price of plants in China increased from approximately RMB2.1 per plant in 2008 to approximately RMB2.9 per plant in 2012, representing a CAGR of approximately 8.4% over those five years, primarily due to the growing demand for plants driven by the rapid urbanization rate in China and continuous development of urban greening with the implementation of the Twelfth Five-Year Plan by the PRC government. The average price of cement in China increased slightly from approximately RMB335.8 per ton in 2008 to approximately RMB350.4 per ton in 2012, representing a CARG of approximately 1.1% over those five years. The following chart sets forth the historical average prices of raw materials for the landscape architecture service industry in China from 2008 to 2012:



Sources: *The Ministry of Agriculture of the PRC and the China Flower Association*

INDUSTRY OVERVIEW

The increase in the average prices of raw materials for landscape architecture service industry in China from 2008 to 2012 triggered the increase in the average price of landscape projects over the same period.

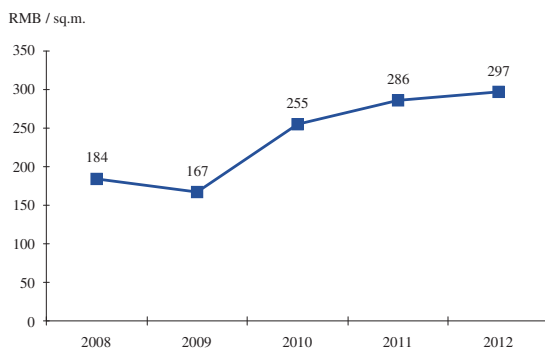
Trend of labour costs in the landscape architecture service industry in China

According to the IPSOS Report, the labour costs in the landscape architecture service industry in China increased significantly from 2008 to 2013. The average daily wage of plantation and gardening workers increased from approximately RMB75 per day in 2011 to approximately RMB95 per day in 2013, representing a CAGR of approximately 12.5% over those three years; the average daily wage of cement and construction workers increased from approximately RMB38 per day in 2008 to approximately RMB103 per day in 2013, representing a CAGR of approximately 22.1% over those six years; and the average daily wage of steel structure workers increased from approximately RMB39 per day in 2008 to approximately RMB111 per day in 2013, representing a CAGR of approximately 23.3% over those six years.

The increase in labour costs in the landscape architecture service industry in China from 2008 to 2012 contributed to the increase in the total operating costs of the landscape architecture service providers. This, in turn, triggered the increase in the average price per square metre of landscape projects in China over the same period.

Trend in average price of landscape projects in China

According to the IPSOS Report, the average price of landscape projects in China increased from approximately RMB184.0 per square metre in 2008 to approximately RMB297.0 per square metre in 2012, representing a CAGR of approximately 12.7% over those five years. The average price of landscape projects in China decreased from approximately RMB184.0 per square metre in 2008 to approximately RMB167.0 per square metre in 2009, primary due to the effect of global financial crisis in 2008. Such average price increased from approximately RMB255.0 per square metre in 2010 to approximately RMB286.0 per square metre in 2011 and further increased to approximately RMB297.0 per square metre in 2012, primary due to the worldwide economic recovery and the RMB4 trillion stimulating policy implemented by the PRC government. The following chart sets forth the historical average price of the landscape projects in China from 2008 to 2012:



Source: *The Ministry of Housing and Urban-Rural Development of the PRC and IPSOS Report*

INDUSTRY OVERVIEW

Trend of BT projects for the landscape architecture service industry in China

In November 2008, the PRC government launched a RMB4 trillion stimulus package in response to the global financial crisis. This resulted in a significant increase in the revenue of the landscape architecture service industry in China deriving from the government sector. Such revenue increased from approximately RMB82.4 billion in 2008 to approximately RMB238.0 billion 2012, representing a CAGR of approximately 30.4% over those five years.

As the urbanization rate is expected to grow continuously, the demand for urban landscape architecture services will increase accordingly. In the long run, investments in the landscape architecture service industry to meet the increasing demand for urban landscape architecture services may become a financial burden on the PRC and local governments. As a result, landscape projects in the form of BT project emerge and have become more popular in the landscape architecture service industry in China. A BT project is a type of project finance in which a landscape architecture service provider provides initial cash outlay for the relevant project design and construction (as the case may be) during the construction period. Government organisations as customer do not make progress payments before project completion but pay the relevant contract value by instalments over a certain period of time after the project completion (the “Payment Arrangement”). Since the landscape architecture service providers need to inject a substantial amount of capital outlay during the construction period, BT projects can help to alleviate the financial burden of the PRC and local governments and provide opportunities to enterprises with a strong financial condition to expand their businesses the landscape architecture service industry. Therefore, more BT projects in the landscape architecture service industry in China have emerged.

The following table summarises the major terms of a BT project as compared with a traditional landscape project:

	BT Project	Traditional Project
Credit term	The credit terms depend on the terms relating to the Payment Arrangement which include, among other things, the number of instalments to be made and the payment schedule. The payment schedule is typically two to three years from the project completion. The landscape architecture service provider, in general, receives approximately 40% of the contract value within the first year after the project completion, 30% of the contract value within the second year after the project completion and then the remaining 30% of the contract value within the third year following the project completion.	The credit terms depend on the progress of the project and relevant contract terms.

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	BT Project	Traditional Project
Initial capital outlay	The amount of the initial capital outlay depends on size of the project. The scale of a municipal BT project ranges from RMB10 million to over RMB100 million. A BT project is, in general, larger in size than a traditional project.	The initial capital outlay amounts to approximately 16% to 30% of the relevant contract value
Payment schedule	The contract value is, in general, settled in full within two to three years following project completion.	The payment schedule depends on the progress of the project. In general, approximately 70% to 80% of the contract value is paid during the construction period and upon the project completion, up to 95% of the contract value is paid. The remaining 5% of the contract value is, in general, the retention money which will be paid after the expiry of the warranty period. The warranty period is usually two years from the project completion.
Gross profit margin	Approximately 30% to 40%	Approximately 20%
Security deposit	An interest-bearing security deposit is paid upfront	Not applicable

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

According to the IPSOS Report, the landscape architecture services industry in China is highly fragmented with the top ten landscape architecture services providers, in aggregate, accounting for approximately 4.7% of the total revenue of the landscape architecture services industry in China in 2012. There were approximately 17,314 landscape architecture services providers in China in different operational scales in 2012. Among these service providers, approximately 1,200 providers focused on providing landscape design service, while the remaining providers focused on providing integrated landscape architecture service solutions, including seedling cultivation, landscape design and construction and maintenance. According to the IPSOS Report, our Group had a market share of approximately 0.05% of the landscape architecture services industry in China in terms of revenue in 2012.

The following table sets forth the top ten landscape architecture service providers in China in terms of their revenue in 2012:

Rank	Name of Company	Headquarter Location	Revenue in 2012 (RMB million)	Share of Total Industry Revenue (%)	Landscape Construction Enterprises Qualification Certificate	Scenery Landscape Construction Specific Design	Major Business Scope
1	北京東方園林股份有限公司 (Beijing Orient Landscape Co., Ltd.*)	Beijing	3,938.1	0.9%	Grade I	Grade A	garden landscape design, afforestation and construction
2	棕櫚園林股份有限公司 (Palm Landscape Architecture Co., Ltd.*)	Guangzhou	3,190.5	0.8%	Grade I	Grade A	garden landscape design, engineering, and seedling cultivation
3	上海園林(集團)有限公司 (Shanghai Gardens (Group) Corporation*)	Shanghai	2,593.8	0.6%	Grade I	Grade A	garden landscape construction
4	廣州普邦園林股份有限公司 (Pubang Landscape Architecture Co., Ltd.*)	Guangzhou	1,850.8	0.4%	Grade I	Grade A	garden landscape design, construction, maintenance, and seedling cultivation
5	中外園林建設有限公司 (Landscape Architecture Corporation of China*)	Beijing	1,570.1	0.4%	Grade I	Grade A	garden landscape design and construction
6	重慶渝西園林集團有限公司 (Chongqing Yuxi Gardens Group*)	Chongqing	1,472.5	0.4%	Grade I	–	garden landscape construction
7	恒大園林集團有限公司 (Evergrande Gardens Group*)	Guangzhou	1,292.7	0.3%	–	–	garden landscape design and construction
8	安徽森海園林景觀建設集團有限公司 (Anhui Senhai Landscape Construction Group Co., Ltd.*)	Hefei	1,229.0	0.3%	Grade I	–	garden landscape construction
9	深圳市鐵漢生態環境股份有限公司 (Shenzhen Techand Ecology & Environment Co., Ltd.*)	Shenzhen	1,204.3	0.3%	Grade I	Grade A	ecological restoration
10	天津市綠化工程公司 (Tianjin City Greening Engineering Company*)	Tianjin	1,047.0	0.3%	Grade I	Grade A	garden landscape construction
	Others		398,125.1	95.3%			
	Total		417,513.9	100.0%			

Source: IPSOS Report

INDUSTRY OVERVIEW

According to the relevant PRC laws and regulations, enterprises engaged in landscape architecture services shall obtain the requisite qualification certificate, namely the Urban Landscape Construction Enterprises Qualification Certificate. Pursuant to the Urban Landscaping Enterprise Qualification Standard* (《城市園林綠化企業資質等級標準》) promulgated by the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), the Urban Landscape Construction Enterprises Qualification Certificate can be divided into three grades: Grade One, Grade Two and Grade Three. Grade One Urban Landscape Construction Enterprises Qualification Certificate is the highest qualification in the landscape architecture services industry in China. Holders of such certificate are qualified to undertake all types of landscape architecture services construction projects in any scale. In 2012, there were approximately 707 landscape architecture services providers who possess Grade One Urban Landscape Construction Enterprises Qualification Certificate in China and more than 60% of these providers were located in the Pearl River Delta, Yangtze River Delta and the surrounding areas of Beijing where there was relatively rapid development of the landscape architecture services.

According to the IPSOS Report, landscape architecture service providers located in Shanghai, Beijing and Guangdong are generally more experienced and have more advanced technology as compared to the landscape architecture service providers in other regions of China. In addition, according to the IPSOS Report, landscape architecture service providers which are state-invested enterprises or listed companies, or which hold multi-qualifications are more favoured by the market. According to the IPSOS Report, approximately 707 landscape architecture services providers possess Grade One Urban Landscape Construction Enterprises Qualification Certificate in 2012. For details of the requirements for the Urban Landscape Construction Enterprises Qualification Certificate, please refer to the section headed “Regulatory Overview” in this prospectus.

According to the IPSOS Report, competition in the landscape architecture services industry in China can be divided into three tiers, namely (a) the first tier being the competition among the landscape architecture service providers who are able to undertake landscape projects nationwide, (b) the second tier being the competition among the landscape architecture services providers which are able to undertake trans-regional landscape projects, and (c) the third tier being the competition among the landscape architecture services providers which can only handle relatively small-scale landscape projects within a specific area. According to the IPSOS Report, there were approximately 20 landscape architecture services providers in the first tier in 2013, all of which possess Grade One Urban Landscape Construction Enterprises Qualification Certificate. Such landscape architecture services providers generally possess at least Grade Two Urban Landscape Construction Enterprises Qualification Certificates. In the third tier, the landscape architecture services providers generally possess Grade Three Urban Landscape Construction Enterprises Qualification Certificates or below. According to the IPSOS Report, the competition in the second tier has intensified as there is an increasing number of landscape architecture services providers which have relevant qualifications, reputation and financial strength and are capable of undertaking trans-regional landscape projects.

INDUSTRY OVERVIEW

According to the IPSOS Report, landscape architecture services providers in China compete with each other in respects of landscape artistry, customers base and projects management. The PRC government considers artistry as one of the top business capabilities of landscape architecture services providers which can undertake artistic and symbolic governmental projects. Landscape architecture services providers which have a wide customer base are able to establish long-term and trustworthy relationship with customers, which also increases opportunities for their expansion across different regions. With efficient and professional project management, landscape architecture services providers can improve the overall service quality and lower the project costs.

ENTRY BARRIERS OF THE LANDSCAPE ARCHITECTURE SERVICES INDUSTRY IN CHINA

According to the IPSOS Report, the major entry barriers of the landscape architecture services industry in China include the followings:

- **Regulations on market access:** The PRC government promulgated regulations on market access of landscape architecture services providers, including the “Administrative Regulations for the Surveying and Designing of Construction Projects” (《建設工程勘察設計管理條例》) and the “Notice on Amending the Qualification Standards of Urban Landscaping Enterprises” (《關於修訂城市園林綠化企業資質標準的通知》). The relevant governmental authorities in industrial sector, such as the Ministry of Housing and Urban-Rural Development of the PRC, issue certificates of grading to landscape architecture services providers, taking into account their business size, results of operation, technology capabilities and human resources.
- **Capital intensive:** The landscape architecture services industry in China is highly capital intensive. Due to the increasing investment requirement, local governments in China have gradually shifted such requirement to contracted landscape architecture services providers. New market entrants find it hard to survive the market competition without sustainable financing.
- **Technical capability:** Customers of landscape architecture services require landscape architecture service providers to possess advanced techniques to meet their artistic and quality requirements for landscape projects. New market entrants without sufficient technical capabilities may not compete with market leaders which possess advanced technologies in the landscape architecture services industry.
- **Brand reputation with good track record:** Landscape architecture services providers with brand reputation and a good track record generally are able to establish long-term relationships with customers from both public and private sectors. New market entrants without adequate experience and proven record find it difficult to compete in the landscape architecture services industry in China.

FUTURE OPPORTUNITIES

The PRC government promulgated a series of guidance and policies to encourage the development of landscape architecture services industry. For example, the “Guidance on the Promotion of Healthy Development of Urban Landscape” (《關於促進城市園林綠化事業健康發展的指導意見》) was published in November 2012, according to which only about 30% of the cities in China met the standards for greenery coverage and greening rate as of 2012. As there is still a significant gap in the development of ecology and greenery between China and some of its neighboring countries such as Japan and Korea, the PRC government has decided to invest about RMB3.4 trillion during the period of its National Twelfth Five-Year Plan. In addition, according to “Promoting the Construction of Ecological Civilization Program (2013-2020) (《推進生態文明建設規劃綱要(2013-2020)》)”, the PRC government aims to increase China’s forest greening rate to about 29% and greening coverage rate of urban area to about 39.5% by 2020. Further, tourism with a garden-like environment has been one of the highlights in future development of the tourism industry in China. According to the IPSOS Report, all of the above will lead to an increasing investment in environmental embellishment in the next three to five years and provide opportunities for the landscape architecture services industry in China.

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REGULATIONS IN RELATION TO URBAN LANDSCAPE

On 22 June 1992, the State Council promulgated the Regulations of Urban Landscape (《城市綠化條例》) effective as from 1 August 1992 (“Urban Landscaping Regulations”), to regulate planning, construction, protection and administration of the urban landscape. Under Urban Landscape Regulations, the design scheme of urban landscape projects, including but not limited to the construction of lawns in public and residential areas, scenery forestry and green belts along main roads shall be approved by corresponding local landscape authorities. Local landscape authorities shall also join in the examination of the design scheme for auxiliary landscape projects of construction projects conducted by other relevant authorities. Construction enterprises shall construct urban landscape project in accordance with the approved design scheme of such urban landscape projects. Any necessary change to the design scheme shall be examined and approved by the landscape authority originally approved the design scheme. The urban landscape projects shall not be put into operation until it is completed and checked for acceptance by the local urban landscape authorities. According to Urban Landscape Regulations, enterprises engaged in engineering designs and constructions of urban landscape projects shall obtain relevant qualification certificates.

According to Guiding Opinion of the Ministry of Housing and Urban-Rural Development on Promoting the Healthy Development of Urban Landscape Industry (《住房城鄉建設部關於促進城市園林綠化事業健康發展的指導意見》) promulgated by MOHURD on 18 November 2012 and effective as from 18 November 2012, MOHURD guides local housing and urban-rural development authorities to implement effective measures in order to promote the healthy development of urban landscape industry, which include adhering to principle of public welfare when guiding the development of urban landscape industry, improving scientific planning and design, improving construction quality of greenfield, enhancing market supervision, strengthening daily administration, promoting technological innovation and reinforcing governmental guidance for urban landscape industry.

Qualifications of Urban Landscape

Under the Notice on Amending Urban Landscape Qualification Standards (《關於修訂<城市園林綠化企業資質標準>的通知》) promulgated by the MOHURD on 9 October 2009 and effective as from 9 October 2009 (“Qualification Standards”), Urban Landscape Qualification Certificate can be divided into four grades, which are Grade One, Grade Two, Grade Three and below Grade Three based on their registered capital and paid-in capital, net value of fixed assets and annual production value of landscape projects, professional and technical personnel, scale of nursery production and cultivation bases, operating experience and achievements. Pursuant to Qualification Standards, any enterprise applying for Grade One of Urban Landscape Qualification Certificate shall satisfy the following requirements:

- (1) its registered capital and paid-in capital shall be not less than RMB20 million, its net value of fixed assets shall be more than RMB10 million, and the annual production value of landscape projects constructed by it shall be more than RMB50 million in the past three years;

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- (2) it has more than six years' operating experience in landscape construction, has held the qualification certificate of Urban Landscape Class Two for more than three years, and has been an independent professional landscape construction enterprise with the status of legal person;
- (3) in the past three years, it has independently undertaken at least five comprehensive landscape projects, all of which have been checked for acceptance and the construction cost of each exceeds RMB8 million;
- (4) it has at least 133,334 m² (1 mu = 666.67 m²) nursery production and cultivation bases and shall be capable of cultivating, producing and maintaining landscape seedlings, flowers, potted plants and lawn;
- (5) its managers shall have more than eight years' experience in landscape operation and management or holding professional title of senior level in landscape, its chief engineer shall hold professional title of senior level in landscape, its chief accountant shall hold professional title as a senior accountant and its chief economist shall hold economics professional title of intermediate level or above;
- (6) it has in total at least 30 landscape professionals, full-time managers and technicians in engineering, management, economics and other related specialties and at least 20 employees with professional titles of intermediate level or above, including at least two employees with professional titles of senior level in landscape, at least ten employees with professional titles of intermediate level in landscape and at least one engineer specialised in construction, drainage and electrical respectively; and
- (7) it has at least 30 worker with professional title of intermediate level or above, including landscape workers, flower cultivation workers, tilers (or bricklayers), carpenters, electricians and other relevant industry workers, and at least ten senior professional technicians, including at least five senior landscape workers and/or senior flower cultivation workers in total.

In addition, under Qualification Standards, enterprises with Grade One Urban Landscape Qualification Certificate are able to engage in:

- (1) the construction of landscape projects in any scale of and type, including but not limited to the construction of comprehensive parks, community parks, theme parks, linear parks, production lawn, protective lawn, auxiliary lawn;
- (2) the land levelling and cultivation as part of the landscape projects, the construction of auxiliary single-storeyed buildings with a GFA of less than 500 square metres (such as tool room, teahouse and sanitary facilities etc.), furniture, flower bed, garden pathway, water system, fountains, rockeries, sculptures, square paving, embankment, landscape pedestrian bridge with a single span of less than 15 m, dock and landscape facilities and equipment installation;

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- (3) integrated maintenance and management projects in greenery and landscape in any scale and of any type;
- (4) the cultivation, production and operation of landscape plants, flowers, potted plants and lawn; and
- (5) the landscape consultancy, training and information services.

Under the Notice on the Issuance of Administration Procedure of Application for Grade One Urban Landscape Qualification Certificate (《關於印發〈城市園林綠化企業一級資質申報管理工作規程〉的通知》) promulgated by the MOHURD on 9 October 2009 and effective as from 9 October 2009 (“Administration Procedure”), enterprises applying for Grade One Urban Landscape Qualification Certificate shall submit application materials to the housing and urban-rural development bureau of the relevant province or autonomous region or the urban landscape administrative bureau of relevant municipality directly under the central government (collectively hereinafter referred to as “provincial authorities”). Provincial authorities shall carry out preliminary examination of the application materials submitted by the enterprises. After the preliminary examination completes, either the principal authority or the enterprise shall submit the preliminary opinion together with the application materials to MOHURD for final approval. Acceptance Office of MOHURD for administrative examination and approval (“Ministry Acceptance Office”) is responsible for the acceptance of the application materials and the announcement of the result of examination and approval. Urban Development Department of MOHURD (“Urban Development Department”) is responsible for supervision and administration of Grade One Urban Landscape Qualification Certificate. In addition, pursuant to the Administration Procedure, enterprises holding Grade One Urban Landscape Qualification Certificate shall apply for extension of qualification certificate with MOHURD at least 30 days prior to expiration of the validity period of their qualification certificate.

Standards for construction and check for acceptance of landscape projects

According to the Announcement on Issuance of Industrial Standards for Construction and Check for Acceptance of landscape projects (《關於發佈行業標準〈園林綠化工程施工及驗收規範〉的公告》) promulgated by the MOHURD on 24 December 2012 and effective as from 1 May 2013, MOHURD approves new Standards for Construction and Check for Acceptance of landscape projects (CJJ82-2012). These Standards specify basic requirements for preparation prior to landscape construction, plant materials and seeds, soil treatment before cultivation, excavation of cultivation hole (slot), seedling transportation, pruning of fake plants and seedlings before cultivation, cultivation of various plants, roof landscape, earth covering and landscape of underground facilities, vertical landscape, slope protection landscape, auxiliary facilities of landscape projects and project acceptance. These Standards shall apply to construction and check for acceptance of public lawn, protective lawn, auxiliary lawn and other lawn and landscape projects and their auxiliary facilities.

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Certification of Nursery Capacity of Landscaping Enterprise

According to Measures on Certification of Nursery Capacity of Landscaping Enterprise in Shanghai promulgated by Shanghai Landscape Architecture Gardening Trade Association as authorised by Shanghai Afforestation and City Appearance Bureau to administrate the certification of nursery capacity of landscaping enterprises, and effective as from October 2004, landscaping enterprises to participate in the tender for bidding of nursery projects and engage in the business of landscaping nursery shall obtained the certification of the nursery capacity. A landscaping enterprise that applies for certificate of nursery capacity must satisfy the following requirements:

- (1) its registered capital shall be not less than RMB300,000 and its business scope shall include landscaping nursery;
- (2) it has at least two technical personnel specialised in landscaping engineering, among which at least one technical person shall have professional titles in the intermediate or above level;
- (3) it has necessary infrastructure, equipment and tools related to landscaping nursery business (such as sprinkler, chemicals pump, rolling grass machine, vehicles);
- (4) its employees engaged in landscaping nursery shall obtain corresponding national vocational qualification certificate issued by the occupational skill testing authority in Shanghai, and shall include at least three employees who are senior afforestation workers, senior vegetation protection workers, senior tree workers, senior flower workers or workers holding higher level national vocational qualification certificates (at least one worker shall be senior afforestation workers), and at least ten employees holding intermediate level vocational qualification certificate; and
- (5) the person-in-charge for technology and senior and intermediate level workers shall have qualified certification for classified standards of landscaping nursery technology.

REGULATIONS IN RELATION TO ENGINEERING DESIGN AND CONSTRUCTION

Under the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the Standing Committee of the National People's Congress on 1 November 1997, as amended in 22 April 2011 and effective as from 1 March 1998 ("Construction Law"), enterprises engaged in construction, engineering survey, engineering design and supervision shall apply for the qualifications of different grades according to its registered capital, professional and technical personnel, technical equipment and achievements and after passing the qualification examination, could separately obtain qualification certificates of commensurate grades for construction, surveying, design, supervision, only with which, can it undertake construction, survey, design, and supervision activities within the scope set out in its qualifications.

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Qualifications of enterprises engaged in landscape architecture project design

Pursuant to the Regulations on Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》) promulgated by the State Council and as effective as from 25 September 2000, and Regulations on the Administration of Qualifications for Survey and Design of Construction Projects (《建設工程勘察設計資質管理規定》) promulgated by the Ministry of Construction (the predecessor of MOHURD) and as effective as from 1 September 2007, the PRC has implemented a system of qualification administration for enterprises engaged in construction engineering survey and design. Such enterprises engaged in construction project survey and design shall apply for the qualifications according to their registered capital, professional and technical personnel, technical equipment, achievements of survey and design. After passing the qualification examination, they would obtain qualification certificates of construction project survey and design, only with which, can they undertake survey and design activities of construction projects within the scope set out in its qualifications.

Project design qualifications are classified into comprehensive project design qualifications, industry-specific project design qualifications, specialty project design qualifications and specialised project design qualifications. Grade One is the only category for comprehensive project design qualifications. Industry-specific project design qualifications, specialty project design qualifications and specialised project design qualifications are each classified into Grade One and Grade Two. Based on the nature and technical characteristics of the relevant construction projects, there is an additional Grade Three category for certain industry-specific, specialty and specialised project design qualifications, as well as a Grade Four category for specialised construction project qualifications. An enterprise which has obtained comprehensive project design qualifications may undertake the design business for construction projects in any industry and of any class. An enterprise which has obtained industry-specific project design qualifications may undertake the project design business of corresponding industry and class in accordance with the qualifications it holds as well as the related corresponding specialty and specialised project design business of the same class within the industry scale (other than those requiring integrated design and construction qualifications). An enterprise which has obtained specialty project design qualifications may undertake the project design business within the relevant specialty commensurate with the qualifications it holds as well as the related specialised project design business (other than those requiring integrated design and construction qualifications) of the same class. An enterprise which has obtained the specialised project design qualifications may undertake the specialised project design business in accordance with the qualifications it holds.

In addition, according to the Administration of Qualifications for Survey and Design of Construction Projects, if there is any change to the name, address, registered capital, legal representative or other matters of an enterprise during the term of validity of the qualification certificate, it shall, within 30 days after the completion of change of registration with relevant administration of industry and commerce, apply to relevant housing and urban-rural development authorities for change of content to the qualification certificates.

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Pursuant to the Notice on the Issuance of Qualification Standards for Engineering Design (《關於印發〈工程設計資質標準〉的通知》) promulgated by the Ministry of Construction (the predecessor of MOHURD) and as effective as from 29 March 2007, the specialised project design qualifications for landscaping are classified into Grade One and Grade Two based on the enterprises' registered capital, achievements of landscape architecture project, professional and technical personnel, and technical equipment. Pursuant to the Qualification Standards for Engineering Design, any enterprise applying for a Grade One scenery landscape design qualification shall satisfy the following requirements:

- (1) it is an independent legal person, operates in good standing and its registered capital shall be no less than RMB3 million;
- (2) it has contracted at least five medium scale landscape architecture design projects or at least three large scale landscape architecture design projects;
- (3) it shall have the corresponding number of technical personnel necessary to undertake the landscape architecture design projects;
- (4) the person-in-charge of technology, the chief designer and the chief engineer shall have a bachelor degree with more than ten years' experience in landscape architecture design and the senior level professional titles, and shall have contract at least three landscape architecture design projects of medium scale or above, among which at least two shall be large scale landscape architecture design projects;
- (5) the technical personnel who does not possess registered qualification certificates shall have contracted at least two landscape architecture design projects of medium scale or above, among which at least one shall be large scale landscape architecture design projects;
- (6) it has the necessary equipment and place of operation; and
- (7) it has put in place a proper internal management system, standardization system, quality control system and archive management system.

Any enterprise applying for a Grade Two scenery landscape design qualification shall satisfy the following requirements:

- (1) it is an independent legal person, operates in good standing and its registered capital shall be no less than RMB1 million;
- (2) it shall have the corresponding number of technical personnel necessary to undertake the landscape architecture design projects;
- (3) the person-in-charge of technology, the chief designer and the chief engineer shall have a bachelor degree with more than eight years' experience in landscape architecture design and the intermediate level professional titles or above, and shall have contract at least two landscape architecture design projects of medium scale or above;

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- (4) the technical personnel who does not possess registered qualification certificates shall have contracted at least two landscape architecture design projects of medium scale or above and should have intermediate level professional titles or above;
- (5) it has the necessary equipment and place of operation; and
- (6) it has put in place a relatively complete quality control system, and management system about technique, operation, personnel, finance, archive, etc.

Enterprises which have obtained a Grade One scenery landscape design qualification may undertake design business for landscape architecture projects of any type and in any scale while enterprises who have obtained a Grade Two scenery landscape design qualification may undertake design business for all landscape architecture projects in medium scale or below and landscape architecture projects in large scale with total investment less than RMB20 million.

Qualifications for general construction contractors and general specialty contractors

Pursuant to the Regulations on Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》) promulgated by the Ministry of Construction (the predecessor of MOHURD) and effective as from 1 September 2007, qualifications for construction enterprises are divided into three groups, namely general construction contracting, specialty contracting and labour subcontracting. Each group is divided into various categories of qualifications according to the nature and technical characteristics of the relevant construction projects, and each category of qualifications is further divided into various classes in accordance with the stipulated conditions.

An enterprise which has obtained general construction contracting qualifications may undertake general construction contracting projects. A general construction contracting enterprise may undertake the construction of each specialty project in its general construction contracting project, or subcontract any specialty projects or labour works to specialty contracting enterprises or labour subcontractors with relevant qualifications in accordance with the laws and regulations.

An enterprise which has obtained specialty contracting qualifications can undertake specialty construction projects subcontracted by the general construction contractor and those contracted out by a construction enterprise in accordance with the relevant regulations. A specialty contracting enterprise may construct all the specialty projects it undertakes or subcontract any labour works to labour service subcontractors with relevant qualifications in accordance with the laws and regulations.

An enterprise which has obtained the labour subcontracting qualifications can provide labour services subcontracted by the general construction contractor or specialty contractor.

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Tenders and bidding of the construction projects survey and design

Pursuant to the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法》) promulgated by the Standing Committee of the National People's Congress and effective as from 1 January 2000 ("Tender and Bidding Law"), the Regulations on the Implementation of the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法實施條例》) promulgated by the State Council and effective as from 1 February 2012 ("Tender and Bidding Law Implementation Regulations"), and Measures for Survey and Design Bidding of Construction Projects (《工程建設項目勘察設計招標投標辦法》) promulgated by NDRC, the State Administration of Radio Film and Television, Ministry of Construction (the predecessor of MOHURD), Ministry of Railways, Ministry of Communications, Ministry of Information Industry (predecessor of Ministry of Industry and Information Technology), Ministry of Water Resources and Civil Aviation Administration of China effective as from 1 August 2008, as amended in 1 May 2013 ("Survey and Design Bidding Measures"), a bid inviter may, on the basis of different characteristics of each construction project, conduct an once-and-only overall survey and design bidding; or conduct phased or itemized biddings according to the technical requirements, provided that the integrity and continuity of the project is ensured. A bid inviter may not, conduct phased or itemized biddings for the purpose of limiting or excluding potential bidders or avoiding the bidding process for a project which is subject to bidding according to law. With respect to a construction project subject to bidding according to law, the bid inviter may invite bids for contracting the whole survey, design, or construction of the project, or purchase of the important equipment and materials related to the project construction. The tender and bidding process includes five phases: invitation for tender, bid submission, bid opening, bid evaluation and bid granting.

Invitations for tender are categorised as public tender and tender by invitation. Construction projects in which the investment of state-owned funds take the controlling or leading position, as well as the state key projects determined by the development and reform department under the State Council, and the local key projects determined by the people's governments of the provinces, autonomous regions, and municipalities directly under the PRC central government, must be subject to open bidding, except those meeting the relevant laws and regulations and obtain the approval according to law. For a construction project subject to survey and design bidding according to law, selected bidding may be carried out under any of the following circumstances:

- (1) The project is very technical or professional, or the environment and resource conditions are special, and thus there are a limited number of tenderers meeting the conditions;
- (2) The funds needed for open bidding would account for too large a proportion of the total investment of the construction project.

A bidder shall have the capability to undertake the project subject to the tender; if any PRC regulations or the documents of the invitation for tender set forth any qualification conditions for the bidder, the bidder shall meet the required qualifications.

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When the winning bidder is selected, the bid inviter shall issue a bid winning notice to the winning bidder and notify all other bidders of the tender results. The bid winning notice is legally binding on both the bid inviter and the winning bidder.

Tenders and Bidding of Project Construction

A variety of regulations such as the Construction Law, the Tender and Bidding Law, Tender and Bidding Law Implementation Regulations set forth the procedures of the invitation for and tendering bids for survey, design, construction and supervision of construction projects and certain related matters.

Pursuant to the Construction Law, the invitations for bids and tenders for the outsourcing and contracting of a construction project shall comply with principles of transparency, impartiality and equal competition, and the contracting party shall be selected based on merits.

Pursuant to the Tender and Bidding Law, an invitation for tender is required for the following construction projects (including the survey, design, construction and supervision of and the procurement of important equipment and materials related to such projects): (1) large-scale infrastructure, public utilities and other projects that relate to general public interests and public security; (2) projects that utilise in whole or in part the investment of the state-owned fund or financed by the PRC government; and (3) projects financed with loan or financial aids from such entities as international organisations and foreign governments.

Pursuant to the Construction Law, the Tender and Bidding Law, the Tender and Bidding Law Implementation Regulations and the Property Development and Municipal Infrastructure Facilities Construction Tender Management Regulations (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) promulgated by the Ministry of Construction in 1 June 2001 (the “Tender Regulations”), a Tender Appraisal Committee should be set up for the appraisal of the tender for construction works for the project. According to the Tender Regulations, the Tender Appraisal Committee to be organised by our Group shall include the representatives and relevant specialists selected by our Group from a list certified by the construction administration authorities. The number of members of the Tender Appraisal Committee shall be an odd number and shall consist of at least five members. The relevant specialists shall make up no less than two-thirds of the membership. In accordance with the Tender Regulations, if the estimated price of a single construction contract amounts to RMB2 million or more or the total investment of the project is RMB30 million or more, the developer is required to undertake a bidding process for the award of the construction contracts. Our Group will set the tender conditions according to the written tender report provided by the Tender Appraisal Committee, and after the tender, our Group (through a subsidiary) and the successful tenderer shall sign a written contract according to the terms of the tender. The quality and timeliness of the construction are usually warranted in these contracts. Typically, these construction contracts provide for progress payments to be made by our Group to the construction companies at agreed phases of completion of the constructions works.

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According to Regulations on Scope and Scale of Construction Projects for Tendering (《工程建設項目招標範圍和規模標準規定》) promulgated by National Development and Planning Commission (the predecessor of NDRC) and effective as from 1 May 2000, an invitation for tender is required for the construction projects (including the survey, design, construction and supervision of and the procurement of important equipment and materials related to projects) that satisfy the following standards:

- (1) the estimated price for the separate construction contract exceeds RMB2 million;
- (2) the estimated price for separate procurement contract of important equipment and materials exceeds RMB1 million;
- (3) the estimated price for separate service contract in relations to survey, design or consultation exceeds RMB500,000; and
- (4) the estimated price for contracts in relation to construction, procurement of equipment and material, survey, design or consultation does not reach the threshold separately as described above but the total investment of the project exceeds RMB30 million.

Quality controls

Pursuant to the Regulations on the Administration of Quality Control of Construction Projects (《建設工程質量管理條例》) promulgated by the State Council and effective as from 30 January 2000, enterprises that develop the project or undertake surveying, design, construction or project supervision are responsible for the project quality control. All construction activities must be conducted in strict compliance with basic construction procedures and by adhering to the principle of surveying first, then designing and finally constructing. For any construction project under a general contract, the general contractor shall be responsible for the quality of the whole construction project. For the construction project survey, design, construction and equipment purchase, if one or more than one of the aforesaid tasks is under a general contract, the general contractor shall be responsible for the quality of the construction project contracted by it or equipment purchased by it. Where a general contractor subcontracts the construction project in question to another contractor in accordance with the law, the subcontractor shall, under the stipulations of the subcontract, be responsible to the general contractor for the quality of the project subcontracted by it. The general contractor and the subcontractor shall be jointly and severally responsible for the quality of the aforesaid project. After a construction project owner receives a completion report for the construction project, it shall organise all the enterprises that have undertaken design, construction, project supervision and other tasks for the project to conduct a completion check and acceptance.

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Work safety in relation to engineering design

Pursuant to the Construction Law, the Regulations on the Administration of Construction Safety (《建設工程安全生產管理條例》) promulgated by the State Council and effective as from 1 February 2004 (“Construction Safety Regulations”), survey and design enterprises must abide by the provisions of the work safety laws and regulations, guarantee the work safety of construction projects and bear liability for the work safety of construction projects. A design enterprise shall make designs in accordance with the laws, regulations and mandatory standards for construction projects to prevent any work safety accident that might incur from unreasonable designs. In light of the needs of construction safety operation and protection, a design enterprise shall specify the key parts and links related to the work safety in the design documents and shall render some advice about preventing work safety accidents. With regard to a construction project adopting new structures, new materials, new techniques or special structures, a design enterprise shall offer advice on ensuring the safety of the builders and preventing work safety accidents.

Work safety in relation to engineering construction

With respect to the administration of work safety in the process of engineering construction contracting, in addition to the Construction Law of the PRC, the PRC government has promulgated various laws and regulations, including, among others, the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Regulations on Work Safety Permits (《安全生產許可證條例》), the Construction Safety Regulations and the Regulations on Administration of Construction Enterprises’ work Safety Permit (《建築施工企業安全生產許可證管理規定》) to regulate the administration of the work safety of construction projects. Under the foregoing laws and regulations, construction enterprises shall establish a work safety management organisation or provide personnel dedicated for work safety management. The PRC government implements the work safety permit system for construction enterprises. Without obtaining a work safety permit, a construction enterprise should not engage in construction activities. To develop the project or undertake survey, design, construction, project supervision or other work safety-related activities, enterprises must comply with the provisions of the work safety laws and regulations, ensure the work safety of the construction project and assume responsibilities for work safety in accordance with laws and regulations.

REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

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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.

Penalties for an enterprise that has violated the environmental protection laws are determined based on the extent of the pollution caused and the seriousness of the particular violations. Such penalties include warning, fines, remedial actions to be taken within the fixed time period, suspension of business, and closure. A non-compliance enterprise shall also pay damages to other enterprises for the losses they incurred due to the pollution. For any significant environmental pollution accident resulting from violations of the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and causing such serious consequences as major losses of public and private assets or casualties, perpetrators bear criminal liability in accordance with laws and regulations.

REGULATIONS IN RELATION TO LABOUR AND SOCIAL INSURANCE

On 5 July 1994 the Standing Committee of NPC promulgated The Labour Law of the PRC (《中華人民共和國勞動法》), which became effective on 1 January 1995. On 29 June 2007 the Standing Committee of NPC promulgated Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which became effective on 1 January 2008 and amended in 2012. Pursuant to the said law, a written labour contract shall be concluded within one month from the date when an employee commences work, otherwise the employer shall pay twice of the monthly wage until a labour contract without fixed term is deemed as concluded. Labour contract is divided into two types, namely labour contract with fixed term and labour contract without fixed term. Where the employee has already worked for the employer for one full year in the absence of a written labour contract, a labour contract without fixed term shall be deemed to have been concluded. Where the employee has already worked for the employer for at least ten full years consecutively or the labour contract is to be renewed after two fixed-term labour contracts have been concluded consecutively, a labour contract without fixed term shall be concluded, unless an employee requests the conclusion of a fixed term labour contract.

The PRC Law for Promotion of Employment (《中華人民共和國就業促進法》), promulgated by NPC Standing Committee on 30 August 2007 and effective as at 1 January 2008, provides that no employee can be discriminated in employment by reason of ethnic group, race, gender, or religious belief. The employer should neither refuse, nor request higher conditions for, the employment of any woman, merely because of such gender; and no provision limiting any woman employee in marriage and child-bearing is allowed in the labour contract. The employer should not refuse the employment of anybody just because of such person being an infection pathogen carrier, unless otherwise stated by laws and regulations. Additionally, enterprises should allocate the employee education fund intended for occupational training and further education of employees, violation of which may result in punishment imposed by the labour administration.

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Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees (《社會保險費徵繳暫行條例》) promulgated and implemented on 22 January 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 and implemented on 1 January 1995 by former Ministry of Labour, the Regulation Concerning the Administration of Housing Fund (《住房公積金管理條例》) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the Regulation on Occupational Injury Insurance (《工傷保險條例》) promulgated on 27 April 2003 by the State Council and implemented on 1 January 2004, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational insurance fund, maternity insurance fund and housing fund for the employees.

A construction entity must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case of a construction work covered by a main contract, the insurance premium will be paid by the main contractor. The period covered by the insurance policies should commence on the starting date of the construction project and terminate on the date of the acceptance and inspection upon the completion of the project.

SEVERAL OPINIONS OF THE STATE COUNCIL ON ENCOURAGING AND GUIDING THE HEALTHY DEVELOPMENT OF PRIVATE INVESTMENT

According to the “Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment” (《國務院關於鼓勵和引導民間投資健康發展的若干意見》) promulgated and effective on 7 May 2010, the government encourages and guides the private investment to enter into the basic industries and infrastructure area, encourages private capital to participate in construction of municipal utilities, such as the city water supply, gas supply, heat supply, sewage and waste disposal, public transport, urban landscaping and other urban areas.

REGULATIONS IN RELATION TO FOREIGN INVESTMENT

The establishment and management of companies in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) which was enacted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “Standing Committee of NPC”) on 29 December 1993 and was implemented on 1 July 1994 (the “Company Law”). The Standing Committee of NPC amended the Company Law on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The Company Law provides for the establishment, corporate structure and corporate management of companies. The Company Law also applies to foreign-invested enterprises. Where laws and regulations relating to foreign-invested enterprises otherwise stipulate, such stipulations shall apply.

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The Company Law stipulates that a limited liability company shall prepare a shareholders' register, which shall record the following matters: 1. the name and address of each shareholder; 2. the capital contribution made by each shareholder; and 3. the serial number of each capital contribution certificate. The shareholders recorded in the shareholders' register may, pursuant to the shareholders' register, claim and exercise shareholders' rights. A company shall register the name of each shareholder and the shareholder's capital contribution at the company registration authority. The company shall carry out amendment of the registration in the event of any change in the registered details. Any registration detail that fails to be amended or registered shall not be valid against any third party. According to Rules of the Supreme People's Court on Certain Issues Concerning the Application of the Company Law of the People's Republic of China (III) promulgated by the Supreme People's Court on 27 January 2011 and as effective from 16 February 2011, where a contract entered into between the actual capital contributor and the nominal capital contributor of a limited liability company to stipulate that the actual capital contributor shall make capital contribution and enjoy investment rights and interests on such capital contribution and the nominal capital contributor shall be the nominal shareholder of such capital contribution, the validity of such contract shall be recognised by the People's Court in the event no circumstances specified in article 52 of the Contract Law exists. Where the actual capital contributor and the nominal capital contributor have disputes over the title to the investment rights and interests of such capital contribution, the People's Court shall support the claim by the actual capital contributor against the nominal capital contributor on the ground that it has actually fulfilled the obligation of capital contribution.

Wholly foreign-owned enterprises are also governed by The Law on Foreign-funded Enterprises of the PRC (《中華人民共和國外資企業法》) (the "Foreign-Funded Enterprise Law") and Foreign-Funded Enterprise Law Implementing Rules (《中華人民共和國外資企業法實施細則》). The Foreign-Funded Enterprises Law was adopted at the 4th Meeting of the Sixth National People's Congress (第六屆全國人民代表大會第四次會議) on 12 April 1986 and was amended by the Standing Committee of NPC on 31 October 2000. The establishment procedures, approval procedures, registered capital and corporate structures of sino-foreign equity joint ventures and wholly foreign-owned enterprises are regulated in the abovementioned laws and regulations.

Foreign investors shall also abide by the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "Catalogue"). The Catalogue was promulgated on 28 June 1995 and was revised in 31 December 1997, 1 April 2002, 30 November 2004, 31 October 2007 and 24 December 2011. The currently effective Catalogue was promulgated by MOFCOM and the NDRC on 24 December 2011 and effective as from 30 January 2012. The Catalogue classifies industries into three categories: encouraged, restricted and prohibited. Except as otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not in the restricted or prohibited categories. Part of industries in the restricted category may be limited to equity or contractual joint ventures, in some cases with the Chinese shareholder as the majority shareholder. Foreign investors shall not invest in industries in prohibited category. According to the Catalogue, the businesses we engaged in are categorised under either "encouraged" or "permitted" industries for foreign investment, among which the production of flowers and construction and operation of nursery bases is categorised under the "encouraged" industry for foreign investment.

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On 10 June 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment (《商務部關於下放外商投資審批權限有關問題的通知》) (the “Circular”). Under the Circular, local authorities shall examine and approve and administrate the establishment and replacement of foreign-invested enterprises which are in the encouraged and permitted categories of the Catalogue and with a total investment amount of US\$300 million or less and those which are in the restricted categories and with a total investment amount of US\$50 million or less.

MOFCOM or the relevant local authorities are responsible for approving the relevant joint venture contracts, articles of association of the foreign-invested enterprises and other substantial changes to the foreign-invested enterprises, such as changes in capital, equity transfer and consolidation. We have obtained all the necessary government approvals for our PRC subsidiaries.

Furthermore, on 4 May 2011, NDRC released the Circular on Delegation of Approval Authority For Foreign-Invested Project (《國家發展改革委關於做好外商投資項目下放核准權限工作的通知》) (“NDRC Circular 914”). Under NDRC Circular 914, foreign-invested projects in the encouraged and permitted categories of the Catalogue and with a total investment amount of less than US\$300 million (including as a result of increase of investment) which are originally subject to the approval of NDRC, are subject to the approval of the development and reform commission at the provincial level, except for those projects that are subject to the approval of the relevant ministries of the State Council as prescribed in the Catalogue of Investment Projects Authorised by the Government (《政府核准的投資項目目錄》) promulgated by the State Council on 16 July 2004 and effective as from 16 July 2004.

REGULATIONS IN RELATION TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends paid by PRC wholly foreign-owned enterprise include the Company Law, the Foreign-Funded Enterprise Law and its implementation rules. Under the above laws and regulations, domestic companies and wholly foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such an enterprise is required to set aside at least 10% of its after-tax profits each year as the statutory common reserve, if any, to fund certain reserve funds unless an aggregate common reserve of more than 50% of the enterprise’s registered capital. These reserves are not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

PROVISIONS ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

On 8 August 2006, six PRC regulatory authorities in China (including Chinese Securities Regulatory Commission (“CSRC”)) jointly promulgated Regulations on the Merger or Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which became effective on 8 September 2006 and were subsequently amended on 22

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June 2009 (“the M&A rule”). The M&A rule specifies that, where a foreign investor establishes a foreign-invested enterprise by merging or acquiring a domestic enterprise, it shall be subject to the approval of MOFCOM or ministry of commerce at the provincial level, and shall apply for registration or change of registration with State Administration of Industry & Commerce or local administration of industry & commerce. All parties involved in the foreign investor’s merger and acquisition of domestic enterprises shall abide by the applicable PRC laws and regulations on foreign exchange control and apply to SAFE or its local branches for approval, registration, filing for record and alteration formalities in a timely manner.

In addition, the M&A rule include provisions that purport to require offshore special purpose companies, controlled directly or indirectly by PRC companies or individuals with a view to list in an oversea stock exchange with their operating companies or assets in China, to obtain the approval of the CSRC prior to the listing and trading of their securities in any overseas stock exchange.

On 21 September 2006, CSRC issued a notice on its website, specifying the documents and documentation that should be submitted to obtain its approval. By issuing the Regulatory Guidelines in relation to the Document Submission and Review Procedure for Stocks Issuance and Overseas Listing by Joint Stock Companies on 20 December 2012, CSRC abolished the barriers to overseas listing of domestic enterprises, simplified relevant application procedures, and cancelled requirements (e.g., net assets shall be no less than RMB400 million, fund raised shall be no less than US\$50 million, and after-tax profits in the preceding year shall be no less than RMB60 million) for an enterprise’s scale, profit and amount of fund raised, but only required that enterprises planning to be listed overseas should meet relevant requirements at the listing location.

REGULATIONS IN RELATION TO FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, is competent authority for the administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to the Regulations of the PRC for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on 29 January 1996 and amended on 5 August 2008 (the “Control of Foreign Exchange Regulations”), all international payments and transfers were classified into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997 and 5 August 2008. Such amendments affirm that the State shall not restrict regular international payments and transfers. The enterprises may either repatriate their foreign exchange incomes back or deposit the same abroad, and the conditions and terms for repatriating their foreign exchange incomes back or depositing in overseas countries shall be regulated by the administration of foreign exchange under the State Council depending on the balance of international payments and the needs for foreign exchange control. Where the

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foreign exchange incomes under capital accounts are to be retained or sold to financial institutions which are engaged in settlement and sale of foreign exchange, approvals of foreign exchange control authorities are required, except as otherwise permitted by the state.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which became effective on 1 July 1996 (the “Settlement Regulations”). The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises (《外商投資企業實行銀行結售匯工作實施方案》). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (《關於停辦外匯調劑業務的通知》), pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, the PRC would implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof.

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Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that required PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations was to achieve the proper balance of foreign exchange and the standardisation of all cross-border flows of funds.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (HuiFa [2005] No.75) (the “Circular No. 75”) which became effective as at 1 November 2005. Circular No. 75 replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to Circular No. 75, a “special purpose company” refers to an offshore company directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of undertaking equity financing (including convertible bond financing) abroad with the enterprise assets or rights and interests it/he holds inside PRC. Prior to establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. Circular No. 75 applies retrospectively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by 31 March 2006.

On 25 December 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange (《個人外匯管理辦法》). The measures use category administration to classify the individual foreign exchange operations as domestic and overseas by participants in the transaction, and current accounts and capital accounts by the nature of the transaction. The measures set the annual total amount of foreign exchange for settlement of individuals, and for purchase of foreign exchange by domestic individuals, and provide different procedures for individuals who sell over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

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On 5 January 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (《個人外匯管理辦法實施細則》) (the “Detailed Rules”). The Detailed Rules provide, amongst other matters, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is USD50,000; (ii) domestic individuals who engage in external direct investment satisfying the relevant rules shall not only get approval from the foreign exchange bureau, but also complete the overseas investment foreign exchange registration procedures before they can purchase foreign exchange or remit with their own foreign exchange. (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue right-interest, etc. through qualified domestic institutional investors such as banks and fund management companies; (iv) in case domestic individuals engage in such foreign exchange operations as an employee stock ownership plan of an overseas listed company or subscription option programme, they can only deal with such options after completing registration with the foreign exchange bureau through their company or domestic agency institutions; and (v) the administration of foreign exchange on, among other matters, overseas loans, debts and guarantees for domestic individuals will be gradually opened.

On 29 August 2008, SAFE issued the Circular of the General Bureau of SAFE on Relevant Business Operations Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-funded Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (HuiZongFa [2008] No.142) (the “Circular No. 142”). According to Circular No. 142, a foreign-funded enterprise shall authorise an accounting firm to conduct capital verification before applying for the settlement of the foreign exchange capital. The settled foreign exchange capital shall be merely used for the business approved by the relevant government authorities and shall not be used for equity investment. It is also prohibited to use the settled foreign exchange capital for purchasing domestic real estate for any purpose other than its own use, unless the enterprise is a foreign-funded real estate enterprise.

REGULATIONS IN RELATION TO TAX

Enterprise Income Tax

According to the EIT Law promulgated on 16 March 2007 and came into effect from 1 January 2008 and the Implementation Rules of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted by the State Council on 6 December 2007 (the aforesaid laws and regulation were enforced from 1 January 2008 onwards) (“Implementation Rules”), a uniform income tax rate of 25% will be applied towards foreign investment enterprise and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises. Under the EIT Law and its Implementation Rules, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose “de facto management body” is located in the PRC are treated as resident enterprises for PRC tax purposes. If an entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax on its worldwide income at the 25% uniform tax rate, which will include any dividend income that

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the entity receives from its subsidiaries, unless otherwise provided therein. Although the EIT Law provides that dividend income between qualified resident enterprises is exempted income, it is not clear what is considered as a qualified resident enterprise under the EIT Law. Furthermore, the EIT Law and its Implementation Rules provide that withholding tax at a rate of 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Moreover, any gain realised on the transfer of shares by investors will be subject to 10% tax if such gain is regarded as income derived from sources within the PRC.

According to the Law of the People's Republic of China Concerning the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》), the relevant tax authorities have the right to determine the tax collection method for payment of the PRC EIT in accordance with the principles of collecting tax payments on time in full amounts, expediting the payments by taxpayers and reducing tax collection costs.

Adoption of the Deemed Profit Basis

Certain taxpayers are assessed and pay the PRC corporate income taxes (the "PRC EITs") on a deemed profit basis which is calculated by first multiplying an applicable percentage with the turnover for a certain period and then applying the uniform income tax rate of 25% to the result, after adjustment of non-assessable or disallowed items. The applicable percentage is determined by the relevant tax authorities. According to the Law of the People's Republic of China Concerning the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and Circular No. 30, an entity as taxpayer in the following six categories shall adopt the deemed profit basis for payment of the PRC EITs:

- (1) taxpayers which are allowed not to keep accounting records according to the PRC laws and regulations;
- (2) taxpayers which are required to keep proper accounting records according to the PRC laws and regulations, but have failed to do so;
- (3) taxpayers which have destroyed their accounting records without any authorization or refuse to provide any requisite information for tax filing;
- (4) although the taxpayers have kept accounting records, such records are in disorder or the cost-related information, income receipts and expense vouchers are incomplete, which causes it is difficult to audit these records;
- (5) taxpayers which have failed to fulfill the requisite tax filing obligations within the prescribed time period, and after the relevant tax authorities order to make the tax filings within a certain time period, continually failed to do so; and
- (6) taxpayers whose tax computation basis is evidently on the low end without a proper reason.

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Examination and Determination of the Tax Basis

Circular No. 30 has stipulated the following requisite procedure with respect to examination and determination of the tax basis for payment of the PRC EIT by an entity as taxpayer:

- (1) The local tax bureau shall promptly deliver the assessment form for verification and collection of enterprise income tax (企業所得稅核定徵收鑒定表) (the “assessment form”) to the taxpayer in order to examine and determine in a timely manner whether such taxpayer is eligible for payment of the PRC EIT on the deemed profit basis.
- (2) After the taxpayer receives the assessment form, it shall complete and submit it to the local tax bureau within ten business days.
- (3) After the local tax bureau accepts the assessment form, within 20 business days, it shall examine the relevant accounts in different categories, confirm the relevant tax information and submit the assessment form, together with its recommendation of the tax basis to be adopted, to the higher tax authority at the county level.
- (4) After the tax authority at the county level receives the assessment form, it shall examine and determine the recommended tax basis within 30 business days.

In the event that a taxpayer fails to complete and submit the assessment form within the prescribed time period, the relevant tax authorities shall in their sole discretion examine and determine the tax basis for payment of the PRC EIT by the taxpayer in accordance with the above procedure.

The PRC – Hong Kong Tax Treaty

Moreover, according to the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (“PRC – Hong Kong Tax Treaty”), a PRC resident enterprise that distributes dividend to its Hong Kong shareholders shall be subject to enterprise income tax according to the PRC laws, however, if the beneficiary of the dividend is a Hong Kong tax resident that directly hold not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividend. If the beneficiary of the dividend is a Hong Kong tax resident that directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be 10% of the distributed dividend. Furthermore, if the Hong Kong tax resident falls into the following circumstances as prescribed in the Notice Concerning the Meaning and Determination of the Identity of “Beneficial Owner” in Tax Treaties (《關於如何理解和認定稅收協議中“受益所有人”的通知》), promulgated by the SAT on 27 October 2009, it may not be deemed as a qualified beneficiary as defined in the PRC-Hong Kong Tax Treaty, and the tax levied will then be 10% of the distributed dividend:

- (1) the Hong Kong tax resident is obligated to pay or distribute all or substantially all (for example more than 60%) of its income to a resident in a third country (region) within the stipulated time (for example within 12 months from the date of receipt of the income).

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- (2) apart from holding the property or right derived from the income, the Hong Kong tax resident is not or is barely engaged in any other operating activities.
- (3) the assets, scale and staff allocation of the Hong Kong tax resident is relatively small (or small) and hardly match the amount of income.
- (4) the Hong Kong tax resident has no or almost no right of control or disposal on the income or the property or right derived from the income, and assume little or no risk.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax enacted by the State Council on 13 December 1993 and came into force on 1 January 1994 and came into force on 1 January 2009 and its Implementation Rules on the Provisional Regulations of the PRC on Business Tax issued by the MOF on 25 December 1993, which was later amended in 2008 and 2011 by MOF and SAT and implemented on 1 November 2011, the tax rate on the transfer of immovable properties, their superstructures and attachments is 5%.

In accordance with the Provisional Regulations of the People's Republic of China on Business Tax (《中華人民共和國營業稅暫行條例》) promulgated by the State Council on 13 December 1993 and effective as from 1 January 1994, and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Business Taxes (《中華人民共和國營業稅暫行條例實施細則》) promulgated by the Ministry of Finance on 25 December 1993, a number of business activities in China are subject to business tax. The business tax is applicable to activities such as the building, leasing and sales of properties in China. The said tax is turnover tax based on total revenue. Taxes arising from purchase of service or materials shall not be deducted. However, transport, tourism and construction related subcontracting expenses can be deducted from the total revenue. The rate of business tax payable for sales and leasing of properties is 5% of the amount gained from selling or leasing properties or immovable properties in China.

On 10 November 2008, the State Council amended the Provisional Regulations of the People's Republic of China on Business Tax, effective as from 1 January 2009. In accordance with the Provisional Regulations of the PRC on Business Tax and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Business Taxes effective as from 1 January 2009, all units and individuals providing taxable labour services, transferring intangible assets or selling immovable properties within the territory of the People's Republic of China shall pay business tax as per the Taxable Items and Tax Rates of the Business Tax. The applicable business tax rate of the service industry and transfer of intangible assets is 5%.

Value-added tax

Pursuant the Provisional Regulations of the People's Republic of China on Value-added Tax and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Taxes effective as from 1 January 2009, all units and

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individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC shall pay VAT in accordance with the nature of the sold and imported goods or labour service.

Stamp tax

In accordance with the Provisional Rules of the People's Republic of China on Stamp Duty effective as from 1 October 1988 and its Detailed Rules for the Implementation, all units and individuals which conclude or receive any of the following document within the territory of the PRC shall pay stamp tax: purchase and sale, processing and undertaking, construction engineering contract, property leasing, cargo transportation, storage and safekeeping, loan, property insurance, technology contract or voucher in the nature of a contract, ownership transfer certificate, business account books, rights, licences and other vouchers for taxation confirmed by the Ministry of Finance. In accordance with the Table of Items and Rates of Stamp Tax, the purchase and sale contract and technology contract shall be subject to a stamp tax of 0.03% of the contract amount; the survey and design contract for construction projects shall be subject to a stamp tax of 0.05% of the contract amount; the contract for construction and installation contracting shall be subject to a stamp tax of 0.03% of the contract amount; the loan contract shall be subject to a stamp tax of 0.005% of the contract amount; in terms of property transfer, the contracting parties shall pay a stamp tax of 0.05% of contract price of the property transferred; and property leasing shall be subject to a stamp tax of 0.1% of the total rent of the property leased.

Urban Maintenance and Construction Tax

Under the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on 8 February 1985 and as amended on 8 January 2011, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay urban maintenance and construction tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Pursuant to the Notice of Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (GuoFa [2010] No.35) (“Notice No. 35”) promulgated by the State Council on 18 October 2010, the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax issued by the State Council in 1985 shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from 1 December 2010. Regulations, rules and policies in respect of urban maintenance and construction tax and education surcharge issued by the State Council as well as finance and tax department of State Council since 1985 and 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

REGULATIONS

Education Surcharge

Under the Provisional Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) enacted by the State Council on 28 April 1986 and revised on 7 June 1990 and 20 August 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a tax rate of 3%, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (《關於籌措農村學校辦學經費的通知》).

Pursuant to the Notice No. 35 and Provisional Provisions on Imposition of Education Surcharge issued by the State Council in 1986 shall be applicable to foreign invested enterprises, foreign enterprises and foreign individuals from 1 December 2010. Regulations, rules and policies in respect of education surcharge issued by the State Council as well as finance and tax department of State Council since 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

Taxation management between related enterprises

The Measures for the Implementation of Special Tax Adjustments (for Trial Implementation) (《特別納稅調整實施辦法(試行)》) promulgated by the State Administration of Taxation on 8 January 2009, effective retroactively as from 1 January 2008 (“Measures for Implementation”) regulates the special tax adjustment of enterprises, which include the transfer pricing between enterprises and its related parties. When filing the annual enterprise income tax returns, any resident enterprise subject to audit collection and any non-resident enterprise established in China or with offices in China (both shall submit and pay enterprise income tax) shall also submit an enterprise annual return for related-party transactions to the competent tax authorities. Meanwhile, enterprises shall prepare, keep and submit, according to requirements of tax authorities, documents corresponding to the tax year (unless otherwise specified by the Measures for Implementation). The tax authorities shall have the right to require the enterprises to accept investigations at an appropriate time, and conduct investigations and adjustment on transfer pricing. A transfer pricing investigation and adjustment will not be made in principle between two domestic enterprises whose tax rate is equal, as long as the transactions do not directly or indirectly decrease the overall tax revenue of the country.

REGULATIONS IN RELATION TO LAND CONTRACTING

According to the Law of Land Administration of the People’s Republic of China (《中華人民共和國土地管理法》) promulgated by Standing Committee of the National People’s Congress on 25 June 1986, as amended in 1988, 1998 and 2004 (“Land Administration Law”), the land in PRC is categorised into state-owned land and collective-owned land. State-owned land is owned by the State and the collective-owned land is owned by the collective economic organisation.

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The use right of the collective-owned land may be contracted by members of the collective economic organisation or entities or individuals who are not members of the collective economic organisation to engage in the business of farming, forestry, animal husbandry or fishery. The contractee and the contractor of the use right of the collective-owned land shall enter into a written land contracting agreement that stipulates the rights and obligations of each party. Any entity or individual who has contracted the use right of the collective-owned land are obliged to protect and make rational use of the collective-owned land pursuant to the purposes as stipulated in the land contracting agreement. In case that the use right of the collective-owned land is contracted by entities or individuals who are not members of the collective economic organisation, the term of land contracting shall be stipulated in the land contracting agreement. In addition, where the use right of the collective-owned land is contracted by an entity or individual other than any member of the collective economic organisation, it shall be subject to the consent of at least two-thirds of the members, or of the representatives of members, of such collective economic organisation and shall also be subject to the approval of the people's government of the rural township (or town).

Pursuant to the Law of Land Contracting in Rural Areas of the People's Republic of China (《中華人民共和國農村土地承包法》) promulgated by the Standing Committee of the National People's Congress 29 August 2002 and effective as from 1 March 2003 ("Land Contracting Law"), the households of the collective economic organisation is allowed to contract the use right of the collective-owned land in rural areas, but the owner of such collective-owned land will remain unchanged. For those collective-owned land that are barren mountains, gullies, hills and beaches and not suitable for contracting by households of the collective economic organisation, the use right of such collective-owned land may be contracted through tendering and bidding, auction, public consultation or other methods.

The contractee of the use right of the collective-owned land shall be the relevant collective economic organisation or the administrative committee of the relevant rural township. The land contracting procedure shall be subject to the following principles: (1) any member of the collective economic organisation of the township shall have the equal right to participate in the land contracting and shall in its sole discretion, choose not to participate in the land contracting; (2) all parties participating in the land contracting shall consult with each other in a fair and reasonable manner; (3) the land contracting plan shall be subject to consent of at least two-thirds of the members, or of the representatives of members, of such collective economic organisation; (4) the implementation procedure of land contracting shall comply with the law.

The contractor of the land may in its sole discretion subcontract, assign, lease, exchange or through other methods transfer the land contracting right to any third party, provided that the contractor and such third party shall enter into a written agreement stipulating each party's rights and obligations. In case that the land contracting right is transferred to such third party, the contractor shall obtain the approval of contractee. In case that the land contracting right is subcontracted, leased, exchanged or transferred through other methods to such third party, the contractor shall file with the contractee for record.

HISTORY AND DEVELOPMENT

GENERAL

Our Company was incorporated in the Cayman Islands as an exempted company on 22 October 2013 with limited liability under the Companies Law. As part of the Reorganisation, our Company became the holding company of our Group on 31 December 2013 with our business conducted through our subsidiaries.

HISTORY

Our origins can be traced back to 2004, when Mr. Wu and Ms. Xiao first engaged in the landscape architecture business in Shanghai with their personal savings.

The following table set forth major business milestones in the development of our business:

Year	Event
2004	<ul style="list-style-type: none">• We established Greenstate Landscape and started our landscape architecture business.
2005	<ul style="list-style-type: none">• Greenstate Landscape obtained a Grade Two qualification in urban landscape.
2006	<ul style="list-style-type: none">• We expanded our business to cities outside Shanghai, including Chongqing and Chengdu.
2007	<ul style="list-style-type: none">• We acquired Greenstate Gardening.
2011	<ul style="list-style-type: none">• We obtained a Grade One qualification in urban landscape and a Grade Two qualification in landscape design as a result of our acquisition of Broad Landscape.• We started to undertake large-scale municipal and city level projects independently.
2012	<ul style="list-style-type: none">• We received the outstanding landscape project award in Shanghai in respect of our Shanghai Longhu-licheng project (上海龍湖 – 鄞城項目) granted by Shanghai Landscape Architecture Garden Trade Association (上海園林綠化行業協會).• We received the gold award for outstanding landscape project in respect of our Zi Qi Dong Lai project (first tender) (紫氣東來工程一標) granted by China Scenery Landscaping Association (中國風景園林協會).

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Year	Event
2013	<ul style="list-style-type: none">• We obtained a Grade Three construction enterprise qualification certificate allowing us to undertake building construction work with an individual contract value of not more than five times of our registered capital.• We received the gold award for outstanding landscape of China Landscaping Award (中國園藝杯優秀景觀金獎工程) in respect of our Yue Ya Island project (月牙島項目) jointly granted by China Scenery Landscaping Association (中國風景園林協會), China Urban City Development Research Association (中國城市建設研究會) and China Market News (中國市場報).• Each of Mr. Chen, Mr. Zhao Guanghua (趙光華) and Ms. Zhou Wei (周維) (collectively, the “Pre-IPO Investors”) made an investment in our Group. Please refer to the subsection headed “The Pre-IPO Investments” in this section of the prospectus for further details.• We established a joint venture company, Broad Weiye, in Shanxi Province to expand our business and to explore potential business opportunities in Shanxi Province.
2014	<ul style="list-style-type: none">• We successfully renewed our Grade One qualification in urban landscape.

CORPORATE HISTORY OF OUR GROUP

The following entities are the companies comprising our Group prior to our Reorganisation:

Broad Landscape

During the Track Record Period, we acquired Broad Landscape. We believed that Broad Landscape’s landscape qualifications would be useful for the development of our business operation.

For the purpose of simplifying the transaction and negotiation process, on 20 May 2011, Ms. Xiao and the Management Shareholders executed a power of attorney (the “Power of Attorney”), whereby (i) they appointed Mr. Wu to be their attorney to acquire Broad Landscape; and (ii) upon completion of the acquisition, Mr. Wu shall distribute the equity interests of Broad Landscape among Ms. Xiao, the Management Shareholders and himself according to the agreed proportion.

On 2 August 2011, Bai Zheng (白征) (an Independent Third Party) as transferor and Mr. Wu (for himself and on behalf of Ms. Xiao and the Management Shareholders) as transferee entered into an equity transfer agreement (the “August 2011 Agreement”), pursuant to which Bai Zheng (白征) agreed to transfer his 69.75% equity interest in Broad Landscape to Mr. Wu for a consideration of RMB13,950,000. The consideration was determined based on arm’s

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length negotiation. On the same day, Xiong Weican (熊衛燦) (an Independent Third Party) as transferor and Mr. Wu (for himself and on behalf of Ms. Xiao and the Management Shareholders) as transferee entered into an equity transfer agreement, pursuant to which Xiong Weican (熊衛燦) agreed to transfer his 0.25% equity interest in Broad Landscape to Mr. Wu for a consideration of RMB50,000. The consideration was determined based on arm's length negotiation.

Following subsequent due diligence, Mr. Wu noted that the net assets of Broad Landscape were far below its registered capital at the time and there was a dispute (the "Dispute") over certain equity interest in Broad Landscape between Bai Zheng (白征) and Chen Ze (陳澤) (a former shareholder of Broad Landscape). In view of the Dispute, after an arm's length negotiation, on 28 August 2011, Bai Zheng (白征) and Mr. Wu (for himself and on behalf of Ms. Xiao and the Management Shareholders) entered into a supplemental agreement (the "Supplemental Agreement") to amend certain terms of the August 2011 Agreement, pursuant to which (i) Mr. Wu was entitled to acquire 100% equity interest in Broad Landscape at a consideration of RMB9.6 million instead of acquiring 70% equity interest in Broad Landscape at a consideration of RMB14 million as stated in the August 2011 Agreement; (ii) registration (the "AIC Registration") with the relevant Shanghai administration of industry and commerce authorities (the "Shanghai AIC") concerning the transfer of the remaining 30% equity interest in Broad Landscape shall be on hold until Mr. Wu's further instruction; (iii) upon signing of the Supplemental Agreement, Mr. Wu (for himself and as attorney for and on behalf of Ms. Xiao and the Management Shareholders) shall be entitled to the entire equity interest in Broad Landscape; and (iv) Bai Zheng (白征) shall be solely responsible for resolving the Dispute which shall not affect Mr. Wu and/or Broad Landscape. On the same day, Mr. Xiong Weican (熊衛燦) issued a consent letter, whereby he agreed to the Supplemental Agreement.

Our PRC legal advisers, Jincheng Tongda & Neal Law Firm, have advised us that on the basis that the Supplemental Agreement took effect on 28 August 2011 and in light of the register of members issued by Broad Landscape on 28 August 2011, 100% equity interest in Broad Landscape was legally transferred to Mr. Wu (for himself and on behalf of Ms. Xiao and the Management Shareholders) on 28 August 2011. The following table set forth the shareholding of Broad Landscape immediately upon completion of the aforesaid transfers:

Name of shareholder	Shareholding in Broad Landscape (%)
Mr. Wu	70.5%
Ms. Xiao	15%
Mr. Jiao Ye	1.25%
Mr. Shen Wenlin	5%
Mr. Wang	1%
Mr. Zhang Kequan	2%
Mr. She Lei	0.5%
Mr. Li Qiuliang	1%
Mr. Song Shudong	2.5%
Mr. Xiao Xu	0.75%
Ms. Zhu	0.5%

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On 7 September 2011, the AIC Registration record showed the 70% equity interest in Broad Landscape was recorded under the name of Mr. Wu. As agreed in the Supplemental Agreement, the record of Shanghai AIC showed that the remaining 30% equity interest in Broad Landscape was registered under the name of Bai Zheng (白征).

In March 2012, a lawsuit (“the Lawsuit”) was brought before Shanghai Changning District Court by Chen Ze (陳澤) as the claimant against Bai Zheng (白征) as the respondent, for an alleged breach of share transfer agreement between the claimant and the respondent dated 5 November 2009 (the “2009 Agreement”). In May 2012, as requested by Chen Ze (陳澤), Broad Landscape was joined as a third party respondent in the Lawsuit. According to the 2009 Agreement, Chen Ze (陳澤) agreed to sell 15.75% equity interest of Broad Landscape to Bai Zheng (白征) at a consideration of RMB3.0 million. However, Chen Ze (陳澤) alleged that Bai Zheng (白征) failed to pay all of the consideration, as agreed in the 2009 Agreement, to him before the deadline. Therefore, Chen Ze (陳澤) sought an order from the court to: (i) terminate the 2009 Agreement and (ii) restore his 10% equity interest in Broad Landscape (the “Restoration”). On 28 December 2012, the Shanghai Changning District Court ordered that the 2009 Agreement should be terminated but rejected the claimant’s request for the Restoration. Both Chen Ze (陳澤) and Bai Zheng (白征) appealed to Shanghai No. 1 Intermediate People’s Court. On 26 March 2013, the Lawsuit was settled among Chen Ze (陳澤), Bai Zheng (白征) and Broad Landscape, whereby: (i) Broad Landscape shall pay RMB1.4 million to Chen Ze (陳澤); (ii) Bai Zheng (白征) shall pay RMB0.8 million to Chen Ze (陳澤); and (iii) upon settlement of the aforementioned payments, Chen Ze (陳澤) shall not have any equity interest in Broad Landscape and shall not make any further claim against Bai Zheng (白征) and/or Broad Landscape in connection with the 2009 Agreement. As confirmed by the Directors: (i) the aforementioned RMB1.4 million payment was ultimately borne by Bai Zheng (白征) which was in line with the contractual consensus in the Supplemental Agreement; and (ii) the aforementioned RMB2.2 million was fully paid to Chen Ze (陳澤).

For the purpose of changing the AIC Registration record in relation to a 20% equity interest in Broad Landscape, Mr. Wu entered into an equity transfer agreement with Bai Zheng (白征) on 7 June 2012. The AIC Registration record in relation to this 20% equity interest in Broad Landscape was changed from Bai Zheng (白征) to Mr. Wu on 14 June 2012. According to the register of members issued by Broad Landscape on 13 September 2012, the AIC Registration concerning the 10% equity interest in Broad Landscape was registered under the name of Bai Zheng (白征).

As agreed under the Power of Attorney, on 27 August 2012, Mr. Wu, Ms. Xiao and the Management Shareholders entered into an equity transfer contract to effect a change of the AIC Registration record in relation to a 26.55% equity interest in Broad Landscape from Mr. Wu to Ms. Xiao and the Management Shareholders. Such AIC Registration record change was completed on 13 September 2012.

On 18 April 2013, the Pre-IPO Investors invested in Broad Landscape. Please refer to the subsection headed “The Pre-IPO Investments” in this section of the prospectus for details.

HISTORY AND DEVELOPMENT

On 19 April 2013, for the purpose of updating the AIC Registration record in relation to a Pre-IPO Investment and to effect the change of AIC Registration record relating to the remaining equity interests in Broad Landscape registered under the name of Bai Zheng (白征), Mr. Wu, Ms. Xiao, Bai Zheng (白征), the Management Shareholders and the Pre-IPO Investors executed an equity transfer contract. Pursuant to the register of members issued by Broad Landscape on 19 April 2013, the shareholding of Broad Landscape is set out as follows:

Name of shareholder	Shareholding in Broad Landscape (%)
Mr. Wu	68.385%
Ms. Xiao	14.55%
Mr. Jiao Ye	1.2125%
Mr. Shen Wenlin	4.85%
Mr. Wang	0.97%
Mr. Zhang Kequan	1.94%
Mr. She Lei	0.485%
Mr. Li Qiuliang	0.97%
Mr. Song Shudong	2.425%
Mr. Xiao Xu	0.7275%
Ms. Zhu	0.485%
Mr. Chen	1.5%
Mr. Zhao Guanghua	0.5%
Ms. Zhou Wei	1%

The consideration for the acquisition of the 100% equity interest in Broad Landscape from Bai Zheng (白征) and Xiong Weican (熊衛燦) was fully settled on 27 March 2013.

The AIC Registration record relating to the above-mentioned transfers/updates was completed on 16 May 2013.

Our PRC legal advisers, Jincheng Tongda & Neal Law Firm, confirm that (i) all the necessary approvals from the relevant authorities for our acquisition of Broad Landscape had been obtained as at the Latest Practicable Date, and (ii) our acquisition of Broad Landscape has been properly and legally completed.

Rule 4.05A of the Hong Kong Listing Rules is applicable to our acquisition of Broad Landscape as it constituted a major transaction pursuant to Rule 14.06(3) of the Hong Kong Listing Rules. Regarding the pre-acquisition financial information as required under Rule 4.05A of the Hong Kong Listing Rules, please refer to the subsection headed “Appendix I Accountants’ Reports – note 26 of Section II” in this prospectus for details.

Broad Landscape is principally engaged in the municipal and city level landscape architecture projects and offers customers “one stop” package solutions including design and planning, design refinement, construction, seedlings cultivation and maintenance.

HISTORY AND DEVELOPMENT

Greenstate Landscape

Greenstate Landscape was established in the PRC on 15 June 2004 as a limited liability company, with an initial registered capital of RMB10,000,000. At the time of its incorporation, Greenstate Landscape was held as to 68% by Mr. Wu, 12% by Ms. Xiao, 12% by Mr. Shen Wenlin (沈文林) (the Management Shareholder), 6% by Mr. Song Shudong (宋曙東) (the Management Shareholder) and 2% by Mr. Zhang Kequan (張克泉) (the Management Shareholder), respectively.

On 23 December 2004, the registered capital of Greenstate Landscape was increased to RMB12,000,000. Each of Mr. Wu, Ms. Xiao, Mr. Shen Wenlin (沈文林), Mr. Song Shudong (宋曙東) and Mr. Zhang Kequan (張克泉) proportionally contributed additional amount of capital according to their respective shareholding in Greenstate Landscape at the time.

On 27 October 2010, the registered capital of Greenstate Landscape was further increased to RMB32,000,000, out of which, RMB22,560,000 was contributed by Mr. Wu, RMB4,800,000 was contributed by Ms. Xiao, RMB1,600,000 was contributed by Mr. Shen Wenlin(沈文林), RMB640,000 was contributed by Mr. Zhang Kequan (張克泉), RMB800,000 was contributed by Mr. Song Shudong (宋曙東), RMB400,000 was contributed by Mr. Jiao Ye (焦擘), RMB320,000 was contributed by Mr. Wang, RMB320,000 was contributed by Mr. Li Qiuliang (李秋亮), RMB240,000 was contributed by Mr. Xiao Xu (肖旭), RMB160,000 was contributed by Ms. Zhu and RMB160,000 was contributed by Mr. She Lei (佘磊). The following table set forth the shareholding of Greenstate Landscape upon completion of this capital increase.

Name of shareholder	Shareholding in Greenstate Landscape immediately after the capital increase (%)
Mr. Wu	70.5%
Ms. Xiao	15%
Mr. Jiao Ye	1.25%
Mr. Shen Wenlin	5%
Mr. Wang	1%
Mr. Zhang Kequan	2%
Mr. She Lei	0.5%
Mr. Li Qiuliang	1%
Mr. Song Shudong	2.5%
Mr. Xiao Xu	0.75%
Ms. Zhu	0.5%

HISTORY AND DEVELOPMENT

On 18 April 2013, (i) Mr. Wu agreed to transfer some of his equity interests in Greenstate Landscape to Mr. Chen and Mr. Zhao Guanghua (趙光華), and (ii) Ms. Xiao together with the Management Shareholders agreed to transfer some of their equity interests in Greenstate Landscape to Ms. Zhou Wei (周維). For details of the Pre-IPO Investors' investment to Greenstate Landscape, please refer to the disclosure in the subsection headed "The Pre-IPO Investments" under this section of the prospectus. The following table set forth is a summary of the shareholding in Greenstate Landscape:

Name of shareholder	Shareholding in Greenstate Landscape acquired by the transferee (%)	Shareholding in Greenstate Landscape immediately before the transfers (%)	Shareholding in Greenstate Landscape immediately after the transfers (%)
Mr. Wu	0	70.5%	68.385%
Ms. Xiao	0	15%	14.55%
Mr. Jiao Ye	0	1.25%	1.2125%
Mr. Shen Wenlin	0	5%	4.85%
Mr. Wang	0	1%	0.97%
Mr. Zhang Kequan	0	2%	1.94%
Mr. She Lei	0	0.5%	0.485%
Mr. Li Qiuliang	0	1%	0.97%
Mr. Song Shudong	0	2.5%	2.425%
Mr. Xiao Xu	0	0.75%	0.7275%
Ms. Zhu	0	0.5%	0.485%
Mr. Chen	1.5%	0	1.5%
Mr. Zhao Guanghua	0.5%	0	0.5%
Ms. Zhou Wei	1%	0	1%

Greenstate Landscape is principally engaged in garden landscaping, garden greenery, municipal and city level landscape architecture, garden construction, design and decoration, seedling and cultivation, greenery and maintenance.

Greenstate Gardening

We acquired Greenstate Gardening in 2007.

On 8 June 2007, Mr. Wu Jie (吳傑) (Mr. Wu's relative) and Ms. Yang Meiyong (楊美英) (Mr. Wu's relative) as transferors and Mr. Wu as transferee entered into an equity transfer agreement, pursuant to which Mr. Wu Jie (吳傑) and Ms. Yang Meiyong (楊美英) agreed to transfer their entire equity interest in Shanghai Zhoulv Gardening Company Limited* (上海洲綠園藝有限公司) to Mr. Wu for a consideration of RMB300,000 and RMB200,000, respectively. The considerations were determined with reference to the registered capital of Greenstate Gardening and was fully settled. Upon completion of the equity transfer, Shanghai Zhoulv Gardening Company Limited* (上海洲綠園藝有限公司) was wholly owned by Mr. Wu.

HISTORY AND DEVELOPMENT

On 25 July 2007, the name of Shanghai Zhoulv Gardening Company Limited* (上海洲綠園藝有限公司) was changed to Greenstate Gardening.

Our PRC legal advisers, Jincheng Tongda & Neal Law Firm, confirm that (i) all the necessary approvals from the relevant authorities for our acquisition of Greenstate Gardening had been obtained as at the Latest Practicable Date, and (ii) our acquisition of Greenstate Gardening was properly and legally completed.

Greenstate Gardening is principally engaged in seedling cultivation, garden greenery, landscape architecture and greenery and maintenance.

Broad Weiye

Broad Weiye was established in the PRC on 11 September 2013 as a limited liability company, with an initial registered capital of RMB2,000,000. At the time of its incorporation, Broad Weiye was held as to 55% by Broad Landscape and 45% by Mr. Liu Ruifeng (劉瑞豐) (an Independent Third Party at the time of the establishment of Broad Weiye).

Broad Weiye is principally engaged in landscape engineering design and construction, seedling and cultivation.

OUR INVESTMENT IN OTHER COMPANIES

City Investment Virescence

In April 2005, we, through Greenstate Landscape (our wholly owned subsidiary) invested in City Investment Virescence by acquiring 15% of its shareholding via a capital injection. We do not have any management control over City Investment Virescence.

City Investment Virescence is principally engaged in exporting and importing cargoes and techniques, technology development and consultancy in gardening, and construction and maintenance of greenery.

As at the Latest Practicable Date, our equity interest in City Investment Virescence remained unchanged.

Taifu Diandang

Taifu Diandang was established in the PRC on 1 August 2013 as a limited liability company, with an initial registered capital of RMB30 million. At the time of its incorporation, Taifu Diandang was 27% owned by Broad Landscape (our wholly-owned subsidiary), 20% owned by Ms. Zhou Wei (周維) (a Pre-IPO Investor), and 53% owned by a number of Independent Third Parties.

Taifu Diandang is principally engaged in the pawn business in the PRC.

HISTORY AND DEVELOPMENT

Our Directors believed that our investment in Taifu Diandang would be profitable. However, in anticipation of the Listing and the fact that the pawn business does not, and will not, form part of our principal business, our Directors decided to dispose of our interest in Taifu Diandang to a third party. On 11 November 2013, Broad Landscape as transferor and Shanghai First Ocean Geological Engineering Company Limited* (上海第一海洋地質工程有限公司) (the “Shanghai Ocean”) (an Independent Third Party) as transferee entered into an equity transfer agreement, pursuant to which Broad Landscape agreed to transfer its entire equity interest in Taifu Diandang to Shanghai Ocean for a consideration of RMB8.1 million. The consideration was determined with reference to the registered capital of Taifu Diandang at the time.

However, under the relevant PRC laws, the shareholder of a company engaging in pawn business in the PRC shall not transfer or dispose of his equity interest in that company within two years of the date of acquisition. As such, by a termination agreement dated 20 December 2013, the equity transfer agreement between Shanghai Ocean and Broad Landscape was mutually terminated with immediate effect.

Our Directors confirm that the Company will endeavour to dispose of its entire equity interest in Taifu Diandang once the abovementioned two-year restriction has expired. Mr. Wu is one of the seven directors in the board of directors of Taifu Diandang and we do not control the board of directors of Taifu Diandang. We are not and undertake not to be involved, in the daily management and operation of Taifu Diandang.

THE PRE-IPO INVESTMENTS

In April 2013, the Pre-IPO Investors each invested in Broad Landscape (a wholly owned subsidiary of our Company) by acquiring certain equity interests in Broad Landscape from Mr. Wu, Ms. Xiao and the Management Shareholders. The proceeds received were retained by Mr. Wu, Ms. Xiao and the Management Shareholders and were not injected into our Group.

HISTORY AND DEVELOPMENT

Set out below is a summary of the Pre-IPO Investors' investments in Broad Landscape:

Investor	Date of investment agreement	Consideration (RMB)	Payment date of the consideration	Equity interest upon completion of the investment	Approximate percentage of shareholding in the Company immediately after Listing (note 1)
Mr. Zhao Guanghua (趙光華)	18 April 2013	300,000	20 April 2013	0.5%	0.34%
Mr. Chen	18 April 2013	900,000	20 April 2013	1.5%	1.03%
Ms. Zhou Wei (周維)	18 April 2013	600,000	20 April 2013	1%	0.68%

Note:

(1) Assuming the Over-allotment Option is not exercised.

In April 2013, Mr. Zhao Guanghua (趙光華), Ms. Zhou Wei (周維) and Mr. Chen each invested in Greenstate Landscape (a wholly owned subsidiary of our Company) by acquiring certain equity interest in Greenstate Landscape from Mr. Wu, Ms. Xiao and the Management Shareholders. The proceeds received were retained by Mr. Wu, Ms. Xiao and the Management Shareholders and were not injected into our Group.

The following table set forth the summary of the Pre-IPO Investors' investments in Greenstate Landscape:

Investor	Date of investment agreement	Consideration (RMB)	Payment date of the consideration	Equity interest upon completion of the investment	Approximate percentage of shareholding in the Company immediately after Listing (note 1)
Mr. Zhao Guanghua (趙光華)	18 April 2013	480,000	20 April 2013	0.5%	0.34%
Mr. Chen	18 April 2013	1,440,000	20 April 2013	1.5%	1.03%
Ms. Zhou Wei (周維)	18 April 2013	960,000	20 April 2013	1%	0.68%

Note:

(1) Assuming the Over-allotment Option is not exercised.

HISTORY AND DEVELOPMENT

Background of the Pre-IPO Investors

Mr. Zhao Guanghua (趙光華) is Mr. Wu's personal friend and was an Independent Third Party prior to his investment to our Group.

Mr. Chen was introduced to Mr. Wu by Mr. Zhao Guanghua (趙光華) and was an Independent Third Party prior to his investment to our Group.

Ms. Zhou Wei (周維) was introduced to Mr. Wu by Mr. Zhao Guanghua (趙光華) and was an Independent Third Party prior to her investment to our Group.

Cost per share

We have calculated the cost per share based on (i) the total investment amount the Pre-IPO Investors paid to Broad Landscape and Greenstate Landscape in April 2013; (ii) their shareholding in our Company upon completion of the Capitalisation Issue and the Global Offering (without taking into account any returns to them as a result of Shanghai Qianyi's acquisitions of Broad Landscape, Greenstate Landscape and Greenstate Gardening); and (iii) an exchange rate of RMB1.00 = HK\$1.2433. Each of the Pre-IPO Investors' cost per share amounted to approximately HK\$0.32.

Discount to Offer Price

Assuming the Offer Price is HK\$1.53, being the mid-point of the Offer Price range, the price paid by each of the Pre-IPO Investors for their investment to our Group represents a discount of approximately 79.1%.

Basis for consideration

The acquisition price paid by each of the Pre-IPO Investors was determined on an arm's length basis with reference to the respective equity valuation of the equity interest in Broad Landscape and Greenstate Landscape acquired by the Pre-IPO Investors as at 31 March 2013.

The strategic benefits from the Pre-IPO Investors

The Pre-IPO Investors agreed to provide consulting services to our Company on our Reorganisation and the Global Offering, which our Directors believe will benefit our Company.

Lock-up and public float

The Shares held by the Pre-IPO Investors will be subject to a lock up period of six months after the Listing. The Shares held by the Pre-IPO Investors will be considered as part of the public float for the purpose of Rule 8.08 of the Hong Kong Listing Rules.

HISTORY AND DEVELOPMENT

Pre-IPO Investors' special rights prior to the completion of the Global Offering

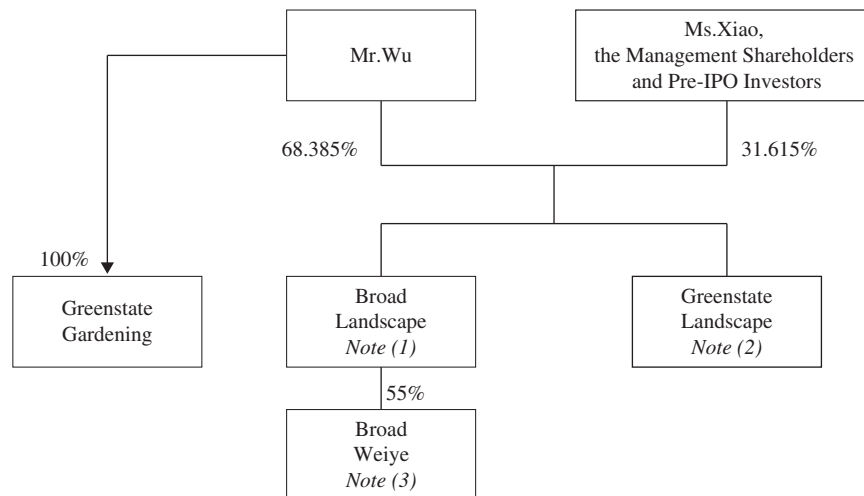
No special right has been granted to any of the Pre-IPO Investors.

Sponsor's confirmation

Based on the above, the Sole Sponsor has confirmed that the investments by the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010, the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Hong Kong Stock Exchange.

GROUP STRUCTURE PRIOR TO OUR REORGANISATION

The following corporate structure set forth the shareholding structure of our Group immediately prior to our Reorganisation:



Notes:

- (1) Prior to our Reorganisation, Broad Landscape was held as to 14.55% by Ms. Xiao, 4.85% by Mr. Shen Wenlin (沈文林), 2.425% by Mr. Song Shudong (宋曙東), 1.94% by Mr. Zhang Kequan (張克泉), 1.2125% by Mr. Jiao Ye (焦擘), 0.97% by Mr. Wang, 0.97% by Mr. Li Qiuliang (李秋亮), 0.7275% by Mr. Xiao Xu (肖旭), 0.485% by Ms. Zhu, 0.485% by Mr. She Lei (佘磊), 0.5% by Mr. Zhao Guanghua (趙光華), 1% by Ms. Zhou Wei (周維) and 1.5% by Mr. Chen, respectively.
- (2) Prior to our Reorganisation, Greenstate Landscape was held as to 14.55% by Ms. Xiao, 4.85% by Mr. Shen Wenlin (沈文林), 2.425% by Mr. Song Shudong (宋曙東), 1.94% by Mr. Zhang Kequan (張克泉), 1.2125% by Mr. Jiao Ye (焦擘), 0.97% by Mr. Wang, 0.97% by Mr. Li Qiuliang (李秋亮), 0.7275% by Mr. Xiao Xu (肖旭), 0.485% by Ms. Zhu, 0.485% by Mr. She Lei (佘磊), 0.5% by Mr. Zhao Guanghua (趙光華), 1% by Ms. Zhou Wei (周維) and 1.5% by Mr. Chen, respectively.
- (3) Prior to our Reorganisation, Broad Weiye was held as to 45% by Mr. Liu Ruifeng (劉瑞豐). Mr. Liu Ruifeng (劉瑞豐) is an Independent Third Party.

HISTORY AND DEVELOPMENT

OUR REORGANISATION

In preparation for the Global Offering, we carried out the Reorganisation, which consisted of a series of corporate restructuring, details of which are set out below:

Incorporation of Broad Landscape International

On 8 October 2013, Broad Landscape International was incorporated in the BVI with authorisation to issue a maximum of 50,000 shares with no par value. On 8 October 2013, 50,000 shares were allotted and issued to Mr. Wu as fully paid. Mr. Wu became the sole shareholder and beneficial owner of Broad Landscape International.

Incorporation of Eastern Greenstate International

On 9 October 2013, Eastern Greenstate International was incorporated in the BVI with authorisation to issue a maximum of 50,000 shares with no par value. On 9 October 2013, 50,000 shares were allotted and issued to Ms. Xiao, the Management Shareholders, Mr. Zhao Guanghua (趙光華) and Ms. Zhou Wei (周維) as fully paid. As a result, Eastern Greenstate International is owned as to 48.3148% by Ms. Xiao, 16.1049% by Mr. Shen Wenlin (沈文林), 8.0525% by Mr. Song Shudong (宋曙東), 6.442% by Mr. Zhang Kequan (張克泉), 4.0262% by Mr. Jiao Ye (焦擘), 3.221% by Mr. Wang, 3.221% by Mr. Li Qiuliang (李秋亮), 2.4157% by Mr. Xiao Xu (肖旭), 1.6105% by Ms. Zhu, 1.6105% by Mr. She Lei (佘磊), 1.6603% by Mr. Zhao Guanghua (趙光華) and 3.3206% by Ms. Zhou Wei (周維).

Incorporation of YiYu International

On 8 October 2013, YiYu International was incorporated in the BVI with authorisation to issue a maximum of 50,000 shares with no par value. On 8 October 2013, 50,000 shares were allotted and issued to Mr. Chen as fully paid. Mr. Chen became the sole shareholder and beneficial owner of YiYu International.

Incorporation of our Company

On 22 October 2013, our Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each. On 22 October 2013, 50,000 shares were allotted and issued to Broad Landscape International, Eastern Greenstate International and YiYu International as fully paid at par. As a result, our Company was owned as to 68.686% by Broad Landscape International, 29.8283% by Eastern Greenstate International and 1.4857% by YiYu International.

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

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

HISTORY AND DEVELOPMENT

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

On 25 June 2014, the Company increased its authorised share capital to HK\$100,000,000 divided into 1,000,000,000 shares of a par value of HK\$0.10 each, by the creation of an additional 996,200,000 shares of a par value of HK\$0.10 each to rank passu in all respects.

Incorporation of Greenstate Times

On 30 October 2013, Greenstate Times was incorporated in the BVI with authorisation to issue a maximum of 50,000 shares with no par value. On 30 October 2013, 50,000 shares were allotted and issued to our Company as fully paid. Our Company became the sole shareholder of Greenstate Times.

Incorporation of Greenstate International

On 12 November 2013, Greenstate International was incorporated in Hong Kong. On 12 November 2013, 10,000 shares were allotted and issued to Greenstate Times as fully paid at par. Greenstate Times became the sole shareholder of Greenstate International.

Incorporation of Shanghai Qianyi

On 26 December 2013, Shanghai Qianyi was established in the PRC as a wholly foreign owned enterprise with a registered capital of US\$2.0 million and is wholly-owned by Greenstate International.

Acquisitions of Broad Landscape, Greenstate Landscape and Greenstate Gardening by Shanghai Qianyi (the “Onshore Acquisitions”)

On 31 December 2013, Mr. Wu, Ms. Xiao, Management Shareholders and Pre-IPO investors transferred all of their shareholding interests in Broad Landscape to Shanghai Qianyi for a consideration of RMB72,925,200. The cash consideration was determined with reference to the net asset value of Broad Landscape at the time and was fully settled by Shanghai Qianyi on 14 March 2014.

On 31 December 2013, Mr. Wu, Ms. Xiao, Management Shareholders and Pre-IPO investors transferred all of their shareholding interests in Greenstate Landscape to Shanghai Qianyi for a consideration of RMB71,365,400. The cash consideration was determined with reference to the net asset value of Greenstate Landscape at the time and was fully settled by Shanghai Qianyi on 14 March 2014.

On 31 December 2013, Mr. Wu transferred all of his shareholding interest in Greenstate Gardening to Shanghai Qianyi for a consideration of RMB324,300. The cash consideration was determined with reference to the net asset value of Greenstate Gardening at the time and was fully settled by Shanghai Qianyi on 14 March 2014.

HISTORY AND DEVELOPMENT

Circular No.75 Registration

On 21 October 2005, the SAFE promulgated the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “Circular No.75”). According to Circular No.75, if a domestic resident uses an overseas special purpose vehicle (i.e. the overseas enterprise directly established or indirectly controlled by such domestic resident for the purpose of overseas stock financing for the assets or interests held by him in the domestic enterprise) to conduct return investment in the PRC, i.e. direct investment in the PRC, the domestic resident shall submit the required documents to the local branch of the SAFE to apply for going through the procedures for foreign exchange registration of overseas investments.

Our PRC legal advisers, Jincheng Tongda & Neal Law Firm, have advised us that each of Mr. Wu, Ms. Xiao, Management Shareholders and Pre-IPO Investors has made the foreign exchange registration for establishing the overseas special purpose vehicles (the “Establishment of SPV”) at the Shanghai Branch of SAFE by obtaining the SAFE registration in November 2013. Our PRC legal advisers, Jincheng Tongda & Neal Law Firm, confirm that with regard to the Establishment of SPV, our Group has complied with all the requirements under the Circular No.75.

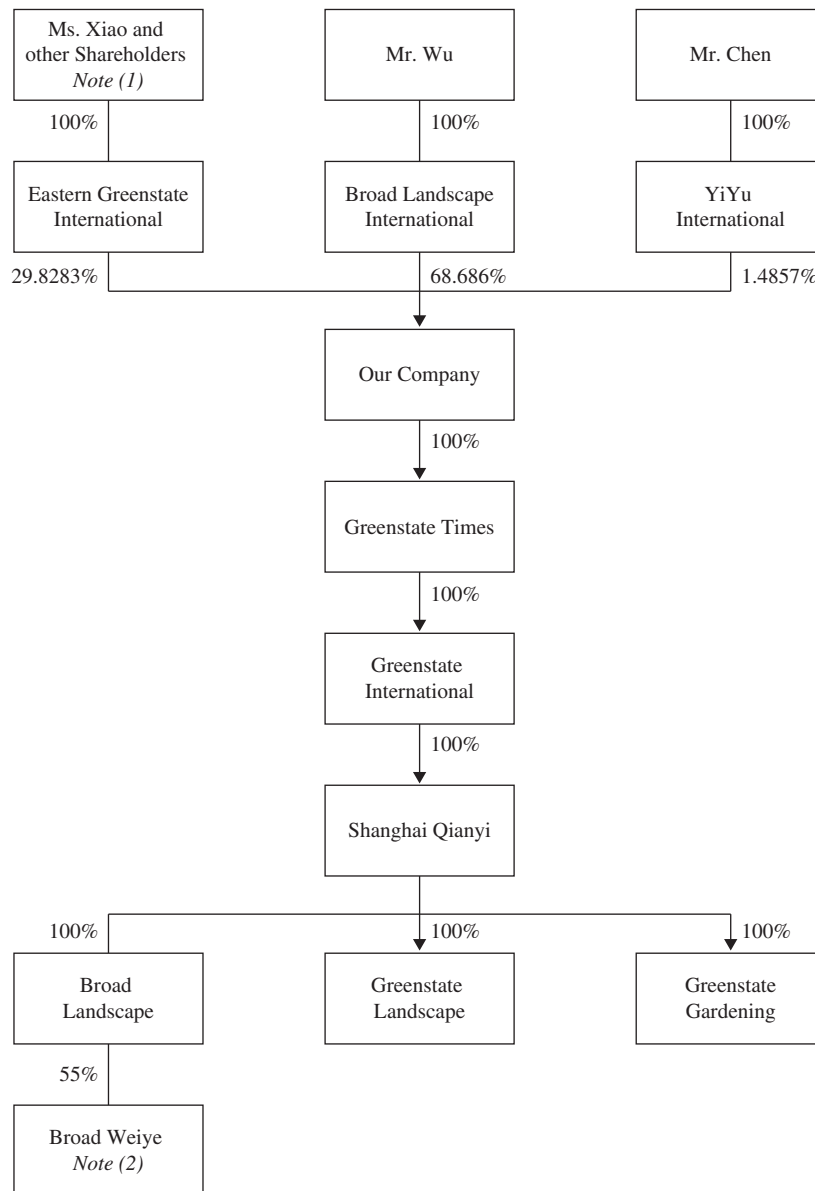
M&A Rules

According to Article 11 of the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), which became effective on 8 September 2006 and was amended on 22 June 2009, where a domestic individual person intends to take over his related domestic company in the name of an offshore company which he lawfully established or controls, the takeover shall be subject to the examination and approval of the MOFCOM. Our PRC legal advisers, Jincheng Tongda & Neal Law Firm, based on its understanding of current PRC laws, regulations and rules, has advised us that the Onshore Acquisitions will not be subject to the M&A Rules and that we do not require an approval from the CSRC and MOFCOM in accordance with the M&A Rules in respect of the listing and trading of the Shares on the Hong Kong Stock Exchange on the basis that Mr. Wu (our Controlling Shareholder) is not considered as a PRC “domestic individual” for the purposes of the M&A Rules as he obtained a permanent resident status from the Republic of Vanuatu and cancelled his residential registration in the PRC prior to the Onshore Acquisitions. Our PRC legal advisers further advise that it does not exclude the possibility of contrary regulations or interpretations of the M&A Rules promulgated by MOFCOM or other relevant PRC authorities.

HISTORY AND DEVELOPMENT

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF OUR REORGANISATION BUT BEFORE THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING

The corporate structure of our Group immediately after completion of the Reorganisation, but before the Capitalisation Issue and the Global Offering is set out below:



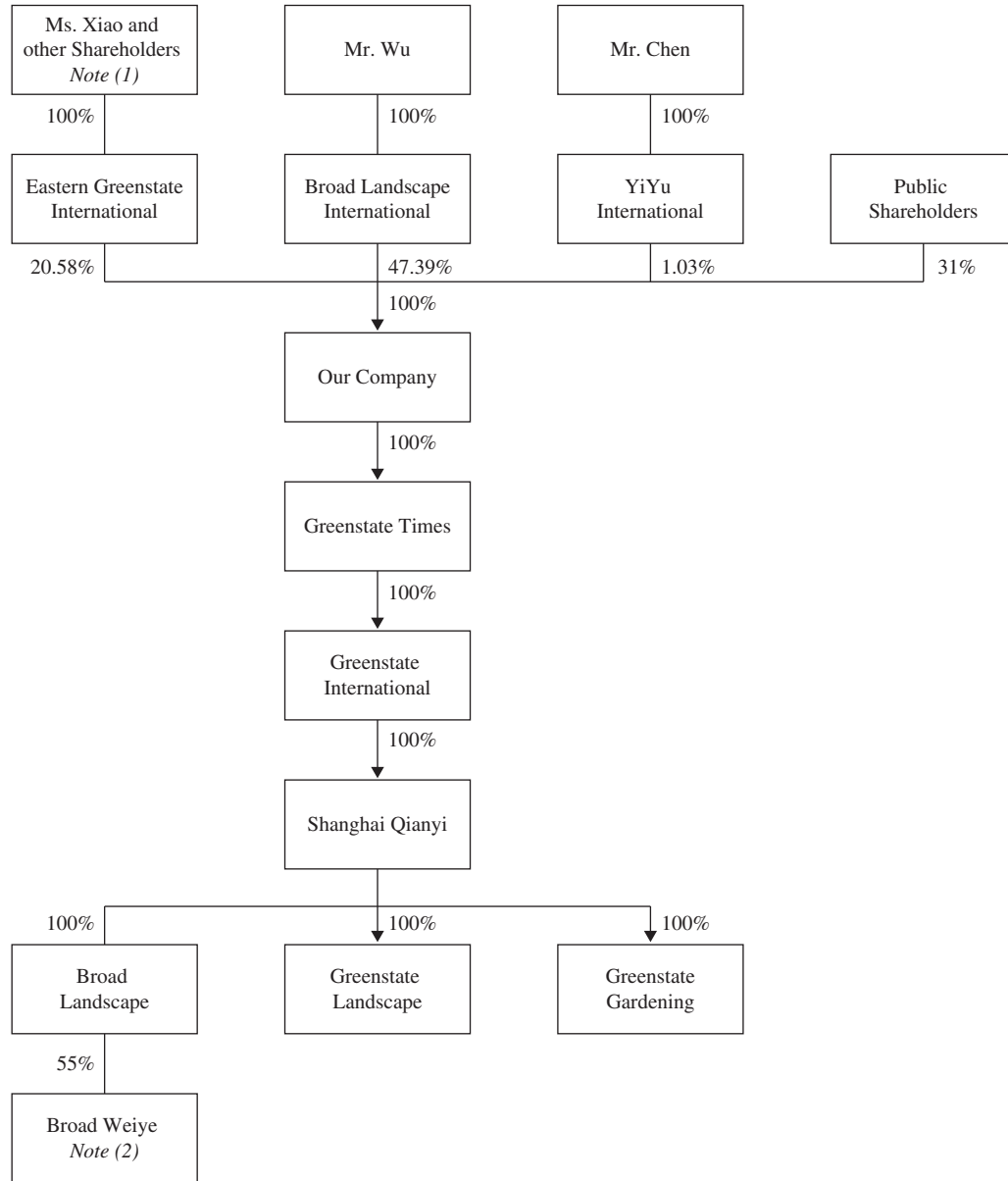
Notes:

- (1) Other Shareholders refer to Management Shareholders, Mr. Zhao Guanghua (趙光華) and Ms. Zhou Wei (周維). For the details of their shareholding structure in Eastern Greenstate International, please refer to the subsection headed “History and Development – Our Reorganisation – Incorporation of Eastern Greenstate International” in this prospectus.
- (2) 45% equity interest in Broad Weiye was held by Mr. Liu Ruifeng (劉瑞豐), an Independent Third Party.

HISTORY AND DEVELOPMENT

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING

The corporate structure of our Group immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option) is set out below:



Notes:

- (1) Other Shareholders refer to Management Shareholders, Mr. Zhao Guanghua (趙光華) and Ms. Zhou Wei (周維). For the details of their shareholding structure in Eastern Greenstate International, please refer to the subsection headed “History and Development – Our Reorganisation – Incorporation of Eastern Greenstate International” in this prospectus.
- (2) 45% equity interest in Broad Weiye was held by Mr. Liu Ruifeng (劉瑞豐), an Independent Third Party.

OVERVIEW

We are a fast-growing integrated landscape architecture service provider in China. We focus on major urban landscape projects across China and offer our customers “one stop” project-based landscape architecture service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance.

Since the commencement of our business in 2004, we have focused on delivering consistent, high quality and customised landscape architecture service. During the Track Record Period, we have completed over 50 landscape projects, including 18 major landscape projects⁽¹⁾ across five provinces and municipalities in China with a total initial contract value of approximately RMB494.9 million, which contributed approximately 64.8% of our total revenues recognised for the same period. Our major landscape projects in progress, but not yet completed, contributed approximately 23.3% of our total revenues recognised during the Track Record Period. Over the years, our landscape projects have received numerous accolades and industry awards, including the “Gold Award for Outstanding Landscape Project of China Landscaping Awards (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)”. We currently hold a Grade One qualification in urban landscape construction and a Grade Two qualification in scenery landscape design. Our Grade One qualification in urban landscape construction allows us to undertake any scale and form of landscape construction work, including but not limited to comprehensive parks, community parks, theme parks and gardens. Our Grade Two scenery landscape design qualification entitles us to undertake landscape design and planning work in medium to large scale landscape projects with a total investment value not exceeding RMB20.0 million. We believe that our dual industry qualifications give us a competitive advantage in our ability to undertake large-scale municipal and city level public sector landscape projects across China.

We receive progress payments on our landscape projects from customers on a monthly or bi-monthly basis, the amount of which is determined with reference to the value of the completed portion of the relevant projects. We are also currently undertaking a BT project in Chenzhou, Hunan province, the Chenzhou Project, for which we are not receiving any progress payments and we will only be paid upon completion of such project. We do not plan to significantly increase the proportion of BT projects in our landscape project portfolio in the foreseeable future. The revenue recognised in the Chenzhou Project during the Track Record Period represented approximately 16.7% of our total revenues recognised for the same period. We generally maintain the proportion of the revenue recognised from BT projects at around 30% of our total revenue recognised for a certain financial year. If, depending on our financial condition and resources, we are able to undertake more BT projects, we will consider increasing our number of BT projects accordingly, subject to Board approval. For the relevant risks and impact associated with undertaking BT projects, please refer to the subsection headed “Risk Factors – We face risks associated with undertaking BT and other similar projects” in this prospectus.

Note:

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

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As a result of our extensive project experience in different regions in China, we have acquired a deep understanding of local market conditions. We have also been able to develop an extensive information database relating to the sourcing and pricing of raw plant and scrub materials, as well as local qualified sub-contractors, which enable us to more accurately formulate our business strategies.

We have a strong and well-established customer base. Our top five customers during the Track Record Period mainly consisted of state and local governments and state-invested enterprises. The projects awarded by these customers have contributed approximately 73.7%, 58.0% and 71.9% of our total revenue for the three years ended 31 December 2011, 2012 and 2013, respectively. In addition, according to IPSOS, the landscape projects initiated by local governments and state-invested enterprises generally have higher payment credibility as compared to the projects initiated by private enterprises, and therefore the non-payment risk for the projects initiated by the local governments and state-invested enterprises is believed to be relatively lower.

We leverage our expertise in landscape planning and design and project construction to work with our customers in the initial stages of a project. We are also able to assist our customers to refine the landscape architecture plans prepared by third parties and transform them into detailed drawings. We oversee all aspects of a project's construction work and assume overall project management responsibility. We have developed 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 senior management may also track the progress of a project by checking the site photos uploaded onto the project management system. As a result, our information management system allows us to make prompt and informed decisions on project planning, procurement and quality control.

The PRC landscape architecture service market is a fast-growing industry. We believe the growth is attributable to the continuing steady growth in the PRC economy, and increasing urbanization and public demand for public and private parks and gardens with quality landscape. Although the growth rate of China's GDP decreased from approximately 9.3% in 2011 to approximately 7.7% in 2013, China remains one of the fastest growing economies in the world. According to IPSOS, the total revenue of landscape architecture service industry in China increased from approximately RMB160.4 billion in 2008 to approximately RMB417.5 billion in 2012, representing a CAGR of approximately 27.0% over such period. The landscape architecture service market is highly fragmented. There were over 17,000 landscape architecture service providers in China in 2012 with the top ten landscape architecture service providers, in aggregate, contributing only approximately 4.7% of the total revenue of the landscape architecture service industry in China for that year.

We grew rapidly during the Track Record Period. Our revenue increased by RMB44.6 million, or 25.2%, from RMB177.0 million for the year ended 31 December 2011 to RMB221.6 million for the year ended 31 December 2012, and further by RMB68.3 million, or 30.8%, from

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RMB221.6 million for the year ended 31 December 2012 to RMB289.9 million for the year ended 31 December 2013. Our net profit increased by RMB5.7 million, or 30.3%, from RMB18.8 million for the year ended 31 December 2011 to RMB24.5 million for the year ended 31 December 2012, and further grew significantly by RMB29.0 million, or 118.4%, from RMB24.5 million for the year ended 31 December 2012 to RMB53.5 million for the year ended 31 December 2013.

We have a strong order book of ten major landscape projects⁽¹⁾ in hand, with a total initial contract value of RMB846.8 million as at the Latest Practicable Date⁽²⁾. We commenced work on seven of these projects in 2013 and we have commenced, or expect to commence, work on the remaining three projects in 2014. We expect to complete all of these landscape projects by the end of 2015. Based on the relevant project construction schedules and delivery dates, we expect to recognise revenue of approximately RMB250.0 million from these projects for the six months ending 30 June 2014.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are crucial to our success and essential for our future growth:

We are a dual-qualified China-based integrated landscape architecture service provider holding a Grade One qualification in urban landscape construction and a Grade Two qualification in scenery landscape design

We are an integrated landscape architecture service provider with over ten years of business operation in China. We focus on municipal and city level landscape projects across China and offer our customers “one stop” project-based landscape architecture service solutions, including overall design and planning, construction and ongoing general maintenance services.

We hold a Grade One qualification in urban landscape construction which entitles us to undertaking any scale and form of landscape construction work, including but not limited to comprehensive parks, community parks, theme parks and gardens. Moreover, we hold a Grade Two qualification in scenery landscape design which entitles us to undertake landscape design and planning work in medium to large scale landscape projects with a total investment value not exceeding RMB20.0 million. Our dual industry qualifications enable us to leverage on our extensive experience in landscape construction, offer practical and efficient design concepts to our customers and translate such design concepts into functional construction work. Our dual

Notes:

- (1) Major landscape projects refer to projects with an initial contract value of RMB5 million or more.
- (2) Our order book as at a given date represents the total initial contract value of our projects that have not been completed, including the portion of revenue that we had recognised using the percentage-of-completion method in respect of certain projects as at such date.

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qualifications also give us the ability to undertake large-scale municipal and city level public sector projects which require providers to possess a high level of technical expertise in landscape design and planning, project construction work and ongoing project maintenance. We believe we have a competitive advantage in our ability to undertake these large-scale landscape projects which also tend to have a higher profit margin while enhancing our market reputation at the same time.

During the Track Record Period, we completed over 18 major landscape projects⁽¹⁾ in China with a total initial contract value of approximately RMB494.9 million. As at the Latest Practicable Date, we have a strong order book of ten major landscape projects⁽¹⁾ with a total initial contract value of RMB846.8 million, which comprised a total initial contract value of RMB453.3 million in respect of seven projects that commenced in 2013 and a total initial contract value of RMB393.5 million in respect of three additional projects that have commenced, or are expected to commence, in 2014. We believe our strong capabilities in landscape architecture services and high level of technical expertise and service quality are reflected in these successful projects and well recognised by our customers. We have received numerous accolades and industry awards, which include the following recent awards:

Award	Issuing authority	Year
The gold award for outstanding landscape project of China Landscaping Award (中國園藝杯優秀景觀金獎工程) in respect of our Fushun City Yue Ya Island project (撫順市月牙島綠化工程)	Jointly issued by the China Scenery Landscaping Association (中國風景園林協會), the China Urban City Development Research Association (中國城市建設研究會) and the China Market News (中國市場報)	September 2013
Outstanding landscape project award in Shanghai (上海市“園林杯”優質工程) in respect of our Shanghai Longhu-licheng project (上海龍湖-酈城項目)	Shanghai Landscape Architecture Garden Trade Association (上海園林綠化行業協會)	December 2012
The gold award for outstanding landscape project (優秀園林綠化工程獎金獎) in respect of our Shanghai Zi Qi Dong Lai project (first tender) (上海市紫氣東來景觀工程一標)	China Scenery Landscaping Association (中國風景園林協會)	October 2012

Note:

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

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We believe we are able to satisfy the requirements for a Grade One qualification in scenery landscape design. We intend to apply for a Grade One qualification in scenery landscape design by the end of August 2014 and expect to obtain this qualification in the first half of 2015.

We are well-positioned to capitalise on the fast-growing landscape architecture service market in China

The landscape architecture service market is a fast-growing industry in China. This rapid growth is attributable to the continuing steady growth in the PRC economy, and increasing urbanization and public demand for public and private parks and gardens with quality landscape.

As an integrated landscape architecture service provider in China with dual industry qualifications and a proven track record of 18 completed major landscape projects⁽¹⁾ across five provinces and municipalities in China, we believe we are well positioned to consolidate our strong market position in this fast growing market. Our ability to undertake major nationwide landscape projects across China is our competitive edge and crucial to the success of our business. As a result of our extensive project experience in different regions in China, we have acquired a deep understanding of local market conditions, both in terms of customer preferences as well as local climatic conditions and their effect on the adaptability and maintenance of different plants. Such experience also enabled us to develop an extensive information database relating to the sourcing and pricing of raw plant and scrub materials in various regions in China, as well as local sub-contractors who have the requisite qualifications to undertake specialised construction works in our projects. Our information database will in turn enable us to more accurately formulate our business strategies in connection with our expansion plan, marketing efforts, raw materials procurement and project construction and management. In addition, as we generate our revenue from a wide range of landscape projects across China, we are generally less prone to seasonal factors as compared to other more localised landscaping companies. Due to the above reasons, we are able to establish a geographically diversified customer base which helps us capture business opportunities and further expand our business coverage in this fast-growing market.

We have a strong and well-established customer base, many of which are state and local governments and state-invested enterprises

Since the commencement of our landscape architecture service business in 2004, we have focused on delivering consistent, high quality and customised landscape architecture service. Our strong market reputation and customer recognition for our high quality services have been critical factors in our ability to secure major project assignments. During the Track Record Period, we completed a number of major municipal and city landscape projects in China, such as the Zi Qi Dong Lai project (紫氣東來項目) in Shanghai, the Yue Ya Island project (月牙島項目) in Fushun, Liaoning province, and the Zhou Kou Park project (周口公園項目) in Zhou Kou, Henan province.

Note:

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

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We have also a strong customer base. Our top five customers during the Track Record Period mainly consisted of state and local governments, as well as state-invested enterprises. The projects awarded by these customers have contributed approximately 73.7%, 58.0% and 71.9% of our total revenue for the three years ended 31 December 2011, 2012 and 2013, respectively. We believe our relationship with state and local governments enables us to benefit from the increasing public demand for well-designed and landscaped community parks and gardens in urban cities in China. According to IPSOS, the landscape projects initiated by the local governments and state-invested enterprises generally have higher payment credibility as compared to the projects initiated by private enterprises, and therefore the non-payment risk for the projects initiated by the local governments and state-invested enterprises is believed to be relatively lower. We also believe that our public sector clients are in a better position, as compared to private enterprises, to provide us with a steady stream of new projects due to their social responsibility to meet public demand for public parks and gardens.

In addition, we believe such relationships with our clients enhance our brand recognition and our successful projects with these clients are good references for new clients in our targeted regions across China.

We offer a broad range of customised, integrated landscape architecture service with a proven track record of completed quality projects and effective project management

Leveraging our experience in the PRC landscape architecture service industry, we provide high-end landscape architecture service to meet customers' needs, as well as the requirements of local industry practices and climatic conditions. With our expertise in landscape planning and design and project construction, we work with clients in the initial stages of each project and customise and develop a design concept into construction plans and drawings. We also assist our customers to refine the landscape architecture plans prepared by third parties and transform them into detailed drawings. As a project contractor, we oversee all aspects of a project's construction work and assume overall project management responsibility for sub-contractors, raw materials procurement and quality control. We deploy an on-site project management team to ensure that all of our projects follow our comprehensive set of practices and guidelines on project implementation and management in different stages (such as the tendering process, procurement, construction, quality control and customer service). In addition, we regularly conduct on-site inspections on our sub-contractors' work and closely monitor the progress and quality of our projects. Due to our effective project management, we have achieved a high output per capita of approximately RMB2.7 million for the year ended 31 December 2012. According to IPSOS, our output per capita was more than 50% higher than those of the domestic-listed landscape architecture service providers.

We have also developed 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 for our projects. We also upload site photos of the projects regularly onto our project management system. Based on the project-based information, our senior management is able to track the progress of our projects. As a result, our information management system allows us to make prompt and informed decisions on project planning, procurement and quality control.

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As part of our “one stop” service solution, we also offer landscape maintenance services which generally include specialised plant maintenance and general repair and maintenance to preserve the attractiveness and viability of our landscape projects. As we have designed and developed our completed projects, we believe we are best-positioned to offer the most practical ongoing maintenance services for these projects.

We believe that our proven track record and our ability to deliver our projects to the satisfaction of our customers are crucial to the success of our business.

We have an experienced management team with a proven track record of generating growth

We have an experienced management team with extensive operational expertise and in-depth knowledge of the PRC landscape architecture service market. Our key management personnel have, on average, over nine years of experience in the PRC landscape architecture service industry, which has enabled us to understand the needs of our customers and successfully deliver tailored quality services. In particular, our Chairman and chief executive officer, Mr. Wu Zhengping, has over nine years of experience in the PRC landscape architecture service industry. In addition, Mr. Wu and the other members of our senior management team, namely Ms. Xiao, Ms. Zhu and Mr. Wang, have worked together as a team for over eight years. We believe that the vision, stability, experience and entrepreneurial spirit of our management team, together with their strong focus on customer needs, have contributed to the success of our business.

OUR STRATEGIES

We intend to strengthen our position in the PRC landscape architecture service market and enhance our overall competitiveness and market share by pursuing the following key strategic initiatives:

Further expand our business and geographical coverage in China

We aim to further strengthen our position in the regions where we currently have business operations by continuing to strengthen relationships with our customers and provide high quality services. We also intend to further expand to other regions in China by leveraging our strong brand name and project management capability. In particular, we plan to expand our business in Northeastern and Western China, as we believe these regions are less developed and will continue to benefit from the PRC government’s favourable policy to spur economic and infrastructure development in these regions, which we believe will lead to more state and city level landscape projects. We have established one subsidiary in Taiyuan, Shanxi province and one branch in Qingdao, Shandong province. We plan to establish more subsidiaries and branches to further expand our business across China. We also plan to leverage our strong customer base to further enhance our brand recognition as well as our successfully completed projects, which are good references for new customers in our targeted regions across China.

Further develop our project design and research and development capabilities

As a dual-qualified integrated landscape architecture service provider in China, we believe that strong project design capability is critical to our sustainable growth and further development in the future. We intend to invest more resources to further strengthen our design capability. We plan to recruit more designers to expand our project design team. Our Grade Two qualification in scenery landscape design allows us to undertake design work for medium to large scale landscape projects with a total investment amount not exceeding RMB20.0 million. Subject to the hiring of two additional design staff, we believe we will be able to satisfy the requirements for a Grade One qualification in scenery landscape design, which will allow us to undertake design work for landscape projects with a total investment amount exceeding RMB20.0 million. We intend to apply for a Grade One qualification in scenery landscape design by the end of August 2014 and expect to obtain this qualification in the first half of 2015.

We also intend to take advantage of new planting technologies by entering into strategic alliances with other biotechnology companies. We have acquired a 15% equity interest in City Investment Virescience, a biotechnology company focusing on rare plants nursery, planting and maintenance. We have also entered into a strategic cooperative agreement with Shanghai Gardening Science Research Institute* (上海市園林科學研究所) in December 2013 on the research and development of new and rare plant seedling cultivation. We believe that a good understanding of the cultivation and nurturing methods for rare plants and the relevant planting technologies will better positioned us to capture market opportunities and further strengthen our competitiveness.

Continue to apply new technologies and develop our information management system to further improve our work efficiency and service quality

We believe our efficiency and service quality are crucial to the success of our business. We intend to further improve our construction procedures and utilise advanced technologies and equipment in our business. We believe it will further improve the efficiency of our construction work and overall project management, and enable us to complete our landscape projects more efficiently and with better quality control.

We also intend to further develop our information management system and to enhance its functions for our project operation (such as online contract approval process, financial analysis, supplier and payment management and raw material price monitoring). We believe that our enhanced information management system will allow us to better monitor the key stages of our landscape projects to ensure quality and strengthen our control over costs and expenses so as to further increase our profit margin.

Continue to attract and retain more talented personnel

We believe our success and future growth strategies depend on our ability to attract and retain talented professionals. We take a long-term view on the recruitment, training and career development of our employees. In particular, we offer internship opportunities to students from

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Nanjing Forestry University* (南京林業大學) in Nanjing, Jiangsu province in China to attract talented employees with in-depth knowledge in the area of gardening and landscaping. We believe we will be able to selectively recruit well-qualified employees from these talent pools as we continue to grow our business. We also provide vocational job training to our employees to further improve their productivity and keep them abreast of the latest development in our business operations and the recent trend in the industry. We believe that, with the support of our well-trained and experienced employees, we are able to develop and implement our strategies to quickly respond to the developing trend in the industry and the business needs of our customers.

OUR PRINCIPAL BUSINESS

Overview

We focus on municipal and city level landscape projects and we offer our customers “one stop” service solutions, including design and planning, design refinement, construction, seedlings cultivation and maintenance. We generally act as a main contractor and are responsible for the overall management of a landscape project. We principally provide landscape design, construction and maintenance services to our customers.

Design

- We prepare an initial design plan for the purpose of tendering for a new project primarily based on the information we have collected from our on-site inspections and other tender documents. When we have successfully tendered the project, we prepare a detailed and specific design blueprint in accordance with our customer’s specifications in the relevant contract.
- We assist our customers to refine the landscape architecture plans prepared by third parties and transform them into detailed drawings based on the information we collected from our on-site inspections.

Construction

- We undertake landscape construction projects and provide an extensive range of services including cultivating seedlings and plants, paving garden pathways, modifying the layout of land and constructing facilities (such as bridges, cascade pools, pavilions and curtain walls), and installing lighting and utilities. We outsource all our construction work and general gardening work to our sub-contractors.

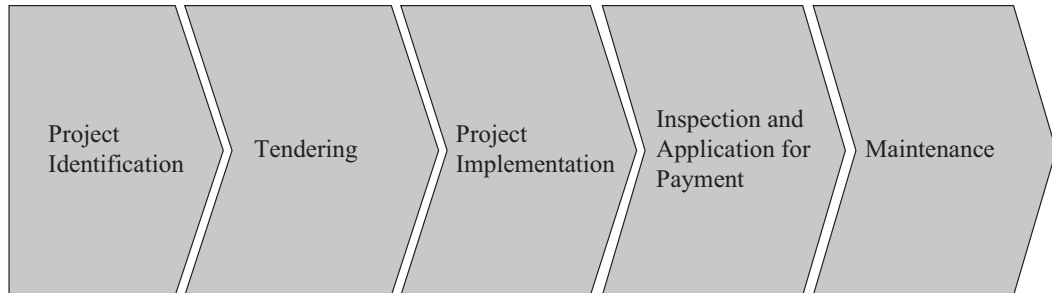
Maintenance

- We provide maintenance services for our landscape construction projects. Our maintenance services generally include plant maintenance, removal and replacement of dead plants, and facilities repair and maintenance.

OUR PROJECT OPERATION

General Operational Procedure

The following diagram illustrates the general operational procedures of our landscape architecture services:



Project identification

We generally identify potential projects through public tender invitations published in newspapers and relevant websites of local governments. We are also invited by local governments or property developers to tender for their new projects. If we express an interest after reviewing preliminary specifications of new projects, the local governments or the property developers will generally send us letters of invitation for tender, together with tender documents, to enable us to prepare for the tendering process.

Tendering

Before preparing our tender, we first review the tender documents and collect relevant information on the potential project. Based on the customers' specifications, we will estimate the level of work required and ensure that we can deploy sufficient resources to complete the project on schedule. We visit the project site to evaluate site conditions, environmental issues and project constraints. We also take into account our financial resources to finance the initial outlay for the new project and procurement of major raw materials, before we decide to bid for the project.

In the event that we decide to submit a tender for the project, our operation, construction, purchase and budget departments will jointly prepare our tender submission in accordance with the requirements and specifications as set out in the tender documents. In preparing our tender, we take into account various factors, such as site conditions, expected construction period, raw material requirements and technical specifications. In essence, we estimate the project costs (including raw material costs and labour costs) primarily based on the relevant project development schedule. Our budget department will then prepare a preliminary budget for review and approval by our senior management. During the Track Record Period, we had submitted tenders for 34 projects in total and were awarded 16 projects, representing a success rate of approximately 47.1%.

During the Track Record Period, we were engaged on certain projects as a sub-contractor by the main contractors, and as a result we did not participate directly in the tendering process.

Project implementation

Project design and formation of project management team

Our design team prepares a preliminary design plan for a landscape project during the tendering process. Once a project is awarded to us, our design team further discusses with our customers to understand their needs and requirements and then revises the preliminary design plan accordingly. Meanwhile, a project management team is formed to implement such project which comprises, amongst others, a project manager, a site engineer, a procurement manager and a number of other technical staff (such as safety supervisor and quantity surveyor chosen by the project manager). Our project management team is responsible for overseeing and monitoring the project. In particular, once a project commences, our project manager is responsible for on-site supervision and progress control to ensure that the construction work meets the requirements of the design plan and the project will be completed in accordance with the pre-agreed schedule under the relevant contract. Our project manager is also be responsible for the overall coordination and day-to-day operation of the project.

Procurement of raw materials

We are responsible for the procurement of major raw materials for a project and we take into account our procurement costs of raw materials and the estimated raw material price increases when preparing our project budget. Our procurement department collects price quotations of raw materials from our suppliers and sub-contractors for the new project and conducts market research on the prevailing market prices of such raw materials to ensure that we purchase high-quality raw materials at competitive prices.

We generally procure raw materials after the project is awarded to us. We enter into supply agreements with our suppliers for the procurement of major raw materials including plants and construction materials (such as steel and timber). When making procurement decisions for our raw materials, we estimate the amount of raw materials required for the particular project and compare the prices among a number of qualified suppliers before making a final order. We generally fix the prices of raw materials, without any price adjustment mechanism, in the supply and sub-contracting agreements. In preparing the budget of each project, we take into account the potential price fluctuations of raw materials and we generally pass any increase in costs of raw materials to our customers.

Lease of equipment

We lease certain heavy equipment for use at our project sites, for instance, single drum vibratory rollers, excavation trucks and tow truck.

Sub-contracting

Overview

We outsource all the construction work to our sub-contractors. We also outsource our general gardening work to sub-contractors who are mainly be responsible for the planting and plant maintenance work.

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Key contract terms

The major terms in our sub-contracting agreements are summarized as follows:

- the scope of sub-contracting work and sub-contracting rates or price;
- the commencement date and completion date of the sub-contracting work;
- the sub-contractors' obligation to procure such raw materials for the sub-contracting work. We generally inspect such raw materials and are entitled to reject the raw materials which do not meet our requirements. The sub-contractors will bear the relevant costs for the raw materials rejected by us;
- the payment terms comprising either: (i) progress payments payable in the agreed percentage with the sub-contractors based on the amount of progress payments we receive from our customers; or (ii) payments in accordance with milestone schedules (such as project completion and final inspection);
- the amount of liquidated damages if the sub-contractors fail to complete the relevant work on the agreed completion date;
- the amount of retention money which is generally 5% of the total amount of fees payable to the sub-contractors; and
- our rights to terminate the sub-contracting agreements in the event that the sub-contractors fail to complete the sub-contracting work on the agreed completion date or the quality of the sub-contracting work fails to meet our requirements.

Our sub-contractors are generally responsible for the procurement of raw materials (including seedlings and plants) required for their sub-contracted work. They generally pay for the raw materials and include the relevant costs in the sub-contracting price.

Selection of sub-contractors

We select our sub-contractors from our pre-approved list of sub-contractors which is reviewed and updated annually based on our performance assessment of each sub-contractor. We then invite them to submit quotations for our construction work. We generally take into account the following factors in respect of each sub-contractor when making a selection:

- Financial standing;
- Track record in respect of on-time delivery;

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- Qualifications and industry experience; and
- Compliance track record with our Group's policies.

During the Track Record Period, our purchases from our largest sub-contractor for the years ended 31 December 2011, 2012 and 2013 accounted for approximately 13.0%, 7.5% and 14.9% of our total cost of sales for the same periods, respectively, and our purchases from our largest five sub-contractors, in aggregate, accounted for approximately 20.5%, 16.1% and 25.9% of our total cost of sales for the same periods, respectively. To the best knowledge of our Directors, all of our sub-contractors are Independent Third Parties.

Inspection and application for payment

In the course of performing the on-site work, our project management team conduct on-site inspections on a regular basis to ensure that the work performed meet customers' specifications and requirements in the relevant contracts. Our senior management also closely monitor the progress of the project to ensure that the relevant construction work is completed within the budget and on schedule.

We generally receive progress payments from our customers pursuant to the terms of the relevant contract. We submit progress reports to our customers on a monthly or bi-monthly basis and based on these reports, we request the relevant progress payment. After our customers' designated engineers have inspected and confirmed the volume of work completed, our customers pay us an amount based on an agreed percentage ranging from 30% to 80% according to the terms of the relevant contract. For details, please refer to the subsection headed "– Key contract terms – Progress payments" in this section.

Our customers withhold the retention money, which normally ranges from 5% to 10% of the total contract value, in order to ensure the project is properly maintained during the warranty period after completion. The retention money can be used to off-set the repair and maintenance costs incurred by our customers during the warranty period, which is normally one to two years after completion of the inspection by our customers' designated engineers. The unused portion of the retention money is generally returned to us within one month following expiry of the warranty period.

Maintenance

Our maintenance work for landscape projects typically includes plant care and cultivation, removal and replacement of dead plants, and repair and maintenance of landscaping facilities. Most of our maintenance work is carried out during the warranty period, the cost of which is included in the total contract value of the project.

We also provide maintenance work for our projects after expiry of the relevant warranty periods or for other projects that were constructed by third parties. We charge a separate fee for such maintenance work.

OUR COMPLETED LANDSCAPE PROJECTS

We have completed over 50 landscape projects during the Track Record Period. The following table sets out our major landscape projects with an initial contract value of RMB5 million or more which were completed during the Track Record Period. These completed landscape projects contributed approximately 64.8% of our total revenue recognised for the same period. All the following completed major landscape projects are construction projects and their aggregate initial contract value accounted for approximately 46.7% of the total initial contract value (as explained below) of all our landscape projects during the Track Record Period. As advised by our PRC legal advisers, Jincheng Tongda & Neal Law Firm, as we hold a Grade One qualification in urban landscape construction, we are qualified to undertake these projects under PRC law:

Item	Project name	Customer type	Principal scope of project	Site address	Role (Main contractor/ Sub-contractor)	Initial contract value/ (approximate % of our total initial contract value) ⁽⁵⁾	Commencement	Completion	Amount of revenue recognised during the Track Record Period (RMB'000)
1	Sixth and seventh tender of Yue Ya Island in Fushun City	Government	Landscaping, lighting installation, low voltage electricity installation, drainage installation, construction and paving	Yong Ji North Road, Xin Fu District, Fushun City, Liaoning Province (遼寧省撫順市新撫區水濟北路)	Main contractor	185,326.3 (17.5%)	June 2011	June 2013	232,122.9 ⁽¹⁾
2	Zi Qi Dong Lai	State-invested enterprise	Greenery, cultivation and utilities installation	Town Centre, Jiading New City, Shanghai (上海市嘉定新城中心區)	Sub-contractor	113,972.4 (10.8%)	November 2009	December 2012	79,221.2 ⁽⁴⁾
3	Shanghai Longhu Haowang Mountain	State-invested enterprise	Greenery, cultivation, landscaping and maintenance	Songjiang District, Shanghai (上海市松江區)	Main contractor	23,947.7 (2.3%)	February 2011	August 2012	17,843.6 ⁽²⁾
4	Suhte Dingcheng Garden, Wujiang	Private enterprise	Outdoor landscaping, seedling cultivation, garden decoration, cascade pools, outdoor furniture, lighting installation and fitting installation, and maintenance of seedlings	West Road Block Intersection of Mei Shi Road, Jiang She Road, Wu Jiang City, Jiangsu Province (江蘇省吳江市江庫路梅石路交叉口以西地塊)	Main contractor	20,101.3 (1.9%)	July 2011	April 2013	12,295.3 ⁽²⁾

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Item	Project name	Customer type	Principal scope of project	Site address	Role (Main contractor/Sub-contractor)	Initial contract value/ (approximate % of our total initial contract value) ⁽⁵⁾	Commencement	Completion	Amount of revenue recognised during the Track Record Period (RMB'000)
5	Zhoukou Park	Government	Lake landscaping in Zhoukou Park	Zhoukou Park Zhoukou City, Henan Province (河南省周口市周口公園)	Main contractor	19,000.0 (1.8%)	September 2009	December 2012	17,505.7 ⁽²⁾
6	Second tender of the landscape project of Jiangnan Avenue on the Changxing Island, Shanghai	State-invested enterprise	Greenery, cultivation, earthwork, utilities installation, drainage and two-year maintenance	Jiangnan Avenue, Changxing Island, Chongming District, Shanghai (上海市崇明區長興島江南大建)	Main contractor	17,036.9 (1.6%)	April 2010	September 2010	3,192.0 ⁽³⁾
7	Third tender of the landscape project of south bank levee crown, west of Ba River, Wei He Xi'an City Section	Government	Roadside landscape	Third Section, South Coast Top Embankment Greenery Construction, Duan Ba River West, Xian City, Weihe River Xi'an City, Shanxi Province (陝西省西安市渭河西 安城市段瀾河以西段南 岸堤頂綠化工程3標段)	Main contractor	16,833.4 (1.6%)	January 2011	February 2013	13,081.8 ⁽³⁾
8	Jiading Xincheng Demonstrative Senior High School	State-invested enterprise	Greenery, cultivation and plant transfer	A05-1, A05-2 Plot, Jiading New City Town Centre Shanghai (上海市嘉定新城中心 區A05-1、A05-2地塊)	Main contractor	15,279.9 (1.4%)	April 2012	October 2012	14,873.0 ⁽²⁾
9	Nuclear Power Technology Research Centre of China Nuclear Power Engineering Co., Ltd., Shanghai	Private enterprise	Laying soil, turf and tree cultivation, irrigation sprinkler system installation, garden articles, litter bin and lighting, roof top garden construction, and one-year landscaping maintenance and park drainage works	52 In Lot, Wu Jing Zhen Gong, Min Xing District, Shanghai (上海市閔行區吳淞鎮 工-52地塊內)	Main contractor	14,297.3 (1.3%)	December 2012	September 2013	8,193.7 ⁽²⁾

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Item	Project name	Customer type	Principal scope of project	Site address	Role (Main contractor/Sub-contractor)	Initial contract value/ (approximate % of our total initial contract value) ⁽⁵⁾	Commencement	Completion	Amount of revenue recognised during the Track Record Period (RMB'000)
10	Watercourse of transversal stream of Jinxi Eco-Industrial Park, the waterfront landscape project of Zhujiajian and the waterfront landscape project of east and west of Ganjiadian	Government	Roadside landscaping	Jinxi Ecological Industrial Zone Kunshan City, Jiangsu Province (江蘇省昆山市錦溪生態產業區)	Main contractor	11,570.1 (1.1%)	April 2011	August 2011	717.5 ⁽³⁾
11	Phase IV of Tianmu International Village	Private enterprise	Foundation work, stream construction, paving, earthwork and other landscaping works	Phase IV of Li Yang City Tian Mu International Village Jiangsu Province (江蘇省溧陽市天目國際村4期內)	Main contractor	9,885.2 (0.9%)	September 2011	December 2012	9,885.2
12	Phase I of Xingang City	State-invested enterprise	Levelling, lighting installation and utilities seedlings cultivation and maintenance	Tianbao Road, Pudong New Area, Shanghai (上海市浦東新區天寶路)	Main contractor	7,667.3 (0.7%)	December 2010	August 2013	6,146.1 ⁽²⁾
13	Phase II of Baoshan Xincheng Zichen Yuan	Private enterprise	Earthwork, planting and greenery, garden decoration, lighting and utilities installation and maintenance	South of Mei Pu Road, North of Green Dragon, East of Yang Tai Road, West of Jiang Yang North Road Baoshan District, Shanghai (上海市寶山區滬浦路南側、綠龍、江楊北路西側)	Main contractor	7,438.7 (0.7%)	November 2012	January 2013	3,270.4 ⁽²⁾
14	Fuli Taoyuan, Shanghai	Private enterprise	Construction and maintenance of landscaping work	Qiangpu District of Shanghai (上海市青浦區)	Main contractor	7,414.8 (0.7%)	June 2012	August 2012	4,957.2 ⁽²⁾

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Item	Project name	Customer type	Principal scope of project	Site address	Role (Main contractor/ Sub-contractor)	Initial contract value/ (approximate % of our total initial contract value) ⁽⁵⁾	Commencement	Completion	Amount of revenue recognised during the Track Record Period (RMB'000)
15	Residential scenery landscape project of Lot C, Rail Transit Line 11, Chengbei Road Station	Private enterprise	Outdoor landscaping, decoration, paving and two-year maintenance	388 Chenjiashan Road, Jiading District, Shanghai (上海市嘉定區陳家山 路388弄)	Sub-contractor	6,700.0 (0.6%)	August 2011	March 2012	7,050.0 ⁽¹⁾
16	Section II tender of the southern region of Longfor Rose and Ginkgo Villa Project, Wuxi	Private enterprise	Construction of landscape, garden facilities and utilities installation	Yan Lan Hill Block, District Road Junction, Jing Hui West Road, Tai Hu International Technology Park, Wuxi New Zone Jiangsu Province (江蘇省無錫市新區太 湖國際科技園淨慧西 道、具區路交界處蠡湖 山地塊)	Main contractor	6,420.7 (0.6%)	June 2011	October 2011	7,946.6 ⁽¹⁾
17	New Huadong International Building	State-invested enterprise	Outdoor landscape architecture work	1540 Pudong South Road Pudong New Area, Shanghai (上海市浦東新區浦東 南路1540號)	Sub-contractor	6,101.7 (0.6%)	July 2011	December 2012	6,146.3 ⁽¹⁾
18	Riyue Guang Centre	Private enterprise	Rooftop and courtyard greenery and seeding cultivation, paving and flower box installation	Chujia Hui Road and Ruijin Second Road, Jing'an District, Shanghai (上海市靜安區徐家匯 路及瑞金二路)	Sub-contractor	5,861.8 (0.6%)	March 2011	June 2012	1,643.6 ⁽³⁾
Total						494,855.5 (46.7%)			446,092.1

Notes:

- (1) The difference between the initial contract value and the amount of revenue recognised during the Track Record Period is mainly attributable to modification(s) to and/or increase(s) in the workload of relevant project.
- (2) The difference between the initial contract value and the amount of revenue recognised during the Track Record Period mainly represents the final amount pending completion of the Settlement Audit (as defined below).
- (3) The difference between the initial contract value and the amount of revenue recognised during the Track Record Period is mainly due to the reason that a major portion of the revenue has been recognised before we acquired Broad Landscape in 2011.
- (4) The difference between the initial contract value and the amount of revenue recognised during the Track Record Period is mainly due to the following: (i) a portion of the revenue had been recognised before the Track Record Period, and (ii) the final contract value is still subject to completion of the Settlement Audit (as defined below).
- (5) Our total initial contract value used in the calculation of the percentage represent the aggregate amount of initial contract value of all our landscape projects, in respect of which the relevant work commenced and revenue was recognised during the Track Record Period.

OUR LANDSCAPE PROJECTS IN PROGRESS

The following table sets out our major landscape projects with an initial contract value of RMB5 million or more which commenced, but were not completed, during the Track Record Period. These landscape projects in progress contributed approximately 23.3% of our total revenue recognised for the same period. All the following major landscape projects in progress are construction projects, except for the Chenzhou Project which included both construction and design work. The aggregate initial contract value of these major landscape projects in progress accounted for approximately 42.8% of the total initial contract value (as explained below) of all our landscape projects during the Track Record Period. As advised by our PRC legal advisers, Jincheng Tongda & Neal Law Firm, as we hold Grade One qualification in urban landscape construction, we are qualified to undertake these projects under PRC law, except the design work under the Chenzhou Project (please refer to the subsection headed “– Compliance Matters” in this section for details):

Item	Project name	Customer type	Nature of project	Site address	Role (Main contractor/ Sub-contractor)	Initial contract value/ (approximate % over our total initial contract value) ⁽³⁾	Commencement	Expected completion year	Amount of revenue recognised during the Track Record Period (RMB'000)
1	Changping Garden, Shandong Province	State-invested enterprise	Seedling cultivation, garden decoration, cascade pool, lighting, and utilities installation, and maintenance of seedlings	Chang Ping Hill Road, Zou City, Shandong Province (山東省鄒城市昌平山路)	Main contractor	40,374.4 (3.8%)	May 2011	2014	28,853.0
2	Bonan Lake System, Bole City	Private enterprise	Lawn and tree cultivation, soil leveling, tree pit digging, turf, seedling and tree cultivation and fertilisation, and other tree and seedling management work	Bole City, Xinjiang (新疆省博樂市)	Main contractor	50,000.0 (4.7%)	April 2013	2015	398.4
3	Chenzhou Project	State-invested enterprise	Garden landscaping, drainage and other ancillary works	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)	Main contractor	166,351.8 ⁽¹⁾ (15.7%)	December 2012	2015	48,523.4

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Item	Project name	Customer type	Nature of project	Site address	Role (Main contractor/ Sub-contractor)	Initial contract value/ (approximate % over our total initial contract value) ⁽³⁾	Commencement	Expected completion year	Amount of revenue recognised during the Track Record Period (RMB'000)
4	The first tender of Jiading ecological special construction project	State-invested enterprise	Greenery and cultivation, earthwork, garden paving, utilities installation and one-year maintenance	Outer ring of Jiangqiu Town Jiading District, Shanghai (上海市嘉定區江橋鎮外環綫)	Main contractor	15,764.3 (1.5%)	January 2008	2015	7,721.5
5	Artificial lake in Guoxin Suburban Forest Park, Shanxi	State-invested enterprise	One year greenery and cultivation	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)	Main contractor	39,300.0 (3.7%)	May 2013	2015	2,684.2
6	Beidaihe government office	Government	Design, greenery and planting, spray irrigation installation, garden passage paving, marble paving and raft pathway construction	Courtyard of Beidaihe Front Office Hebei Province (河北省北戴河接待辦公室的庭院)	Main contractor	39,860.0 (3.8%)	December 2010	2015	64,614.4 ⁽²⁾
7	Taiyuan Bei Zhonghuan	Government	Greenery, cultivation and earthwork	Bei Zhonghuan Taiyuan City, Shanxi Province (山西省太原市北中環)	Main contractor	101,689.6 (9.6%)	December 2013	2015	7,546.0
Total						453,340.1 (42.8%)			160,340.9

Notes:

- (1) The initial contract value for the construction and design work of the Chenzhou Project was approximately RMB163.1 million and RMB3.3 million, respectively.
- (2) The difference between the initial contract value and the amount of revenue recognised during the Track Record Period is mainly attributable to modification(s) to and/or the increase(s) in the workload of relevant project.
- (3) Our total initial contract value used in calculation of the percentage represented the aggregate amount of initial contract value of all our landscape projects, in respect of which the relevant work commenced and revenue was recognised during the Track Record Period.

OUR NEW LANDSCAPE PROJECTS WHICH COMMENCED IN 2014

The following table sets out our new landscape projects with an initial contract value of RMB5 million or more which customers awarded to us in 2013 and 2014, which did not commence, or no relevant revenue was recognised, during the Track Record Period. All these new landscape projects are construction projects. As advised by our PRC legal advisers, Jincheng Tongda & Neal Law Firm, as we hold Grade One qualification in urban landscape construction, we are qualified to undertake these projects under PRC law:

Item	Project name	Customer type	Nature of project	Site address	Role (Main contractor/Sub-contractor)	Initial contract value ⁽²⁾ (approximate % over our total initial contract value)	Actual/expected commencement date	Expected completion period	Amount of revenue recognised during the Track Record Period
						(RMB'000)			(RMB'000)
1	Third tender of Jiading ecological special construction project	State-invested enterprise	Greenery, cultivation and earthwork	Jiading District, Shanghai (上海市嘉定區)	Main contractor	26,397.3 (7%)	July 2014	2015	Nil ⁽¹⁾
2.	Fourth tender of Jiading ecological special construction project	Private enterprise	Greenery, cultivation and earthwork	Jiading District, Shanghai (上海市嘉定區)	Sub-contractor	17,094.6 (4%)	July 2014	2015	Nil ⁽¹⁾
3.	Quanzhou Taiwanese Merchants Investment Zone ("Quanzhou Project")	State-invested enterprise	Garden landscaping, drainage and other ancillary works	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)	Sub-contractor	350,000.0 (89%)	March 2014	2015	Nil ⁽¹⁾
						393,491.9 (100%)			Nil ⁽¹⁾

Notes:

- (1) Since these projects commenced or are expected to commence in 2014, no revenue was recognised during the Track Record Period.
- (2) Our total initial contract value used in calculation of the percentage represented the aggregate amount of initial contract value of all our new landscape projects which customers awarded to us in 2013 and 2014, which did not commence, or no relevant revenue was recognised, during the Track Record Period.

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We continue to actively identify new projects through various channels to achieve our sustainable growth. We regularly monitor the public tender invitations published in newspapers and relevant websites of local governments and closely follow up with our clients for new project opportunities.

We are currently negotiating with a State-invested enterprise for a new project mandate in Shanghai with an initial contract value of RMB13.0 million. The project is expected to commence in the second half of 2014 with an expected completion date before the end of 2014. As at the Latest Practicable Date, we had not entered into any legally-binding agreement with our customer in relation to this potential project in the capacity of a sub-contractor.

SUMMARY OF OUR LANDSCAPE PROJECTS AWARDED IN 2013

The table below sets out the initial contract value, recognised revenue and net value of backlog of our landscape projects which were awarded to us and of which certain work was completed during the year ended 31 December 2013:

	<u>31 December 2013</u>
	<i>(RMB'000)</i>
Initial contract value of landscape projects awarded in 2013 ⁽¹⁾	428,942
Revenue recognition ⁽²⁾	81,073
Net value of backlog ⁽³⁾	347,869

Notes:

- (1) Initial contract value of landscape projects awarded in 2013 refers to the aggregate initial contract value of the landscape projects which were awarded to us and of which certain work was completed during the year ended 31 December 2013. We expect to complete all of these landscape projects by the end of 2015.
- (2) Recognised revenue refers to the portion of the total revenue of these projects that was recognised in respect of the completed work for the year ended 31 December 2013.
- (3) Net value of backlog refers to the portion of the total revenue of these projects that was not recognised for the year ended 31 December 2013.

The net value of backlog as at 31 December 2013 was generally higher than the backlog we had experienced during the Track Record Period, primarily due to the Chenzhou Project, which has a total initial contract value of approximately RMB166.4 million and the recognized revenue for the year ended 31 December 2013 was only approximately RMB46.6 million.

KEY LANDSCAPE CONSTRUCTION CONTRACT TERMS

General summary of key contract terms

We enter into legally binding contracts with our customers in respect of our landscape projects. We generally undertake three types of landscape projects, namely landscape construction project, design project and maintenance project.

In general, the landscape construction contracts contain terms relating to initial contract value, scope of work, completion date, payment terms, retention money, warranty period, events of default and termination. The key terms of our landscape construction contracts which are applicable to both public and private sector customers are summarised below:

Initial contract value

An initial contract value is determined by applying the unit price of each category of construction work or raw materials (“Unit Price”) to the estimated volume of construction work or raw materials in accordance with the specifications in the tender documents. For example, if it is estimated, according to the tender documents for a new landscape project, that 100 palm trees will be required to complete the project and the Unit Price for such palm tree is RMB1,000 per tree, then the initial contract value of this project will be RMB1,000 x 100 = RMB100,000. The Unit Price for each category of construction work and raw materials specified in the construction contracts is fixed and cannot be changed, but the actual volume of construction work or raw materials used may be adjusted in accordance with the volume of work as confirmed by our customer’s designated engineer.

Progress payments

In general, we submit progress reports to customers on a monthly or bi-monthly basis in respect of the value of work we have performed, which is required to be certified by our customers’ designated engineers. A certain percentage (“Progress Payment Percentage”), ranging from 30% to 80%, is applied to the amount of the completed work in accordance with development stages of the projects or specific categories of work under the relevant contracts. Our customers then make payments in accordance with the amount of the completed work as certified by customers’ designated engineers for a certain month multiplied by the respective Progress Payment Percentage. We generally grant a credit period of seven to 42 days to our customers.

When a project is completed (which generally include other works performed by other contractors or companies), our customer’s designated engineers conduct a final inspection of the project and our customer’s designated accountant will conduct a final audit of the project (the “Settlement Audit”). A final contract value is determined by applying the Unit Price to the actual volume of the construction work or raw materials as certified by our customer’s designated engineer. Accordingly, all outstanding contract value other than the amount of retention money is paid to us after completion of the Settlement Audit.

Warranty period

Our customers normally require a warranty period during which we are responsible to rectify any work defect and preserve the viability of the seedlings and plants. The warranty period for greenery is normally two years while for others (including construction work and utilities) is one year.

Once our customers identify any defects, we must send our staff to remedy such defects within a specified time. If we are unable to send our staff to remedy the defects within a specified time period, our customers may repair the defects themselves and the costs incurred may be deducted from the retention money.

During the Track Record Period, there were no material claims of defects by our customers in respect of our landscape projects.

Retention money

In accordance with industry practice, our customers typically withhold a portion of the outstanding contract value as retention money upon completion of the Settlement Audit. The retention money is normally 5% to 10% of the total contract value of the project and released to us after the warranty period.

Modification to design or construction work

Our customers, in general, have the right to request us to make modifications when we perform relevant design or construction work according to the terms of the relevant contracts. We may also submit to our customers proposals of modifications to the initial design or construction plans to ensure better project quality. Pursuant to the terms of the relevant contracts, following such modifications, we are generally entitled to propose a new contract value by submitting a written report to our customers within a specified time period. After our customers' engineers have confirmed the new contract value, the customers generally make payment of the new contract value according to the original payment schedule under the relevant contracts.

Events of default

In order to secure timely and due performance by relevant parties, the contracts generally include certain events of default which entitle either party to claim damages upon occurrence of such events. The events of default in respect of which our customers may claim damages against us include project delay, sub-standard work quality and any other non-performance of our obligations under the contract. The events of default in respect of which we may claim damages against our customers include overdue payments by our customers, our inability to proceed with the relevant work as a result of the overdue progress payments by our customers and the non-payment of progress payments by our customers when the project has been completed.

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The amount of liquidated damages for a delay in completing the relevant work is, in general, determined on a daily basis with reference to a specified percentage of the total contract value of the landscape project. With respect to other events of default, the liquidated damages are generally based on the actual economic loss incurred by the parties to the contracts. During the Track Record Period, we did not experience any material delay in respect of our landscape projects where we were required to pay liquidated damages to our customers.

Termination

In general, the contract includes certain conditions which entitle either party to terminate the relevant contracts. Our customers are entitled to terminate the contract when we sub-contract all our work to a third party. We are generally entitled to terminate the contract when our customers fail to pay the progress payments within a specified period of time. The contract can also be terminated upon mutual agreement between the parties.

Summary of key contract terms for the Quanzhou Project

Our customer is required to make progress payments to us according to the relevant work performed by us. Our customer has agreed to pay us 30% of the amount of work certified by its engineers on a monthly basis. No prepayment or deposit from us is required.

When the Settlement Audit is completed following completion of the project, 20% of the contract value of the project (excluding finance costs) will become payable to us. The remaining 50% of the contract value (excluding finance costs) will be paid to us in a total of eight quarterly payments within 24 months following completion of the Settlement Audit. The finance costs will be calculated by applying the annual interest rate as quoted by the PBOC for the relevant periods to the amount of our project capital outlay as agreed by both parties. The finance costs are accrued on a monthly basis during the construction period and payable quarterly following completion of the Settlement Audit.

Summary of key contract terms for the Chenzhou Project

As at the Latest Practicable Date, we have one BT project in Chenzhou, Hunan province with an initial contract value of approximately RMB166.4 million, the Chenzhou Project. For details, please refer to the subsection headed “– Projects in progress” in this section. Certain key contract terms of the Chenzhou Project are different from those of our landscape projects.

There are no progress payments when we perform the relevant work of the Chenzhou Project. Our customer will only pay us when the Settlement Audit has been completed. We are entitled to a management fee which is based on 1% of the final contract value determined in accordance with the Settlement Audit.

We were required to pay RMB20 million which our customer has used to pay for the relevant expenses (mainly including expenses relating to expropriation of the land and buildings at the project site) during the preparation stage of the project. According to IPSOS,

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it is a standard industry practice to pay a deposit for a BT project in China. As advised by our PRC legal advisers, Jincheng Tongda & Neal Law Firm, our payment of such security deposit does not contravene any mandatory provisions of the General Provisions of Loan of the PRC (貸款通則) and other applicable PRC laws and regulations.

When the Settlement Audit has been completed, our customer in the Chenzhou Project will pay us our total investment costs, our management fee and accrued interest (collectively, the “Total Amount”). Our investment costs will comprise the final contract value as determined in accordance with the Settlement Audit. The interest is calculated by applying the monthly prime interest rate for lending terms of three to five years quoted by PBOC to the total actual investment costs. The Total Amount is payable in three instalments. The first instalment comprising 40% of the Total Amount is payable within 60 days following completion of the Settlement Audit (the “First Payment Date”). The second instalment comprising 30% of the Total Amount is payable one year following the First Payment Date and the third instalment comprising the remaining 30% of the Total Amount is payable two years following the First Payment Date.

We do not plan to significantly increase the proportion of BT projects in our landscape project portfolio in the foreseeable future. The revenue recognised in relation to the Chenzhou Project during the Track Record Period represented approximately 16.7% of our total revenues for the same period. We generally maintain the proportion of the revenue generated from BT projects at around 30% of our total revenue recognised for a certain financial year. If, depending on our financial condition and resources, we are able to undertake more BT projects, we will consider increasing our number of BT projects accordingly, subject to Board approval. For the relevant risks and impact associated with undertaking BT projects, please refer to the subsection headed “Risk Factors – We face risks associated with undertaking BT and other similar projects” in this prospectus.

MAJOR CUSTOMERS

Our target customers include state and local governments, state-invested enterprises and private sector customers such as property developers. During the Track Record Period, our largest customer contributed approximately 50.4%, 21.7% and 38.6% of our total revenue for the years ended 31 December 2011, 2012 and 2013, respectively, and our largest five customers, in aggregate, accounted for approximately 81.3%, 58.0% and 71.9% of our total revenue for the same periods, respectively. Our relationship with each of our largest five customers has exceeded three years.

None of our Directors or their respective associates or any Shareholder, to the best knowledge of our Directors, owns more than 5% of the issued Shares immediately after the completion of the Global Offering, or had any interest in any of our largest five suppliers during the Track Record Period.

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MAJOR QUALIFICATIONS AND LICENCES

We currently hold the following major licences and qualifications in the PRC:

Issue authority	Category	Holder	Licence class	Date or duration of validity of the licence	Authorised main scope of activities
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)	Broad Landscape	Grade One	13 April 2017	<ul style="list-style-type: none"> – Undertake landscape projects of any scale and of any type – Undertake land leveling, cultivation, construction of one-storey building with a total area less than 500 sq.m., decoration and installation of facilities and fittings such as flower bed, garden pathway, water system, fountains, rockeries, sculptures, square paving, connected embankment, landscape pedestrian bridge (with a single span less than 15 metres) and dock – Undertake integrated maintenance and management projects in greenery and landscaping of any scale and of any type – Engage in cultivation, production and management of plants, flowers, potted plants and lawn – Engage in technical consultation, training and information services in landscaping
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)	Broad Landscape	Grade Two	28 May 2019	Undertake design work of landscape projects with a total investment value not exceeding RMB20 million

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Issue authority	Category	Holder	Licence class	Date or duration of validity of the licence	Authorised main scope of activities
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)	Broad Landscape	Grade Three	13 January 2018	Undertake the following construction works with an individual contract value of not more than five times of the registered capital: <ul style="list-style-type: none"> – Buildings with 14 storeys or less and with a single span not exceeding 24 metres; – Structures with a height not exceeding 70 metres; and – Residential community or building complex with a gross floor area not exceeding 60,000 sq.m.

We acquired Broad Landscape in August 2011 and obtained the Grade One qualification in urban landscape construction, which entitles us to undertake any scale and form of landscape construction work, including but not limited to comprehensive parks, community parks, theme parks and gardens.

RAW MATERIALS AND MAJOR SUPPLIERS

The principal raw materials for our landscape projects are seedlings, plants, and general construction and building materials (such as cement, timber, steel, stone and sand).

We source all of our supplies from suppliers based in China. We currently maintain a multiple supplier policy for most of our supplies in an effort to avoid reliance on any single supplier. We believe that the sources of raw materials that our projects require are abundant in China. In preparing our tender submission for a new project, we conduct market research on the prevailing market prices of major raw materials to be used for the project and the track record of the suppliers located close to the project site. Accordingly, if any of our existing suppliers is no longer able, or willing, to supply raw materials to us at an attractive price, we will be able to identify suitable substitute suppliers in a timely manner.

In general, we enter into agreements with our suppliers for the procurement of raw materials for our landscape projects. The supply agreements generally set out specific species of seedlings and plants, prices, quantities, delivery period and payment terms. The suppliers deliver seedlings and plants that we can use immediately to the project site and such seedlings and plants are not recorded as our inventories. We inspect the seedlings and plants delivered to the project site to ensure that they meet our requirements. If we find that any of the seedlings

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and plants fail to meet our requirements, we reject such sub-standard seedlings and plants and the suppliers are required to redeliver new seedlings and plants which meet our requirements at their own costs. Credit terms given by our suppliers vary from cash payment on delivery to payment based on the timing that we receive payments from our customers in accordance with relevant agreements.

We generally fix prices of raw materials in the supply agreements, with no price adjustment mechanism, for the raw materials. In preparing the budget of each project, we take into account the potential price fluctuation of raw materials and we pass on any anticipated increase in costs of raw materials to our customers. During the Track Record Period, we did not experience any material shortage of our supply nor return raw materials to our suppliers.

We have conducted a sensitivity and break-even analysis in relation to changes in costs of our principal raw materials. Please refer to the subsection headed “Financial Information – Description of selected components of our income statements – Cost of sales” in this prospectus for details.

During the Track Record Period, our purchases from our largest supplier accounted for approximately 3.1%, 3.8% and 6.6% of our total cost of sales for the years ended 31 December 2011, 2012 and 2013, respectively, and our purchases from the largest five suppliers, in aggregate, accounted for approximately 13.7%, 13.1% and 17.0% of our total cost of sales for the same periods, respectively. Our suppliers mainly supply seedlings and plants to us. Our relationship with each of our largest five suppliers has exceeded three years.

None of our Directors or their respective associates or any Shareholder, to the best knowledge of our Directors, owns more than 5% of the issued Shares immediately after the completion of the Global Offering, or had any interest in any of our largest five suppliers during the Track Record Period.

QUALITY CONTROL

We have established a strict quality management system which is accredited with GB/T 19001-2008/ISO9001:2008/GB/T 50430-2007 standards in respect of construction, greening and maintenance of the landscape projects and GB/T 19001-2008/ISO9001:2008 standards in respect of the design of landscape projects. We obtained the certification by means of application. The certificate in respect of our quality management system was issued by Shanghai Audit Centre of Quality System (上海質量體系審核中心) on 20 March 2013 and remains effective until 19 March 2016.

Quality control team

Our quality control team comprises members from our operation department, construction department and administration department. The operation department is responsible for ascertaining our customer requirements, tendering and reviewing contracts. The construction department is responsible for constructing, monitoring and inspection of the quality of our projects. The administration department is responsible for ensuring that the qualifications of the relevant personnel remain effective.

Quality control measures over projects

Our quality control measures are implemented before the tender for a new project is obtained and can be segregated into different stages, namely pre-tender, construction and completion, which are described as follows:

- **Pre-tender:** For a given project, our operation department will contact our customer to ascertain the requirements of the project. Cross-departmental meetings are held between our operation department, construction department, design department and budget department in order to ensure that we have sufficient capability to fulfil our customer's requirements. Our procurement department collects price quotations of the raw materials to be used for the project from our suppliers and sub-contractors and conduct market research on the prevailing market prices of such raw materials in order to ensure that we purchase high-quality raw materials at competitive prices.
- **Construction:** After we are awarded the project, the project management team led by a project manager implements the construction plan in accordance with our customer's specifications. The project manager is responsible for monitoring the quality and the progress of the construction work. The project manager conducts on-site inspections of the progress of the project periodically, documents the inspection results and reports to the head of the construction department. If there are any existing or potential non-conformities with our customers' specifications, the project manager takes immediate rectification. At the end of each month, our project management team discusses the progress of the project with our construction team and sets out the progress in a report to our customer.
- **Completion:** Upon completion of the project, our customer's engineer and project manager conducts on-site inspection and document the status of the project. The operation department also conducts a post-completion inspection and obtains feedback from the customer.

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Quality control measures over suppliers

We impose stringent standards on the quality of raw materials used in our projects. In selecting our suppliers, we consider various factors such as quality of raw materials, price competitiveness, geographical location, after-sales service quality, reputation, delivery schedule, and reliability of supply. Based on our evaluation of suppliers according to the aforesaid factors during the course of our business operations, we have maintained a list of qualified suppliers. We inspect and conduct sample testing of the raw materials delivered to us. We reject those raw materials which are sub-standard or do not comply with our specifications. We review our list of qualified suppliers on a regular basis and we remove any supplier from the list, who provides us with sub-standard raw materials or who no longer meets our prescribed requirements.

Quality control measures over sub-contractors

We assess our sub-contractors in terms of their reputation, management capability, technology level, track record and ability to perform specific works under the relevant contracts. We keep a list of qualified sub-contractors based on our historical experience with them. Our construction department monitors and inspects on-site quality of the construction work undertaken by the sub-contractors. If there is any sub-standard work identified during our regular site inspection, we instruct the sub-contractors to rectify the defects as soon as practicable. We review the list of qualified sub-contractors on a regular basis. If we are not satisfied with the quality of work performed, we remove those sub-contractors from our list of qualified sub-contractors.

MARKETING

We place an emphasis on developing our brand image through our completed landscape projects in various cities. Our customers, existing or potential, are able to assess our project quality by visiting our completed landscape projects.

We have also implemented multi-faceted marketing strategies to promote our brand image through advertising on magazines, disseminating booklets with our project profile and posting information of our projects at our website.

In order to have better access to local government entities, we join trade and business associations organised by local governments. We are a standing committee member of the Shanghai Landscape Architecture Garden Trade Association (上海市園林綠化行業協會) and a member of the National Scenery Landscape Association (全國風景園林學會).

COMPETITION

According to IPSOS, the landscape architecture services industry in China is highly fragmented with the top ten landscape architecture services providers, in aggregate, accounting for approximately 4.7% of the total revenue of the landscape architecture services industry in China in 2012. According to IPSOS, our Group had a market share of approximately 0.05% of

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the landscape architecture services industry in China in terms of revenue in 2012. Landscape architecture service providers compete with each other in respect of landscaping artistry, customer base and project management. Our Directors believe that our integrated business model enables our Group to better control the cost and quality of the landscape projects and to provide customised one stop business solutions and services to our customers. Please refer to the subsection headed “Industry Overview – Competitive landscape” in this prospectus for detail.

ENVIRONMENTAL PROTECTION AND WORK SAFETY

Environmental protection

Our Group has adopted various environmental protection measures including noise control, construction dust control at the construction site. In order to reduce dust, we spray water on site when we undergo construction work, dismantling or cleaning up. We adopt various methods of noise control, which include isolation and enclosure of noisy equipment and limiting working hours.

Our construction department is responsible for the implementation of the environmental protection measures in the construction area at our project sites. Our administrative department is responsible for inspection and supervision of the environmental protection measures which apply to our project sites. Our operation department oversees the environmental protection management.

We believe that our business operation does not generate hazardous materials that would have a significant adverse effect on the environment.

Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not receive any notice of non-compliance with environmental laws and regulations nor has any relevant governmental authority imposed any penalty on us.

As advised by our PRC legal advisers, Jincheng Tongda & Neal Law Firm, we are not required to pay any fees in relation to environmental protection according to the relevant PRC laws and regulations.

Work place safety

We have developed and implemented various safety policies to monitor and record employee occupational health and safety. We strive to minimise work-related accidents and injuries. We require our employees to conduct annual body check to ensure that they are physically fit for work. Our operation department is responsible for the development and implementation of our safety policy and the project manager has on-site responsibility to monitor the implementation at our project sites. Vocational training is provided to the employees on a regular basis. In the event of an accident, the project manager will initiate the emergency plan and seek external rescue if needed. The project manager will report the incident to the vice general manager of our Company and complete the accident and emergency report. Investigation of the accident will be conducted to find out the underlying cause, to establish accountability and to identify improvement measures.

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However, despite our commitment and effort to providing a safe working environment, due to the nature of our operations and the inherent risks associated with working at various construction sites, accidents concerning trespassers or due to unauthorised use of any part of the construction sites, or factors not attributable to or controllable by us, are unfortunately inevitable. We are currently involved in a civil claim in relation to a fatal accident involving an employee of our supplier which occurred during the delivery of raw materials to one of our construction sites. Broad Landscape is being sued as a defendant, together with the supplier and our project manager supervising the relevant project, for total damages of approximately RMB470,000 (the “Claim”). As at the Latest Practicable Date, the Claim has not been settled and is under investigation by the relevant court.

Although our Directors believe that the above accident was not attributable to us, we nonetheless implemented enhanced safety measures in addition to our regular safety procedures to avoid such incident in future. We have implemented certain measures to control entry into any construction fields by external parties. We have also improved our safety control management areas at our project sites by reinforcing the responsibilities of our project managers according to our safety manuals and internal policies to ensure that the field workers and relevant landscape facilities are closely monitored. We also hold each project manager accountable for future accidents occurring at the project sites under supervision.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the PRC workplace safety regulatory requirements in all material respects. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material penalties associated with any material violation of any PRC workplace regulatory requirements and have not had any material claim against us as a result of any accident.

EMPLOYEES

As at the Latest Practicable Date, we have a total of 116 full-time employees (excluding our Directors) and all our employees are based in the PRC. The following table sets out the number of employees by function as at the Latest Practicable Date:

Operation	5
Procurement	3
Design	5
Construction	80
Budget	3
Administration	20
	<hr/>
Total	116
	<hr/> <hr/>

We have entered into an agreement with Nanjing Forestry University* (南京林業大學) for a recruitment programme. We also provide regular operational and technical training to our employees.

During the Track Record Period, we have not experienced significant labour disputes which have had or are likely to have a material adverse effect on our business operations.

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Social Insurance

As required under the Regulation of Insurance for Labour Injury (《工傷保險條例》), the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), we are obliged to provide our employees in the PRC with the social welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

We have provided our employees with certain benefits, including allowances, social insurance contributions (including unemployment insurance, medical insurance and pension insurance) and housing fund contributions. Our aggregate staff costs (including Directors' remuneration) amounted to approximately RMB3.1 million, RMB4.1 million and RMB5.4 million, representing approximately 1.8%, 1.8% and 1.9% of our total revenue for the same periods, respectively.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Hong Kong Listing Rules. As at the Latest Practicable Date, we owned one property, leased four properties and had the right to use one property in the PRC, and none of these properties had a carrying value of 15% or more of our consolidated total assets.

Self-owned Property

As at the Latest Practicable Date, we owned an apartment with a total gross floor area of approximately 140 sq.m. This apartment is located at No 86-90, Ronghua Road East, Changning District, Shanghai, PRC. We use this apartment mainly for our employees' accommodation.

Leased Properties

The following table sets out the details of the properties and nurseries we leased as at the Latest Practicable Date:

Address	Use	Lease term	Gross floor area	Rental per annum	Tenant	Landlord
				(RMB)		
Room 801-808, 1357 Meichuan Road, Putuo District, Shanghai, PRC	Office	Two years (1 January 2011 – 31 December 2013)	791 sq.m.	360,000	Greenstate Landscape	Mr.Wu and Ms. Xiao ⁽¹⁾

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Address	Use	Lease term	Gross floor area	Rental per annum (RMB)	Tenant	Landlord
Room 238, South Wing, Building No. 4, Fengjing Commercial City, 9135 Zhufen Road, Jinshan District, Shanghai, PRC	Registered address of Broad Landscape	20 years (7 June 2012 to 6 June 2032)	50 sq.m.	2,400	Broad Landscape	Shanghai Wanquan Zhaoshang Company Limited (上海萬泉招商有限公司)
Room 5, Level 1, Building 1, 179 South Inner Ring Street, Taiyuan, Shanxi province, PRC	Registered address of Broad Weiye	ten years (1 September 2013 to 31 August 2023)	45.96 sq.m.	12,000	Broad Weiye	Shanxi Shunde Real Estate Development Company Limited (山西順德房地產開發有限公司)
A parcel of land at Zhangqiao Village, Jin Shan Wei Town, Jin Shan District, Shanghai, PRC	Nursery	Three years (16 December 2013 – 15 December 2016)	215.75 mu (approximately 143,834 sq.m.) ⁽²⁾		Broad Landscape	Village committee of Zhangqiao Village

Notes:

- (1) The landlord of our office, Mr. Wu and Ms. Xiao, are our executive Directors and accordingly, the lease of our office constitutes a continuing connected transaction of our Group under the Hong Kong Listing Rules. For details, please refer to the section headed “Connected Transactions” in this prospectus.
- (2) The annual rental of the land at Zhangqiao Village is determined with reference to the national food price or prevailing market price of 550 catties of rice crops, plus an annual management fee of RMB100 per mu (or RMB21,575 per annum in total).

As at the Latest Practicable Date, we have not registered with the relevant local authorities our leases with Shanghai Wanquan Zhaoshang Company Limited* (上海萬泉招商有限公司) and Shanxi Shunde Real Estate Development Company Limited* (山西順德房地產開發有限公司) (collectively, the “Lessors”) primarily because the Lessors was unable to provide the proper property ownership certificates as required by the relevant local authorities. As advised by our PRC legal advisers, Jincheng Tongda & Neal Law Firm, the relevant lease agreements are effective, enforceable and binding under the PRC laws, although the Lessors and we may be required by the relevant PRC authorities to register the lease agreements and both the Lessors and we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease.

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Our Directors confirm that it would not take more than one month to find a suitable replacement with comparable rental terms and location for any of these leased properties. Based on the above, our Directors are of the view that these leased properties are, individually and collectively, not crucial nor material to our business.

Property Use Right

Greenstate Gardening is currently using a premise with a gross floor area of 100 sq.m located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, the PRC as its registered address in Shanghai. Mr. Wu Jie, a relative of Mr. Wu, has agreed to let Greenstate Gardening to use this premise as its registered address at nil consideration. Greenstate Gardening will continue to use this premise for such purpose after the Listing, which will constitute a continuing connected transaction of our Group under the Hong Kong Listing Rules. For details, please refer to the section headed “Connected Transactions” in this prospectus.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have not registered any trademarks or patents in the PRC. We are the registered owner of four domain names, namely “broad-greenstate.com.cn”, “broad-greenstate.cn”, “greenstate.com.cn” and “greenstate.cn”, as at the Latest Practicable Date.

As at the Latest Practicable Date, we have applied for registration of our brand “Broad Greenstate” as trademark with the Trade Marks Registry of the Intellectual Property Department in Hong Kong.

As at the Latest Practicable Date, we are not engaged in or threatened with any dispute or claims for infringement of any intellectual property rights, whether as a claimant or as a defendant. For further details relating to our intellectual property, please refer to the subsection headed “Statutory and General Information – Further information about our Business – Intellectual property rights of our Group” in Appendix V to this prospectus.

INSURANCE

We do not maintain insurance coverage on our properties, machinery, equipment, third party liability or against personal injuries that may occur during construction of our projects. Our sub-contractors are responsible for quality and safety control during construction of our projects and are required to maintain accident insurance for their own construction workers pursuant to PRC laws and regulations. We believe that the insurance policy of our Group is consistent with the customary industry practices adopted by landscape architecture service providers in China. However, we may not have sufficient financial resources to cover such losses, damages and liabilities that may arise in our business operations. Please refer to the subsection headed “Risk Factors – Risks related to our business – We do not have insurance to cover damages to our assets and other risks related to our operations” in this prospectus for details.

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RESEARCH AND DEVELOPMENT

We believe that research and development is crucial in maintaining our competitive advantages. We intend to enter into strategic alliances with other biotechnology companies to take advantage of new planting technologies. We have acquired a 15% equity interest in City Investment Virescience, a biotechnology company focusing on rare plant nursery, planting and maintenance. We also entered into a strategic cooperative agreement with the Shanghai Gardening Science Research Institute* (上海市園林科學研究所) (“Shanghai Gardening Science”) in December 2013 on research and development on new and rare plant seedling cultivation. According to such agreement, Shang Gardening Science will provide us with technical know-how such as seedling selection, soil improvement and planting skills as well as necessary trainings for our employees. This cooperative agreement further provides that the title to, and the benefits of, the intellectual property rights developed under this agreement shall be shared between the parties unless otherwise agreed. This cooperative agreement shall be valid for a term starting from 27 December 2013 and ending on 27 December 2016.

We will continue to explore opportunities to form collaboration and cooperation with companies and institutions with research and development capabilities to nurture and improve the quality of rare species of seedlings and plants.

COMPLIANCE MATTERS

Save as disclosed below, our Company and all of our subsidiaries have obtained and currently maintain all necessary permits and licences required for our business activities, and during the Track Record Period and up to the Latest Practicable Date, we have been in compliance in all material respects with relevant PRC laws and regulations relating to landscape architecture services.

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We set out below the material non-compliance matter relating to our Group during the Track Record Period:

Non-compliance incident and reason	Legal consequences and potential maximum penalties	View of our PRC legal advisers	Rectification measures taken/to be taken to prevent any future breaches
<p>Our Grade Two scenery landscape design qualification allows us to undertake design work in medium to large scale scenery landscape projects with a total investment value not exceeding RMB20 million. We are currently undertaking the Chenzhou Project, which has a total initial contract value of approximately RMB166.4 million.</p> <p>The non-compliance incident was due to the following: (i) the tender description expressly allowed a Grade Two scenery landscape design qualification holder to bid for the Chenzhou Project; and (ii) the Planning and Construction Section of the Chenzhou Export Processing Zone Administration Bureau in Hunan province (湖南郴州出口加工區管理局規劃建設科) (the “Planning and Construction Section”), the relevant authority overseeing the Chenzhou Project, had approved us as one of the tendering parties notwithstanding the fact that we only hold a Grade Two scenery landscape design qualification.</p>	<p>According to the relevant PRC laws and regulations, Broad Landscape may be required by the relevant local authorities to cease work on the Chenzhou Project and to pay a fine of not less than the amount equal to the relevant contract value of the design work (the “Design Work Value”) and not more than twice the amount of the Design Work Value. Based on the Design Work Value of the Chenzhou Project, which is approximately RMB3.27 million, the potential maximum fine will be approximately RMB6.54 million. The relevant local authorities may also confiscate all of our revenue generated from the relevant design work, require Broad Landscape to suspend such work and downgrade our Grade Two scenery landscape design qualification. Further, if such non-compliance is deemed as serious by the relevant local authorities, our Grade Two scenery landscape design qualification may also be revoked.</p>	<p>Our Directors have confirmed that: (i) the Planning and Construction Section only required that the tendering party shall hold, among other qualifications, a Grade Two scenery landscape design qualification in the public tender invitation; (ii) the Planning and Construction Section selected us as one of the tendering parties notwithstanding the fact that we only hold a Grade Two scenery landscape design qualification; and (iii) the tender invitation for Chenzhou Project had gone through all necessary public notice procedures under the supervision of the Planning and Construction Section. We have also obtained a confirmation letter dated 9 January 2014 jointly issued by the Shanghai Administration Station of Greening and City Environment (上海市綠化和市容(林業)管理站) (the “Administration Station”) and the Shanghai Construction Project Trading Centre and Greening Project Trading Sub-centre (上海市建設工程交易中心綠化和市容(林業)工程交易分中心) (the “Trading Centre”) confirming that (a) we filed the relevant contracts for the Chenzhou Project with the Trading Centre on 13 December 2013 and such filing has been reviewed and approved; (b) it is noted from the public tender invitation for the Chenzhou Project that the tendering party is only required to hold a Grade Two scenery landscape design qualification or above; and (c) the Administration Station will not impose any penalties on Broad Landscape for undertaking the Chenzhou Project. As advised by our PRC legal advisers, Jincheng Tongda & Neal Law Firm, the Administration Station is the competent authority responsible for monitoring compliance of our Grade Two scenery landscape design qualification, and the Trading Centre is the competent authority responsible for the regulatory filing requirements in relation to our landscape projects. We have also obtained a confirmation letter dated 24 February 2014 issued by the Shanghai Urban Construction and Communications Committee (上海市城鄉建設和交通委員會), a competent authority responsible for the issuance and renewal of our Grade Two scenery landscape design qualification, as advised by our PRC legal advisers, confirming that: (i) our Grade Two scenery landscape design qualification will not be revoked; and (ii) the renewal of our qualification will not be affected due to our undertaking of the landscape design work of the Chenzhou Project. In view of the above, our PRC legal advisers are of the view that the risk that the relevant authorities (i.e., the Planning and Construction Section and the Administration Station) may impose the above penalties on us in relation to our undertaking of the landscape design work of the Chenzhou Project is remote, and our Grade Two scenery landscape design qualification will not be revoked by Shanghai Urban Construction and Communications Committee due to this non-compliance incident.</p>	<p>We have implemented stringent internal control measures designed to ensure that there will not be any future breaches in this regard, which include:</p> <ul style="list-style-type: none"> (i) Our Directors, members of our senior management and employees responsible for project tendering attended training on the relevant PRC laws and regulations provided by our PRC legal advisers, Jincheng Tongda & Neal Law Firm on 16 March 2013 and they will continue to attend relevant training on a regular basis; (ii) For all future projects with a total investment exceeding RMB20.0 million, the tendering documents shall be reviewed by our Directors and members of our senior management to ensure that we will not undertake the design work of these projects; and (iii) We will also engage an external legal adviser to seek their legal advice when necessary.

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We intend to apply for a Grade One qualification in scenery landscape design by the end of August 2014 and we expect to obtain this qualification in the first half of 2015. Our PRC legal advisers, Jincheng Tongda & Neal Law Firm, are of the view that in accordance with the Qualification Standards for Engineering Design (《工程設計資質標準》), there is no material legal impediment in our application for such qualification in view of the above-mentioned non-compliance incident.

Our Controlling Shareholders have provided an indemnity in favour of our Group from and against, among other things, all actions, claims, losses, payments, charges, costs, penalties, damages or expenses which we may incur, suffer or accrue, directly or indirectly, that may arise from or in connection with non-compliance incident as disclosed above.

We have engaged BDO Financial Services Limited (the “Internal Control Consultant”) as our internal control consultant to perform a review (the “Review”) for the period from 1 January 2013 to 28 February 2014 on the tendering process and contract management (the “TPCM”) of our Group and assess the effectiveness of our Group’s TPCM as at 28 February 2014.

Our Internal Control Consultant noted that our senior management has performed a briefing to the relevant personnel to re-emphasize our tendering policy and procedures and issued an internal notice to the relevant personnel on 31 December 2013 to require them to strictly adhere to the tendering policy and procedures. The policy includes an assessment of the competence and qualifications of key employees to be assigned to a project with reference to the project’s nature and specifications; submission of the tendering documents for projects with a total investment value exceeding RMB20 million to our Directors and senior management for review and approval; the scrutiny of the total investment value of projects against the maximum permitted value (the “MPV”) to be allowed under our Grade Two scenery landscape design qualification; and the undertaking of the design project with a total investment value not exceeding the MPV. In January 2014, we further strengthened our internal control over the tendering policy and procedures by requiring relevant personnel to seek advice from our PRC legal advisers regarding all projects involving design work.

Based on the Review, the Internal Control Consultant is of the view that as at 28 February 2014, our Group’s TPCM was effective in all material respects and is in accordance with the criteria in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission in 1992. On the basis of the preventive measures mentioned above, our Directors and the Sole Sponsor are of the view that we have adequate internal control procedures in place.

Having considered the facts and circumstances leading to the non-compliance incident as disclosed in this section and our Group’s internal control measures to avoid recurrence of this non-compliance incident, our Directors and the Sole Sponsor are of the view that such past non-compliance incident will not affect their suitability to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Hong Kong Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Hong Kong Listing Rules.

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LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, none of our Company or any of our subsidiaries have been involved in any litigation or arbitration of material importance that would have a material adverse effect on our business, financial condition and results of operations, and to the best knowledge of our Directors, we are not aware of any pending or threatened litigation, arbitration or claim of material importance against us or any of our subsidiaries, which could have a material adverse effect on our Group's financial condition or results of operations.

In 2011, before our acquisition of Broad Landscape, Broad Landscape was subject to a lawsuit relating to a dispute between the previous shareholders of Broad Landscape. The lawsuit has been fully settled. For details, please refer to the subsection headed "History and Development – Broad Landscape" in this prospectus.

As at the Latest Practicable Date, we are involved in the Claim which related to a fatal accident of our sub-contractor's employee. The Claim is pending trial and the hearing date is yet to be known. For details of the Claim, please refer to the subsection headed "– Environmental protection and work safety – Work place safety" in this section.

RISK MANAGEMENT POLICIES

We recognise that risk management is critical to the success of our business. Project risks may include delays in receiving progress payments, delay in project timetable, quality of our work, cost overruns, personal injury and counterparty risk arising from our customers. In order to meet these challenges, we normally take measures to manage various types of risks, namely market risks, operational risks and financial risks.

CORPORATE GOVERNANCE

Our Board is responsible for reviewing and approving our strategic development, devising our risk management strategies and operational plans as well as appointing our senior management. Our Board consists of three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

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You should read the following discussion and analysis in conjunction with our consolidated financial information set forth in the Accountant's Report included as Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements".

OVERVIEW

Since the commencement of our business in 2004, we have focused on delivering consistent, high quality and customised landscape architecture services. We focus on municipal and city level landscape architecture projects and offer our customers "one stop" project-based landscape service solutions, which include overall design and planning, construction and ongoing general maintenance services. We generally secure our projects through a competitive tendering process. For most of the projects we undertake, we receive progress payments from our customers on a monthly or bi-monthly basis, the amount of which is determined with reference to the value of the completed portion of the projects.

During the Track Record Period, we have completed over 18 major landscape projects in China with a total initial contract value of approximately RMB494.9 million. We grew rapidly during the Track Record Period. Our revenue increased by RMB44.6 million, or 25.2%, from RMB177.0 million for the year ended 31 December 2011 to RMB221.6 million for the year ended 31 December 2012, and further by RMB68.3 million, or 30.8%, from RMB221.6 million for the year ended 31 December 2012 to RMB289.9 million for the year ended 31 December 2013. Our net profit increased by RMB5.7 million, or 30.3%, from RMB18.8 million for the year ended 31 December 2011 to RMB24.5 million for the year ended 31 December 2012, and grew significantly by RMB29.0 million, or 118.4%, from RMB24.5 million for the year ended 31 December 2012 to RMB53.5 million for the year ended 31 December 2013.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as explained in "History and Development", the Company became the holding company of the companies now comprising our Group on 31 December 2013. The companies now comprising our Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, the financial information in this prospectus has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning

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of the Track Record Period. The consolidated statements of income, statements of financial position and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

As set out in "History and Development", the Reorganisation was affected by the Company's issuing shares. Shanghai Qianyi provided a cash consideration in exchange for an investment in the subsidiaries now comprising our Group as part of the transaction. Accordingly, the cash paid to the then shareholders of these subsidiaries now comprising our Group, which amounted to RMB144.6 million, is effectively a distribution to the shareholders and has been accounted for as an equity transaction. Such transactions are reflected as a distribution to shareholders in the consolidated statement of changes in equity of our Group for the Track Record Period.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Directors consider the factors set out below may have affected our business and historical financial results and may also affect our future financial results.

Economic Conditions in the PRC and the Level of Investment from the PRC government

The general economic conditions in the PRC have affected and may continue to affect our business and results of operations. Economic conditions in the PRC directly affect the property market in the PRC and in turn the market demand for our landscape architecture services and our revenue from such services. We believe the economic conditions, which primarily include macro-economic growth, urbanisation, government expenditure on environmental embellishment and protection in the PRC, would affect our financial condition. Moreover, a significant portion of our revenue over the Track Record Period was generated from a number of major municipal and city landscape projects in the public sector, including the Yue Ya Island project (月牙島項目), the Zi Qi Dong Lai project (紫氣東來項目) and the Chenzhou Project. For the years ended 31 December 2011, 2012 and 2013, we recognised revenue of RMB89.2 million, RMB31.0 million and RMB112.0 million for our Yue Ya Island project (月牙島項目), accounting for approximately 50.4%, 14.0% and 38.6% of our total revenue for the same periods, respectively, and we recognised revenue of RMB12.5 million, RMB47.5 million and RMB19.3 million for our Zi Qi Dong Lai project (紫氣東來項目), accounting for approximately 7.1%, 21.4% and 6.7% of our total revenue for the same periods, respectively. For the year ended 31 December 2013, we also recognised revenue of RMB46.6 million for the Chenzhou Project, which accounted for approximately 16.1% of our total revenue, as the major work of that project commenced from December 2012. Our business therefore depends to a certain extent on the level of investment in the public sector. In the event that the expenditures are substantially reduced in the public sector, our business, financial condition and results of operation, as well as our profitability and future growth in revenue, may be adversely affected.

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Competition and Pricing

We operate in a highly competitive industry in which our competitors include a number of landscape architecture service companies that provide services similar to ours. We face competition, in particular, during the project bidding process. We compete with our competitors in various aspects of the project bidding process and the provision of services to customers, such as price quotation, service quality and after-sales services, which could affect the number of projects awarded to us, and profitability of the projects. The level of competition also impacts our ability to price our services at a desired level so as to achieve our targeted profitability. The tender prices for such projects are based on our estimated project costs plus a mark-up margin. While it is our objective to charge a reasonable price to maximise Shareholders' value, offering an uncompetitive tender price higher than our competitors may render our tender unsuccessful. Offering a tender price below the actual cost may, on the other hand, reduce or eliminate our gross profit and affect our financial condition. Failure to price our tenders accurately or failure to strike a balance between pricing our projects competitively and maintaining an adequate profit margin will affect our financial performance and results of operations. As such, market competition has had, and is expected to continue to have, a significant impact on our business and financial performance.

Recognition of Revenue from Construction Contracts

We recognise our revenue from landscape construction contracts and make progress billings based on the percentage of completion of our projects. Pursuant to the percentage of completion accounting method, revenues and profits are recognised ratably over the term of a contract based generally on the progress of the project. We submit the progress report to our customers on a monthly or bi-monthly basis and apply for progress payment. After our customers' designated engineers inspect and confirm the value of work completed, the customers will pay us an amount which is based on a progress payment percentage ranging from 30% to 80% according to the terms of the contract. Therefore, our recognition of revenue from landscape construction contracts and operating cash flow largely depend on the progress of the projects which are affected by various factors, such as the progress of construction, regulatory approval process and weather conditions. As our construction contracts may take months, or years, to complete, the number of contracts and the progress of each contract we undertake in any period may affect our results of operations and lead to fluctuations in revenue recognised from period to period.

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Raw Materials and Subcontracting Costs

The major components of our cost of sales are raw materials and subcontracting cost for cultivating plants and seedlings. For the years ended 31 December 2011, 2012 and 2013, our raw materials and subcontracting cost for cultivating plants and seedlings amounted to approximately RMB92.3 million, RMB132.2 million and RMB132.2 million, respectively, accounting for approximately 62.6%, 74.7% and 64.0% of our cost of sales for the same periods, respectively.

When making procurement decisions for our raw materials for a certain project, we estimate the amount of raw materials required for the project and compare the prices among various qualified suppliers before making a final order. We generally fix the price of the raw materials in the supply and sub-contracting agreements, which do not allow for any price adjustment. In preparing the budget of each project, we take into account the potential price fluctuation of raw materials and pass on the anticipated increase in the costs of raw materials to our customers.

CRITICAL ACCOUNTING POLICIES

Our accounting policies are important for an understanding of our financial condition and results of operation. We have identified certain accounting policies and accounting estimates and judgements that are significant to the preparation of our financial information. We set out below those accounting policies and accounting estimates and judgements that we believe are most important for preparing our financial information.

Accounting Policies

Our revenue is primarily derived from the provision of landscape design and planning, construction and maintenance services. Revenue is recognised when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

- (a) revenue from our landscape construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract at the end of the reporting period; and
- (b) interest income on our financial assets, 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.

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Construction contracts

Revenue from construction contracts in relation to landscape architecture services comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise the costs of raw materials and subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract at the end of the reporting period. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus (which mainly represent the amount not yet billed to customers) is treated as an amount due from contract customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus (which mainly represent the amount billed with services to be performed) is treated as an amount due to contract customers for contract work. Amount billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade receivables.

Property, plant and equipment and depreciation

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

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 estimated useful lives and residual values of property, plant and equipment are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value</u>
Building	20 years	5%
Machinery	three-eight years	5%
Furniture and fixtures	three-five years	5%
Motor vehicles	three-ten years	5%

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Business combinations and goodwill

Business combinations not under common control 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 us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we elect 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 we acquire a business, we assess 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 by 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 and loss.

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 our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform its annual impairment test of goodwill as at 31 December 2013. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities 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 in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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Key Sources of Estimation Uncertainty

In the application of our accounting policies, our Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period. Our Directors believe there were no material differences between our estimates and actual results over the Track Record Period. The underlying assumptions had not changed over the Track Record Period and are unlikely to change in the future.

Percentage of completion of construction contract works

We recognise revenue according to the percentage of completion of individual contract of construction work, which requires estimation to be made by our 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 our management based on the stage of completion. 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, we review and revise the estimates of both contract revenue and contract costs in the budget prepared for each contract as the relevant project work 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 our receivables is based on ongoing assessment of the recoverability and the aged analysis of the outstanding receivables and on our 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. As our customers are mostly government organisations and state-invested enterprises with good credit histories, the impairment provision for our receivables are generally not required. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. As at 31 December 2011, 2012 and 2013, the impairment provision for receivables amounted to approximately RMB0.2 million, RMB0.2 million and RMB0.2 million, respectively.

Impairment of goodwill

We determine 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 us 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 as at 31 December 2011, 2012 and 2013 was approximately RMB1.9 million.

FINANCIAL INFORMATION

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

We determine the estimated useful lives and the related depreciation and amortisation charge for our 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. We 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.

SELECTED FINANCIAL DATA

The following table sets forth our consolidated income statements for the periods indicated:

Consolidated Income Statement

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	176,986	221,550	289,883
Cost of sales	(147,387)	(177,028)	(206,568)
Gross profit	29,599	44,522	83,315
Other income and gains	587	1,499	4,340
Administrative expenses	(11,037)	(12,835)	(15,079)
Finance costs	–	(255)	(752)
Share of profits of a joint venture	2	11	7
Share of losses of an associate	–	–	(233)
PROFIT BEFORE TAX	19,151	32,942	71,598
Income tax expense	(311)	(8,414)	(18,098)
PROFIT FOR THE YEAR	<u>18,840</u>	<u>24,528</u>	<u>53,500</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>18,840</u>	<u>24,528</u>	<u>53,500</u>

FINANCIAL INFORMATION

The following table sets forth our consolidated statements of financial position as at the dates indicated:

Consolidated Statement of Financial Position

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	1,846	2,358	11,357
Goodwill	1,916	1,916	1,916
Other intangible assets	6,511	6,176	5,841
Investments in a joint venture	5,237	5,248	5,255
Investment in an associate	–	–	7,867
Prepayments	–	8,100	–
Deferred tax assets	493	990	1,390
	16,003	24,788	33,626
CURRENT ASSETS			
Biological assets	1,675	1,741	1,810
Trade receivables	53,541	85,470	173,941
Prepayments, deposits and other receivables	24,066	32,792	32,961
Construction contracts	–	–	28,051
Due from related parties	–	–	305
Cash and bank balances	53,934	51,916	10,793
	133,216	171,919	247,861
CURRENT LIABILITIES			
Trade and bills payables	66,450	61,856	72,966
Other payables and accruals	4,918	13,913	43,897
Interest-bearing bank borrowings	–	12,000	11,984
Amounts due to the Founding Shareholders	–	–	120,682
Tax payable	1,692	8,549	21,545
	73,060	96,318	271,074

FINANCIAL INFORMATION

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NET CURRENT ASSETS/(LIABILITIES)	60,156	75,601	(23,213)
TOTAL ASSETS LESS CURRENT LIABILITIES	76,159	100,389	10,413
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1,906	1,608	1,542
Total non-current liabilities	1,906	1,608	1,542
NET ASSETS	74,253	98,781	8,871
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital	–	–	305
Reserves	74,253	98,781	7,666
Non-controlling interests	–	–	900
Total equity	74,253	98,781	8,871

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED COMPONENTS OF OUR INCOME STATEMENTS

Revenue

We generate our revenue primarily from the provision of garden landscape design, construction and maintenance services. For the years ended 31 December 2011, 2012 and 2013, our revenue was RMB177.0 million, RMB221.6 million and RMB289.9 million, respectively. During these periods, our revenue increased primarily as a result of an increase in the number of new projects with revenue recognised in Taiyuan, Shanxi province, Bole, Xinjiang Autonomous Region and Chenzhou, Hunan province due to our expansion of business beyond Shanghai.

Cost of Sales

Our cost of sales consists principally of subcontracting fees and raw materials for cultivating plants and seedlings, subcontracting fees and raw materials for other construction work such as steel structure and membrane work, direct labour, business taxes and other construction related expenses. For the years ended 31 December 2011, 2012 and 2013, our cost of sales was RMB147.4 million, RMB177.0 million and RMB206.6 million, respectively. During these periods, the increase in cost of sales was generally in line with the increase in our revenue over the same periods. The following table sets forth a breakdown of the major components of our cost of sales for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales:			
Raw materials for plants and seedlings directly purchased from suppliers	79,841	103,129	77,803
Subcontracting fees for cultivating plants and seedlings (including raw materials provided by such subcontractors)	12,455	29,063	54,368
Raw materials other than plants and seedlings directly purchased from suppliers	35,759	23,878	47,599
Subcontracting fees for construction work other than cultivating plants and seedlings (including raw materials provided by such subcontractors)	8,759	5,889	11,165
Direct labour costs	228	851	968
Other construction related expenses	10,345	14,218	14,665
Total	147,387	177,028	206,568

FINANCIAL INFORMATION

The following table illustrates the sensitivity analysis of the estimated increase/decrease of our net profit in relation to general percentage changes to the prices of our raw materials and subcontracting cost for cultivating plants and seedlings, with all other variables being constant:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Principal raw material prices increase/decrease by:			
5%	(5,131)	(6,073)	(7,160)
10%	(10,261)	(12,147)	(14,320)
16%	(16,418)	(19,435)	(22,912)
-5%	5,131	6,073	7,160
-10%	10,261	12,147	14,320
-16%	16,418	19,435	22,912

Other income and gains

Our other income and gains consist principally of bank interest income, interest income related to our deposit for the Chenzhou Project and government grants.

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. For the years ended 31 December 2011, 2012 and 2013, our administrative expenses were RMB11.0 million, RMB12.8 million and RMB15.1 million, respectively. Our administrative expenses increased from RMB11.0 million for the year ended 31 December 2011 to RMB12.8 million for the year ended 31 December 2012 primarily due to our increased staff cost and other administrative expenses in relation to our expansion of business as a result of the acquisition of Broad Landscape in August 2011. The table below sets forth a breakdown of the major components of our administrative expenses for the periods indicated.

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Administrative expenses:			
Salaries and benefits	3,141	4,090	5,418
Depreciation and amortisation	628	1,118	1,347
Business equipment expenses	808	1,202	847
Travelling and business meeting expenses	1,800	1,747	1,405
Consultation fees	1,036	501	474
Listing-related expenses	–	–	3,756
Other expenses	3,624	4,177	1,832
Total	11,037	12,835	15,079

FINANCIAL INFORMATION

Finance Costs

Our finance costs consist principally of interest expense on bank borrowings.

Share of Profits/(Losses) of a Joint Venture

This represents the profits and losses arising from our investment in Shanghai City Investment Virescence Technology Development Co., Ltd., a joint venture that we own 15% of the equity interest. For detail, please refer to the disclosure in the subsection headed “History and Development – Our Investment in Other Companies” in this prospectus.

Share of Losses of an Associate

This represents the losses arising from our investment in Shanghai Taifu Diandang Co., Ltd., an associate that we own 27% of the equity interest. For detail, please refer to the disclosure in the subsection headed “History and Development – Our Investment in Other Companies” in this prospectus.

Income Tax Expense

We are subject to taxation on entity basis on profit arising in or derived from the tax jurisdictions where our subsidiaries are domiciled and operate. Our income tax expense consists principally of PRC corporate income tax and deferred tax. For the years ended 31 December 2011, 2012 and 2013, our income tax expense was RMB0.3 million, RMB8.4 million and RMB18.1 million, respectively, and our effective tax rate was 1.6%, 25.5% and 25.3%, respectively. For the years ended 31 December 2011, 2012 and 2013, the income tax expense of Greenstate Landscape was approximately RMB328,000, RMB6.4 million and RMB2.6 million, respectively. Our income tax and effective tax rate for the year ended 31 December 2011 is lower than the respective income tax and effective tax rate for the years ended 31 December 2012 and 2013 because an unrecognised tax loss of RMB20.1 million that Broad Landscape had recorded prior to our acquisition of Broad Landscape in August 2011 was utilised to offset our tax profit for the purpose of determining our effective tax rate for the year ended 31 December 2011.

Pursuant to the PRC Corporate Income Tax Law, a uniform 25% corporate income tax is generally applied to both foreign-invested enterprises and domestic enterprises, except where a preferential rate applies. Broad Landscape was subject to this uniform 25% corporate income tax rate for the years ended 31 December 2011, 2012 and 2013.

As at the Latest Practicable Date, we had paid all relevant taxes and we had no disputes with the relevant tax authorities.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

Year Ended 31 December 2013 Compared to Year Ended 31 December 2012

Revenue

Our total revenue increased by RMB68.3 million, or 30.8%, from RMB221.6 million for the year ended 31 December 2012 to RMB289.9 million for the year ended 31 December 2013. The increase was mainly attributable to (i) the increase in revenue recognised for our Yue Ya Island project (月牙島項目) from RMB31.0 million for the year ended 31 December 2012 to RMB112.0 million for the year ended 31 December 2013, mainly due to the additional landscape work that we performed for that project at the request of the customer in 2013; (ii) the increase in revenue recognised for the Chenzhou Project from RMB1.9 million for the year ended 31 December 2012 to RMB46.6 million for the year ended 31 December 2013 because only minor preparation work for the project was performed during the year ended 31 December 2012 while the major work of the project commenced from December 2012.

Cost of Sales

Our cost of sales increased by RMB29.6 million, or 16.7%, from RMB177.0 million for the year ended 31 December 2012 to RMB206.6 million for the year ended 31 December 2013. The increase was primarily attributable to (i) the increased cost incurred for our Yue Ya Island project (月牙島項目) from RMB22.3 million for the year ended 31 December 2012 to RMB67.4 million for the year ended 31 December 2013, mainly due to the additional work that we performed for that project at the request of the customer in 2013; and (ii) the increased cost incurred for the Chenzhou Project from RMB1.7 million for the year ended 31 December 2012 to RMB25.5 million for the year ended 31 December 2013 because only minor preparation work for the project was performed during the year ended 31 December 2012 while the major work of the project commenced from December 2012.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB38.8 million, or 87.2%, from RMB44.5 million for the year ended 31 December 2012 to RMB83.3 million for the year ended 31 December 2013. Our gross profit margin increased from 20.1% for the year ended 31 December 2012 to 28.7% for the year ended 31 December 2013, which was primarily attributable to (i) the increases in the gross profit and gross profit margin for our Yue Ya Island project (月牙島項目) as the customer requested us to perform additional landscape work for that project in 2013 within a tight schedule and agreed to pay us a higher price for such additional urgent work; (ii) the increases in the gross profit and gross profit margin for the Chenzhou Project as only minor preparation work for the project was performed during the year ended 31 December 2012 while the major work commenced from December 2012. The Chenzhou Project had a higher profit margin than most of our non-BT projects because there were generally no progress payments during the course of the project and the customer agreed to pay us a higher contract price in return.

FINANCIAL INFORMATION

Other income and gains

Our other income and gains increased by RMB2.8 million, or 186.7%, from RMB1.5 million for the year ended 31 December 2012 to RMB4.3 million for the year ended 31 December 2013. The increase was primarily due to an interest income of RMB2.8 million that we received in relation to a security deposit of RMB20 million that we paid to the customer of the Chenzhou Project.

Administrative expenses

Our administrative expenses increased by RMB2.3 million, or 18.0%, from RMB12.8 million for the year ended 31 December 2012 to RMB15.1 million for the year ended 31 December 2013, primarily because we recorded Listing-related expenses of RMB3.8 million for the year ended 31 December 2013.

Profit before tax

As a result of the foregoing, our profit before tax increased by RMB38.7 million, or 117.6%, from RMB32.9 million for the year ended 31 December 2012 to RMB71.6 million for the year ended 31 December 2013.

Income tax expenses

Our income tax expenses increased by RMB9.7 million, or 115.5%, from RMB8.4 million for the year ended 31 December 2012 to RMB18.1 million for the year ended 31 December 2013. The increase was primarily due to the increase in our revenue over the same period. Our effective tax rate was 25.5% for the year ended 31 December 2012 and 25.3% for the year ended 31 December 2013.

Profit for the period

As a result of the foregoing, our net profit increased by RMB29.0 million, or 118.4%, from RMB24.5 million for the year ended 31 December 2012 to RMB53.5 million for the year ended 31 December 2013.

FINANCIAL INFORMATION

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Revenue

Our total revenue increased by RMB44.6 million, or 25.2%, from RMB177.0 million for the year ended 31 December 2011 to RMB221.6 million for the year ended 31 December 2012. The increase was mainly attributable to (i) an increase in number of projects with revenue recognised from 51 projects for the year ended 31 December 2011 as compared to 80 projects for the year ended 31 December 2012 as a result of our acquisition of Broad Landscape in August 2011; (ii) an increase in revenue recognised for our Zi Qi Dong Lai project (紫氣東來項目) from RMB12.5 million for the year ended 31 December 2011 to RMB47.5 million for the year ended 31 December 2012 due to the additional work that we performed for that project in 2012.

Cost of Sales

Our cost of sales increased by RMB29.6 million, or 20.1%, from RMB147.4 million for the year ended 31 December 2011 to RMB177.0 million for the year ended 31 December 2012. The increase was primarily attributable to the increased number of projects as a result of our acquisition of Broad Landscape in August 2011 and is generally in line with the increase in our revenue over the same period.

Gross Profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB14.9 million, or 50.3%, from RMB29.6 million for the year ended 31 December 2011 to RMB44.5 million for the year ended 31 December 2012. The gross profit margin increased from 16.7% for the year ended 31 December 2011 to 20.1% for the year ended 31 December 2012, primarily due to the increase in the number of projects which had higher average contract value in 2012 as compared with projects that we took over as a result of the acquisition of Broad Landscape in August 2011.

Other income and gains

Our other income and gains increased by RMB0.9 million, or 150%, from RMB0.6 million for the year ended 31 December 2011 to RMB1.5 million for the year ended 31 December 2012. The increase was primarily due to the increase in government grants we received in 2012.

Administrative expenses

Our administrative expenses increased by RMB1.8 million, or 16.4%, from RMB11.0 million for the year ended 31 December 2011 to RMB12.8 million for the year ended 31 December 2012. The increase was primarily due to an increase in our staff wages and benefits of RMB0.9 million due to the increased number of staff.

Profit before tax

As a result of the foregoing, our profit before tax increased by RMB13.7 million, or 71.4%, from RMB19.2 million for the year ended 31 December 2011 to RMB32.9 million for the year ended 31 December 2012.

FINANCIAL INFORMATION

Income tax expenses

Our income tax expenses increased by RMB8.1 million, or 2,700%, from RMB0.3 million for the year ended 31 December 2011 to RMB8.4 million for the year ended 31 December 2012. Our effective tax rate was 1.6% for the year ended 31 December 2011 and 25.5% for the year ended 31 December 2012. We had a lower effective tax rate for the year ended 31 December 2011 than that for the year ended 31 December 2012 primarily because an unrecognised tax loss of RMB20.1 million that Broad Landscape had recorded prior to our acquisition of Broad Landscape in August 2011 was utilised to offset our tax profit for the purpose of determining our effective tax rate for the year ended 31 December 2011.

Profit for the year

As a result of the foregoing, our net profit increased by RMB5.7 million, or 30.3%, from RMB18.8 million for the year ended 31 December 2011 to RMB24.5 million for the year ended 31 December 2012.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met 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 use a portion of the proceeds from the Global Offering to finance a portion of our capital requirements. As at 31 December 2013, we had approximately RMB12.0 million of bank loans available to us from a commercial bank and cash and cash equivalents of RMB10.8 million. As at 31 May 2014, we had unutilised and unrestricted banking facilities of approximately RMB55.0 million.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net cash from/(used in) operating activities	19,165	(4,368)	(35,690)
Net cash from/(used in) investing activities	11,864	(9,395)	(5,565)
Net cash from financing activities	–	11,745	132
Cash and cash equivalents at the beginning of year/period	22,905	53,934	51,916
Cash and cash equivalents at the end of year/period	53,934	51,916	10,793

FINANCIAL INFORMATION

Net Cash Used in/Generated from Operating Activities

Net cash from/used in operating activities primarily consisted of profit before tax adjusted for non-cash items, such as depreciation of items of property, plant and equipment, amortisation of other intangible assets, loss on disposal of items of property, plant and equipment, and finance costs.

We derive our cash inflow from operating activities primarily from the receipt of payments from contract work. Our cash outflow for operating activities is primarily used for subcontracting fees, purchases of raw materials, administrative expenses and other expenses. Cash flows from operating activities can be significantly affected by factors such as the timing of collections of trade receivables from customers and payments of trade and bills payable to subcontractors and suppliers in the normal course of business.

For the year ended 31 December 2013, we recorded net cash outflow from operating activities of RMB35.7 million, primarily as a result of (i) RMB71.6 million profit before tax, (ii) an increase in trade receivables of RMB88.5 million primarily due to the increased revenue recognised for our Yue Ya Island project (月牙島項目) over such period, (iii) an increase in amount due from a contract customer of RMB28.1 million in relation to the Chenzhou Project; which were partially offset by an increase in trade and bills payables of RMB11.1 million due to the increase in number of projects with revenue recognised which involved more costs.

For the year ended 31 December 2012, we recorded net cash outflow from operating activities of RMB4.4 million, primarily as a result of (i) RMB32.9 million profit before tax, (ii) an increase in trade receivables of RMB31.9 million due to the increased number of projects with revenue recognised during the year, (iii) an increase in prepayment, deposits and other receivables of RMB8.7 million due to a security deposit of RMB20.0 million that we paid to the customer of the Chenzhou Project and (iv) a decrease in trade and bills payables of RMB4.6 million as we expanded our business to new regions in the PRC and we purchased raw materials from new suppliers in such regions who generally offered a shorter credit term to us, which resulted in faster payment by us to such suppliers; which were partially offset by an increase in other payables and accruals of RMB9.0 million due to an increase in retention money that we received from our subcontractors as the number of our projects increased.

For the year ended 31 December 2011, we recorded net cash inflow from operating activities of RMB19.2 million, primarily as a result of (i) RMB19.2 million profit before tax, (ii) a decrease in trade receivables of RMB22.3 million due to the decreased number of new projects in 2011 as we focused on completing the projects that we took over through the acquisition of Broad Landscape in August 2011, and (iii) a decrease in other current assets of RMB12.3 million because in 2010, we set aside this amount for potential investments but then cancelled such investment plan in 2011, and consequently returned the cash to the relevant bank account; which were partially offset by (i) a decrease in trade and bills payables of RMB16.0 million due to a decrease in the number of new projects in 2011 as we focused on completing the projects that we took over as a result of the acquisition of Broad Landscape in August 2011, (ii) a decrease in other payables and accruals of RMB13.5 million due to the decrease in retention money that we received from our subcontractors as the number of new projects decreased, and (iii) an increase in prepayment, deposits and other receivables of RMB5.5 million.

FINANCIAL INFORMATION

Net Cash Used in/Generated from Investing Activities

Our cash outflow from investing activities primarily consists of purchases of property, plant and equipment and prepayments for potential acquisition. Our cash inflow from investing activities primarily consists of the cash and cash equivalents that we acquired through the acquisition of Shanghai Broad Landscape Gardening Development Company Limited.

For the year ended 31 December 2013, our net cash used in investing activities was RMB5.6 million. Cash used in investing activities in this period was primarily attributable to payments for purchase of property, plant and equipment of RMB5.6 million.

For the year ended 31 December 2012, our net cash used in investing activities was RMB9.4 million, primarily attributable to (i) a prepayment of RMB8.1 million for the acquisition of our equity investment in Shanghai Taifu Diandang Co., Ltd. and (ii) purchases of property, plant and equipment in a total amount of RMB1.3 million.

For the year ended 31 December 2011, we had net cash inflow from investing activities of RMB11.9 million, primarily attributable to the cash and cash equivalents that we acquired through the acquisition of Shanghai Broad Landscape Gardening Development Company Limited on 28 August 2011.

Net Cash Generated from Financing Activities

Our cash inflow from financing activities primarily consists of proceeds from bank loans and other borrowing. Our cash outflow from financing activities primarily consists of interest paid for bank loans and other borrowings.

For the year ended 31 December 2013, our net cash generated from financing activities was RMB0.1 million, primarily attributable to a capital investment of RMB0.9 million from a third party in relation to our establishment of a new subsidiary in Shanxi province; partially offset by an interest payment of RMB0.8 million for our bank loans.

For the year ended 31 December 2012, net cash generated from financing activities was RMB11.7 million, primarily attributable to our new bank loans of RMB12.0 million.

For the year ended 31 December 2011, we did not have any net cash generated from or used in financing activities.

FINANCIAL INFORMATION

Capital Expenditures

In the past, our capital expenditures comprised primarily payments for purchase of property, plant and equipment. Our capital expenditures were RMB0.4 million, RMB1.3 million and RMB5.6 million for the years ended 31 December 2011, 2012 and 2013, respectively. As at 31 December 2013, we had no capital commitments.

We expect to incur (i) approximately RMB5.0 million capital expenditures for the year ending 31 December 2014 for the upgrade of our information management system and the general acquisition of property, plant and equipment, and (ii) approximately RMB3.0 million capital expenditures for the year ending 31 December 2015 for the general acquisition of property, plant and equipment.

Although these are our current plans with respect to our capital expenditures, such plans may change as a result of a change of circumstances and the estimated amounts of expenditures set out above may vary from the actual amounts of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding for our future capital expenditures is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, as well as economic, political and other conditions in the PRC and Hong Kong.

Working Capital

Taking into account our available banking facilities and cash flows from our operations, our Directors are of the opinion that we have sufficient working capital to meet our financial requirements for at least the next 12 months from the date of this prospectus.

We manage our capital structure by making periodic adjustments in light of changes in economic conditions and the risk characteristics of our underlying assets. If our existing cash resources are insufficient to meet our requirement, we may seek to obtain credit facilities, adjust dividend payments to Shareholders or sell or issue equity securities, which might result in equity dilution to our Shareholders. It is possible that, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available to us at all. In the event that any of the above occurs, our business and financial results may be adversely affected.

Net Current Assets/Liabilities

As at 31 December 2011 and 2012, we had net current assets of RMB60.2 million and RMB75.6 million, respectively. As at 31 December 2013, we had net current liabilities of RMB23.2 million. As at 30 April 2014, we had net current assets of RMB138.2 million.

FINANCIAL INFORMATION

The table below sets forth our current assets, current liabilities and net current assets/liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
CURRENT ASSETS				
Biological assets	1,675	1,741	1,810	–
Trade receivables	53,541	85,470	173,941	184,652
Prepayments, deposits and other receivables	24,066	32,792	32,961	32,096
Due from related parties	–	–	305	305
Construction contracts	–	–	28,051	53,119
Cash and bank balances	53,934	51,916	10,793	27,176
Total current assets	133,216	171,919	247,861	297,348
CURRENT LIABILITIES				
Trade and bills payables	66,450	61,856	72,966	49,673
Other payables and accruals	4,918	13,913	43,897	47,778
Interest-bearing bank borrowings	–	12,000	11,984	29,984
Amounts due to the Founding Shareholders	–	–	120,682	–
Tax payable	1,692	8,549	21,545	31,755
Total current liabilities	73,060	96,318	271,074	159,190
NET CURRENT ASSETS/ LIABILITIES	60,156	75,601	(23,213)	138,158

The increase in net current assets from RMB60.2 million as at 31 December 2011 to RMB75.6 million as at 31 December 2012 was primarily due to an increase in our current assets of approximately RMB38.7 million. The increase in our current assets was primarily attributable to an increase in our trade receivables of approximately RMB31.9 million.

As at 31 December 2013, we had net current liabilities of RMB23.2 million, primarily due to an amount due to the Founding Shareholders of RMB120.7 million and an amount due to the Pre-IPO Investors of RMB3.4 million (excluding withholding individual income tax) that we incurred as at 31 December 2013 in relation to the Onshore Acquisitions. For details regarding the Onshore Acquisitions, please refer to the subsection headed “History and Development –

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Our Reorganisation” in this prospectus. We settled the amount due to the Founding Shareholders and the amount to the Pre-IPO Investors on 14 March 2014 by a long-term bank loan of RMB126.2 million that we obtained on 4 March 2014 from a commercial bank in the PRC. Please refer to the subsection headed “Indebtedness – Borrowings” in this section. As at 30 April 2014, we had net current assets of RMB138.2 million.

Biological Assets

Our biological assets comprises of camphor trees that we purchased from 2005 to 2007 and held for potential use for future landscape gardening projects. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell, with any gain or loss therein recognised as profit or loss for the relevant period in which it arises. As at 31 December 2011, 2012 and 2013, our biological assets amounted to RMB1.7 million, RMB1.7 million and RMB1.8 million, respectively.

Trade Receivables

We generally receive progress payments from our customers pursuant to the terms of the relevant contract. We submit the progress report to our customers on a monthly or bi-monthly basis and apply for progress payment. After our customers’ designated engineers inspect and confirm the volume of work completed, the customers will pay us an amount which is based on a progress payment percentage ranging from 30% to 80% according to the terms of the contract. Our trade receivables mainly represent progress billings not yet paid by our contract customers and a sum of retention money retained by our contract customers. Such sum of retention money, which normally ranges from 5% to 10% of the total contract value, is generally withheld by our contract customers in order to secure the maintenance of the projects after completion. The retention money can be used to off-set the repair and maintenance costs incurred by the customers during the warranty period which is normally one to two years after completion of the relevant projects. The unused portion of the retention money generally will be returned to us within one month of the expiry of the warranty period. As at 31 December 2011, 2012 and 2013, our retention money amounted to RMB2.8 million, RMB4.7 million and RMB45.9 million, respectively.

As at 31 December 2011, 2012 and 2013, our trade receivables were RMB53.5 million, RMB85.5 million and RMB173.9 million, respectively. As at 30 April 2014, RMB96.8 million (including the Yue Ya Island Arrangement as defined below), or 55.6%, of our trade receivables as at 31 December 2013 had been subsequently settled. The increase in our trade receivables from RMB53.5 million as at 31 December 2011 to RMB85.5 million as at 31 December 2012 was primarily due to an increase in number of projects with revenue recognised from 51 projects for the year ended 31 December 2011 as compared to 80 projects for the year ended 31 December 2012 as a result of our acquisition of Broad Landscape in August 2011. The increase in our trade receivables from RMB85.5 million as at 31 December 2012 to RMB173.9 million as at 31 December 2013 was primarily due to the increased revenue recognised for our Yue Ya Island project (月牙島項目) and our Chenzhou Project over such period.

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Our senior management regularly reviews the recoverability of our overdue balances and when appropriate, provides for impairment of these trade receivables. The policy for the provision for impairment loss is based on our management's ongoing assessment of the recoverability and the aged analysis of the outstanding receivables and subsequent 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. As at 31 December 2011, 2012 and 2013, we had provisions for impairment of trade receivables of approximately RMB0.2 million and RMB0.2 million and RMB0.2 million, respectively.

The following table sets forth an ageing analysis of trade receivables, based on the relevant transaction dates and net of provisions, as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables:			
Within one year	50,846	67,800	157,316
Over one year but within two years	1,924	16,131	13,019
Over two years	771	1,539	3,606
 Total	53,541	85,470	173,941

The following table sets forth our trade receivable turnover days for the years indicated:

	Year ended 31 December		
	2011	2012	2013
Trade receivables turnover days	126	103	128

Note: Average trade receivables are equal to the average trade receivables (excluding retention money) at the beginning and the end of the year. Average trade receivables turnover days for the years ended 31 December 2011, 2012 and 2013 are equal to the average trade receivables (excluding retention money) divided by revenue for the relevant year and multiplied by 365 days. Retention money is not included in the calculation of trade receivables turnover days as any unused portion of retention money generally will be returned to us within one month of the expiry of the warranty period, which is normally one to two years after completion of the relevant project.

The trade receivables turnover days decreased from 126 days for the year ended 31 December 2011 to 103 days for the year ended 31 December 2012 primarily because we were able to collect most of the trade receivables from the customers of the projects that we acquired from Broad Landscape in August 2011. The trade receivables turnover days increased from 103 days for the year ended 31 December 2012 to 128 days for the year ended 31 December 2013, primarily due to: (i) our focus on undertaking new large scale projects in 2013; and (ii) the longer payment cycle for the Chenzhou Project.

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Trade receivables and trade receivables turnover days by type of customer

The following table sets forth the breakdown of our total trade receivables from our top five trade receivables by type of customer as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables:			
Government organisation and state-invested enterprises	29,633	42,779	149,305
Private enterprises	4,183	5,456	— ⁽¹⁾
Total	33,816	48,235	149,305

Note:

- (1) There was no private enterprise among the top five trade receivables for the year ended 31 December 2013.

The following table sets forth the breakdown of our trade receivable turnover days for our top five trade receivables by type of customer for the years indicated:

	Year ended 31 December		
	2011	2012	2013
	Trade receivables turnover days:		
Government organisation and state-invested enterprises	100	114	127
Private enterprises	86	104	— ⁽²⁾

Notes:

- (1) Average trade receivables are equal to the average trade receivables (excluding retention money) at the beginning and the end of the year. Average trade receivables turnover days for the years ended 31 December 2011, 2012 and 2013 are equal to the average trade receivables (excluding retention money) divided by revenue for the relevant year and multiplied by 365 days. Retention money is not included in the calculation of trade receivables turnover days as any unused portion of retention money generally will be returned to us within one month of the expiry of the warranty period, which is normally one to two years after completion of the relevant project.
- (2) There was no private enterprise among the top five trade receivables for the year ended 31 December 2013.

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The trade receivables turnover days for our top five trade receivables who are government organisations and state-invested enterprises increased from 100 days for the year ended 31 December 2011 to 114 days for the year ended 31 December 2012, primarily due to the longer payment cycle of our Zhoukou Park project, one of our major government projects which has an initial contract value of RMB19 million. The trade receivables turnover days for our top five trade receivables who are government organisations and state-invested enterprises increased from 114 days for the year ended 31 December 2012 to 127 days for the year ended 31 December 2013 primarily because the major projects for government organisations and state-invested enterprises that we undertook in 2013 generally have relatively longer completion schedules and payment cycles.

The trade receivables turnover days for our top five trade receivables who are private enterprises increased from 86 days for the year ended 31 December 2011 to 104 days for the year ended 31 December 2012, primarily because the projects for our private enterprise customers (among our top five trade receivables) for the year ended 31 December 2012 were relatively larger in size and had longer payment cycle than those for the projects of our private enterprise customers (among our top five trade receivables) for the year ended 31 December 2011.

As at 30 April 2014, approximately RMB84.4 million, or 56.5%, of our total trade receivables as at 31 December 2013 from our top five trade receivables who are government organisations and state-invested enterprise had been subsequently settled.

Trade receivables and trade receivables turnover days by operating models

The following table sets forth the breakdown of our total trade receivables by operating model of the projects as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables:			
Traditional projects	53,541	84,116	154,714
BT project (Chenzhou Project)	–	1,354	19,227
	53,541	85,470	173,941
Total	53,541	85,470	173,941

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The following table sets forth the breakdown of our trade receivables turnover days for our top five trade receivables by operating model of the projects for the years indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables turnover days:			
Traditional projects	126	102	137
BT project (Chenzhou Project)	– ⁽²⁾	183 ⁽²⁾	190

Notes:

- (1) Average trade receivables are equal to the average trade receivables (excluding retention money) at the beginning and the end of the year. Average trade receivables turnover days for the years ended 31 December 2011, 2012 and 2013 are equal to the average trade receivables (excluding retention money) divided by revenue for the relevant year and multiplied by 365 days. Retention money is not included in the calculation of trade receivables turnover days as any unused portion of retention money generally will be returned to us within one month of the expiry of the warranty period, which is normally one to two years after completion of the relevant project.
- (2) The major work of the Chenzhou Project, our first BT project since our establishment and our only BT project during the Track Record Period, commenced from December 2012.

The trade receivables turnover days for our traditional projects decreased from 126 days for the year ended 31 December 2011 to 102 days for the year ended 31 December 2012 primarily because approximately half of the trading receivables of the projects that we acquired from Broad Landscape in August 2011 were not settled as at 31 December 2011, which led to the trade receivables of our traditional projects being relatively high in 2011. In 2012, we were able to collect most of the outstanding trade receivables from the customers of these projects, resulting in a decrease in trade receivables of our traditional projects from 2011 to 2012. The trade receivables turnover days for our traditional projects increased from 102 days for the year ended 31 December 2012 to 137 days for the year ended 31 December 2013 primarily due to our focus on undertaking large-scale projects in 2013 that generally have relatively longer completion schedules and payment cycles as compared to other types of projects.

As at 30 April 2014, RMB83.1 million, or 53.7%, of our total trade receivables as at 31 December 2013 in relation to our traditional projects had been subsequently settled and RMB13.6 million, or 70.8%, of our total trade receivables as at 31 December 2013 in relation to our Chenzhou Project had been settled.

On 23 January 2014, in relation to the Yue Ya Island project, we entered into certain agreements with our customer of the project and certain third-party suppliers and sub-contractors who provided raw materials and subcontracting services to us for the project. Pursuant to such agreements, the parties agreed that: (i) our obligations to pay such third-party suppliers and sub-contractors a total amount of approximately RMB31.8 million in relation to the raw materials and subcontracting services provided to us will be transferred from us to such

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customer; and (ii) in exchange for such transfer of obligations, a total amount of approximately RMB31.8 million will be deducted from the trade receivables due to us from such customer (the “Yue Ya Island Arrangement”).

In general, our trade receivable turnover days for customers who are government organisations and state-invested enterprises are longer than that of our private enterprises and our trade receivable turnover days for our Chenzhou Project is longer than that of our traditional projects. Our overall trade receivable turnover days increased from 126 days for the year ended 31 December 2011 to 128 days for the year ended 31 December 2013. Based on publicly available information, we believe that the average trade receivable turnover days of our competitors were 142 days for the year ended 31 December 2013. During the Track Record Period, we have the provision for impairment of trade receivables of approximately RMB0.2 million each year, representing a range from approximately 0.1% to 0.4% of the trade receivable balances as at the respective year end dates. Accordingly, our Directors are of the view that the collection of our trade receivables is operating at a reasonable level and our trade receivable turnover days are in line with those of our market peers.

In order to improve the collection of our trade receivables, we have implemented the following credit control policy and measures:

- We continuously assess the creditability of our major customers through monitoring and assessing their size, financial conditions, growth prospects, financing ability, debt repayment ability and other relevant factors in order to minimise our credit risk.
- We endeavour to include provisions in each of the contracts for our projects with respect to payment method, payment means, payment date, liability for breach and other related terms that we agree with the relevant customers.
- For some of our major projects, we appoint specific personnel who are responsible for monitoring and collecting the trade receivables for such projects and we may evaluate and reward such personnel based on their ability to collect the relevant trade receivables.
- We continuously monitor the balance of our trade receivables and if any of our customers fails to timely pay our trade receivables when due, we will first communicate with such customer to determine the reason for non-payment. Based on the reasons and circumstances, we will endeavour to reach a new arrangement with the customer on the payment means and schedule that are satisfactory to us. If we fail to reach such agreement with the customer, we may escalate the dispute to the relevant government authority and arbitration institution in order to facilitate the collection of our trade receivables.

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In particular, we have implemented the following measures to assess and monitor the credibility and financial conditions of our major customers who are government organisations and state-invested enterprises:

- Before we engage in a new project with customers who are government organisations and state-invested enterprises, we assess and examine such customers' credibility and their financial conditions based on their revenue, past payment and indebtedness records, debt repayment ability and relevant local market conditions in order to determine whether to undertake such project.
- We continuously monitor and review public announcements released by government organisations and state-invested enterprises who are our major customers in order to determine whether there is any material event that may affect such customers' financial conditions and credibility. We also maintain an ongoing communication channel with such customers in order to better understand and assess their ongoing financial conditions and credibility.

As at the Latest Practicable Date, we were not aware of any material deterioration in credit quality of our major customers.

Construction Contracts

Where construction contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, we record the surplus (which mainly represent the amount not yet billed to customers) as an amount due from contract customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, we record the surplus (which mainly represent the amount billed with services to be performed) as an amount due to contract customers for contract work. We recorded an amount due from contract customers of RMB28.1 million as at 31 December 2013 in relation to a portion of the Chenzhou Project we completed during the year ended 31 December 2013. According to the terms of the contract of the Chenzhou Project, the payment for the work we performed for the project will be payable to us in three instalments following the completing of the project. The first instalment comprising 40% of the total payment will be payable to us when the work is completed and after a final audit is conducted by the customer's designated engineer. The second instalment comprising 30% of the total payment is payable one year following the first payment date and the third instalment comprising the final 30% of the total payment is payable two years following the first payment date. Although there are generally no progress payments for our Chenzhou Project during the course of performance under the contract, we recognised revenue of RMB46.6 million for a portion of the Chenzhou Project that we completed during the year ended 31 December 2013 because another portion of the project was delayed as the customer had to undertake certain building demolition and as a result, the customer agreed to pay us the portion of the project that we already completed by instalments in accordance with the terms of the contract. Accordingly, 40% of the revenue of RMB46.6 million that we recognised for the portion of the Chenzhou Project we completed during the year ended 31 December 2013 was billed to the customer. The remaining 60% of such revenue has not yet been billed and was recorded as an amount due from the project customer.

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Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables mainly comprise our prepayments to raw material suppliers and deposits and other receivables for our projects. As at 31 December 2011, 2012 and 2013, our prepayments, deposits and other receivables were RMB24.1 million, RMB32.8 million and RMB33.0 million, respectively. The increase in our prepayment, deposits and other receivables from 31 December 2011 to 31 December 2012 primarily reflected a security deposit of RMB20.0 million that we paid to the customer of the Chenzhou Project. Our prepayment, deposits and other receivables as at 31 December 2013 remained relatively stable as compared to that as at 31 December 2012.

The following table sets forth the components of our prepayments, deposits and other receivables as at the dates indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments, deposits and other receivables:			
Prepayments	15,760	9,593	4,035
Deposits and other receivables	7,036	23,199	28,926
Others	1,270	–	–
Total	24,066	32,792	32,961

Trade and Bills Payables

Our trade and bills payables comprise mainly amounts payable to suppliers of raw materials and amount payable to subcontractors. As at 31 December 2011, 2012 and 2013, our trade and bills payables were RMB66.5 million, RMB61.9 million and RMB73.0 million, respectively. As at 30 April 2014, RMB48.5 million, or 66.5%, of our trade and bills payable as at 31 December 2013 has been subsequently settled. The decrease in trade and bills payables from RMB66.5 million as at 31 December 2011 to RMB61.9 million as at 31 December 2012 was primarily because we expanded our business to new regions in the PRC and we purchased raw materials from new suppliers in such regions who generally offered a shorter credit term to us, which resulted in faster payment by us to such suppliers. The increase in trade and bills payables from RMB61.9 million as at 31 December 2012 to RMB73.0 million as at 31 December 2013 was primarily due to the increased subcontracting and raw materials costs incurred for our Yue Ya Island project (月牙島項目) and Chenzhou Project.

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The following table sets forth an aging analysis of trade and bills payables, based on the relevant transaction dates, as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables:			
Within one year	53,639	53,977	67,395
Over one year but within two years	10,393	5,495	3,775
Over two years	2,418	2,384	1,796
Total	66,450	61,856	72,966

Our trade and bills payables are non-interest bearing and are normally settled on terms of three to nine months in accordance with the relevant contracts. The following table sets forth our trade and bills payable turnover days for the years and period indicated:

	As at 31 December		
	2011	2012	2013
Trade and bills payables turnover days	151	106	85

Note: Average trade and bills payables are equal to the average trade payables at the beginning and the end of the year. Average trade and bills payables turnover days for the years ended 31 December 2011, 2012 and 2013 are equal to average trade and bills payables divided by revenue for the relevant year and multiplied by 365 days.

The trade payables turnover days decreased over the Track Record Period primarily because we expanded our business to new regions in the PRC and we purchased raw materials from new suppliers in such regions who generally offered a shorter credit term to us.

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Other Payables and Accruals

Our other payables and accruals comprise mainly retention money from subcontractors retained by us, staff payroll and welfare payables and tax payables. As at 31 December 2011, 2012 and 2013, our payables and accruals were RMB4.9 million, RMB13.9 million and RMB43.9 million, respectively. The increase in our other payables and accruals from RMB4.9 million as at 31 December 2011 to RMB13.9 million as at 31 December 2012 was primarily attributable to an increase in retention money from subcontractors and an increase in staff payroll and welfare payables due to the increased number of new projects. The increase in our other payables and accruals from RMB13.9 million as at 31 December 2012 to RMB43.9 million as at 31 December 2013 was primarily attributable to withholding individual income tax payable of RMB20.5 million that we incurred in relation to the Onshore Acquisitions. The following table sets forth the components of our accruals and other payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables and accruals:			
Retention money from			
subcontractors	1,667	8,175	4,277
Staff payroll and welfare payables	1,734	3,224	4,994
Other tax payable	693	2,043	25,493
Other payables	824	471	5,703
Payables for purchase of equity			
interests from non-controlling			
equity holders	—	—	3,430
	4,918	13,913	43,897
Total	4,918	13,913	43,897

Amounts Due to the Founding Shareholders

As at 31 December 2011, 2012 and 2013, we had an amount due to the Founding Shareholders of nil, nil and RMB120.7 million, respectively, and an amount due to the Pre-IPO Investors (which is recorded under “other payables and accruals” as “payables for purchase of equity interest from non-controlling equity holders”) of nil, nil and RMB3.4 million (excluding withholding individual income tax), respectively, in relation to the Onshore Acquisitions. Such balances are unsecured and interest-free. For details regarding the Onshore Acquisitions, please refer to the subsection headed “History and Development – Our Reorganisation – Acquisitions of Broad Landscape, Greenstate Landscape and Greenstate Gardening by Shanghai Qianyi” in this prospectus. We settled the amount due to the Founding Shareholders and the amount due to the Pre-IPO Investors on 14 March 2014 by a long-term bank loan of RMB126.2 million that we obtained on 4 March 2014 from a commercial bank in the PRC.

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Tax Payable

Tax payable consisted primarily of the provisions of group entities accrued on a net profit basis.

Tax Basis

Since its inception in 2004, Greenstate Landscape has been assessed, and has paid, the PRC corporate income tax on a deemed profit basis (by first multiplying the rate of 8% with the turnover for a certain period and then applying the tax rate of 25% to the result, after adjustment of non-assessable or disallowed items) (the “Deemed Profit Basis”) in accordance with the relevant tax authorities’ requirements. According to the Law of the People’s Republic of China Concerning the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》), the Detailed Rules for the Implementation of the Law of the People’s Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》) and the Circular No. 30, which came into effect from 1 January 2008, our PRC legal advisers, Jincheng Tongda & Neal Law Firm, have advised us that the relevant tax authorities are the responsible authorities to examine and determine, and based on their confirmation letters dated 11 April 2014, they have so examined and determined each year, that Greenstate Landscape shall pay the PRC corporate income tax on the Deemed Profit Basis. Furthermore, our PRC legal advisers have advised us that, the assessment and payment of the PRC corporate income tax on the Deemed Profit Basis by Greenstate Landscape has been in compliance with the relevant PRC tax law and regulations. Please refer to the subsection headed “Regulations – Regulations in Relation to Tax – Enterprise Income Tax” in this prospectus for further details.

Broad Landscape has been assessed, and has paid, the PRC corporate income tax on a net profit basis (by applying the tax rate of 25% to the net profit for a certain period) (the “Net Profit Basis”). We have also calculated our income tax expenses on a net profit basis in preparation of our consolidated income statement for the years ended 31 December 2011, 2012 and 2013.

Provision in relation to the Deemed Profit Basis for Greenstate Landscape

Notwithstanding the abovementioned confirmation letters issued by the relevant tax authorities and the advice from our PRC legal advisers, we have adopted a prudent approach and made a provision of an amount equal to the difference between Greenstate Landscape’s PRC corporate income tax accrued on the Net Profit Basis and its actual tax assessed by the relevant tax authorities on the Deemed Profit Basis. For the years ended 31 December 2011, 2012 and 2013, the relevant provision was RMB465,000, RMB5.9 million and RMB2.6 million, respectively. In any event, the Founding Shareholders have agreed to indemnify us in respect of any additional PRC corporate income tax imposed on our Group as a result of the assessment and payment of the PRC corporate income tax by Greenstate Landscape on the Deemed Profit Basis.

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Amount of Difference Attributable to the Timing Difference

In accordance with the relevant PRC tax laws and regulations, there was a time gap between our income tax expenses accrued in our profit and loss account for the relevant period and our tax cash payments subsequently made to the relevant tax authorities for that period. Such time gap has resulted in a difference between (i) the income tax expense shown in our consolidated statements of comprehensive income, and (ii) the actual tax cash payments reflected in our consolidated statements of cash flows, during the Track Record Period. For the years ended 31 December 2011, 2012 and 2013, the amount attributable to the timing difference was estimated to be RMB44,000, RMB959,000 and RMB10.4 million, respectively. The amount of RMB10.4 million attributable to the timing difference for the year ended 31 December 2013 was primarily related to the retention money from the Yue Ya Island project (月牙島項目) which was recognised as revenue upon completion of the project in October 2013.

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Borrowings

As at 31 December 2012, 31 December 2013 and 30 April 2014, we had total borrowings of approximately RMB12.0 million, RMB12.0 million and RMB156.2 million, respectively, all of which was denominated in Renminbi. The following table sets forth the components of our borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Interest bearing bank borrowings	–	12,000	11,984	156,176
Total indebtedness	–	12,000	11,984	156,176

Our bank loans were incurred primarily for the purposes of operating expenses required for our projects and payments of wages and benefits and taxes. We expect to repay the borrowing through our cash flow generated from operating activities. As at 31 December 2013, our bank loans had an effective interest rate of 6.6% and the relevant maturity date of the loans is 19 July 2014. Our bank loans have a floating interest rate and all of our loans are guaranteed by our Controlling Shareholder, Mr. Wu Zhengping. None of our assets or properties were used to secure our bank loans. The agreements under our bank loans do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future.

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On 14 February 2014, we obtained banking facilities of RMB48.5 million from a commercial bank in the PRC primarily for the purposes of paying for our operating expenses and our employees' wages and benefits as well as taxes. Such loans have an effective annual interest rate of 6% and the maturity date is 13 February 2015. Such loans are guaranteed by Broad Landscape and our Controlling Shareholders, Mr. Wu Zhengping and Ms. Xiao Li. None of our assets or properties were used to secure such loans. The agreements under such loans do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. As at 31 May 2014, we had unutilised and unrestricted banking facilities of RMB55.0 million.

On 4 March 2014, we obtained a bank loan of RMB126.2 million from a commercial bank in the PRC which was used for the sole purpose of repaying the RMB120.7 million due to the Founding Shareholders and an amount due to the Pre-IPO Investors as at 31 December 2013 in relation to the Reorganisation. Such loan has a floating interest rate based on the prime rate as quoted by People's Bank of China. The repayment term is two years and the loan is payable in one lump sum payment on maturity. The loan was guaranteed by two PRC companies which are state-invested enterprises and Independent Third Parties that provide loan guarantee services. We paid a total service fee of approximately RMB1.0 million per year to such companies in return for their loan guarantee services. None of our assets or properties was used to secure such loan. The agreement under such loan does not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors are of the view that we will be able to repay the loan by using the profits that we generate from our operation and our existing banking facilities, and not from the proceeds from the Global Offering, assuming that all our existing projects will be completed according to our latest project development schedules and we will receive payments for these projects in accordance with the terms of the relevant contracts.

Although the increase in our trade receivables turnover days in 2013 was mainly due to our focus on undertaking major projects that generally have relatively longer completion schedules and payment cycles as compared to other types of projects, we did not experience any material delay in project progress, project completion or customers' payments that could have a material adverse effect on our financial conditions in that year. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delay in project progress, project completion or customers' payments that could have a material adverse effect on our financial condition or results of operations. In addition, we were not involved in any litigation or dispute in relation to the completion or payment schedules of our projects during the Track Record Period, nor did we receive any notice of penalty from the customers in relation to any delay in project completion. Therefore, our Directors and the Sponsor are of the view that there is a reasonable basis to assume that all our existing projects will be completed according to the latest project development schedule and we will receive payments for these projects in accordance with the terms of the relevant contracts.

Other than as disclosed above, as at the Latest Practicable Date, we did not have any mortgages or charges.

Other than as disclosed above, there has been no material change in our indebtedness since 31 December 2013.

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Major Financial Ratios

	<i>Note</i>	Year ended 31 December		
		2011	2012	2013
Turnover growth (%)	<i>1</i>	N/A	25.2%	30.8%
Net profit growth (%)	<i>2</i>	N/A	30.2%	118.1%
Gross margin (%)	<i>3</i>	16.7%	20.1%	28.7%
Net profit margin before interest and tax (%)	<i>4</i>	10.8%	15.0%	25.0%
Net profit margin (%)	<i>5</i>	10.6%	11.1%	18.5%
Return on equity (%)	<i>6</i>	25.4%	24.8%	603.1%
Return on total assets (%)	<i>7</i>	12.6%	12.5%	19.0%
Interest coverage (times)	<i>8</i>	N/A	130	96
Debtors' turnover (days)	<i>9</i>	126	103	128
Creditors' turnover (days)	<i>10</i>	151	106	85
		As at 31 December		
	<i>Note</i>	2011	2012	2013
Current ratio	<i>11</i>	1.82	1.78	0.91
Gearing ratio (%)	<i>12</i>	nil	12.1%	135.1%
Debt to equity ratio (%)	<i>13</i>	Net Cash	Net Cash	13.4%

Notes:

- (1) Turnover growth for each of the years ended 31 December 2012 and 2013 was calculated based on the difference between our revenue of each year and the preceding year divided by our revenue of the preceding year and then multiplied by 100%.
- (2) Net profit growth for each of the years ended 31 December 2012 and 2013 was calculated based on the difference between our profit and total comprehensive income of each year and the preceding year divided by our profit and total comprehensive income of the preceding year and then multiplied by 100%.
- (3) Gross margin for each of the years ended 31 December 2011, 2012 and 2013 was calculated based on our gross profit of the respective years divided by our revenue of the same year and then multiplied by 100%.
- (4) Net profit margin before interest and tax for each of the years ended 31 December 2011, 2012 and 2013 was calculated based on our net profit before finance costs and tax of each year divided by our revenue of the same year and then multiplied by 100%.
- (5) Net profit margin for each of the years ended 31 December 2011, 2012 and 2013 was calculated based on our net profit of each year divided by our revenue of the same year and then multiplied by 100%.
- (6) Return on equity for each of the years ended 31 December 2011, 2012 and 2013 was calculated based on our profit of each year divided by the total equity attributable to our Shareholders of the same year and then multiplied by 100%.
- (7) Return on total assets for each of the years ended 31 December 2011, 2012 and 2013 was calculated based on our profit of each year divided by our total assets of the same year and then multiplied by 100%.

FINANCIAL INFORMATION

- (8) Interest coverage for each of the years ended 31 December 2012 and 2013 were calculated based on our profit before finance costs and tax for each year divided by our finance costs for the same year.
- (9) Debtors' turnover days for each of the years ended 31 December 2011, 2012 and 2013 were calculated based on our average trade receivables (sum of opening and closing balances of trade receivables of each year and then divided by two), excluding retention money, divided by our revenue of the same year and then multiplied by 365 days.
- (10) Creditors' turnover days for each of the years ended 31 December 2011, 2012 and 2013 were calculated based on our average trade and bills payable (sum of opening and closing balances of trade and bills payable of each year and then divided by two) divided by our revenue of the same year and multiplied by 365 days.
- (11) Current ratios as at 31 December 2011, 2012 and 2013 were calculated based on our total current assets as at the respective dates divided by our total current liabilities as at the same dates.
- (12) Gearing ratios as at 31 December 2011, 2012 and 2013 were calculated based on our total debt which comprises total bank borrowings as at the respective dates divided by equity attributable to our Shareholders as at the same dates and then multiplied by 100%.
- (13) Debt to equity ratios as at 31 December 2011, 2012 and 2013 were calculated based on our net debts (being total debt net of cash and cash equivalents) as at the respective dates divided by equity attributable to our Shareholders as at the same dates and multiplied by 100%.

Current ratio

Our current ratio was approximately 1.82 as at 31 December 2011 and decreased to approximately 1.78 as at 31 December 2012. Such decrease was due to the increase in current liabilities by approximately RMB23.2 million, or 31.8%, from approximately RMB73.1 million as at 31 December 2011 to approximately RMB96.3 million as at 31 December 2012, which outweighed the increase in our current assets by approximately RMB38.7 million, or 29.1%, from approximately RMB133.2 million as at 31 December 2011 to approximately RMB171.9 million as at 31 December 2012. Furthermore, our current ratio decreased to approximately 0.91 as at 31 December 2013. Such decrease was mainly due to the increase in our current liabilities by approximately RMB174.8 million, or 181.5%, from approximately RMB96.3 million as at 31 December 2012 to approximately RMB271.1 million as at 31 December 2013, which outweighed the increase in current assets by approximately RMB76.0 million, or 44.2%, from approximately RMB171.9 million as at 31 December 2012 to approximately RMB247.9 million as at 31 December 2013.

Gearing ratio

Our gearing ratio increased from nil as at 31 December 2011 to approximately 12.1% as at 31 December 2012. Such increase was due to the increase in our interest-bearing bank borrowing of RMB12.0 million from 2011 to 2012. Our gearing ratio increased to approximately 135.1% as at 31 December 2013 from approximately 12.1% as at 31 December 2012, which was mainly due to the decrease in our total equity of approximately 91.0% from 2012 to 2013.

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Debt to equity ratio

Our Group recorded net cash as at 31 December 2011 and 2012, respectively. Our debt to equity ratio increased to 13.4% as at 31 December 2013 primarily due to the decrease in our total equity by approximately RMB89.9 million, or 91.0%, from RMB98.8 million 31 December 2012 to RMB8.9 million 31 December 2013.

Interest coverage

Our interest coverage decreased from approximately 130 times in 2012 to approximately 96 times as at 31 December 2013. Such decrease was due to increase of finance cost of approximately 194.9% from 2012 to 2013 which outweighed the increase in profit before interest and tax of approximately 117.6% for the same period.

Net profit margin before interest and tax

Our net profit margin before interest and tax increased from approximately 10.8% for the year ended 31 December 2011 to approximately 15.0% for the year ended 31 December 2012, and to approximately 25.0% for the year ended 31 December 2013. Such continuous increase in our net profit margin before interest and tax was in line with the increase in gross profit and improvement of our gross profit margin over the Track Record Period.

Return on equity

Our return on equity increased from approximately 24.8% for the year ended 31 December 2012 to approximately 603.1% for the year ended 31 December 2013. Such increase was due to the increase in net profit of approximately 118.1% and the decrease in our total equity of approximately 91.0% from 2012 to 2013.

Return on total assets

Our return on total assets increased from approximately 12.5% for the year ended 31 December 2012 to approximately 19.0% for the year ended 31 December 2013. Such increase was due to the increase in net profit of approximately 118.1% from 2012 to 2013; which outweighed the increase in total assets of 43.1% for the same period.

Turnover growth, net profit growth, gross margin, net profit margin, debtors' turnover days and creditors' turnover days

Please refer to the subsection headed “– Results of Operations” and “– Liquidity and Capital Resources” in this section of the prospectus for the reasons of the fluctuations in the turnover growth, net profit growth, gross margin, net profit margin, debtors' turnover days and creditors' turnover days.

CONTINGENT LIABILITIES

Other than as disclosed above, as at the Latest Practicable Date, we did not have any material contingent liabilities or guarantees, nor did we have any other borrowings or indebtedness in the nature of borrowing of our Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments.

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COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Commitments

Operating Leases

As at the relevant reporting dates indicated, we had commitment for future minimum lease payments under non-cancellable operating leases in respect of rented premises and plant and machinery, which fall due as follows:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	360	362	26
In the second to fifth year, inclusive	360	10	101
After five years	–	35	88
Total	720	407	215

Capital Commitments

As at 31 December 2013, we had no capital commitments.

There has been no material change to our indebtedness and capital commitments since 31 December 2013.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2013, being the date of our most recent financial statements, we did not have any off-balance sheet arrangements except the following commitment for lease payments in respect of a rented premise for the daily operation of our business:

	As at 31 December 2013
	<i>RMB'000</i>
Within one year	26
In the second to fifth year, inclusive	101
After five years	88
Total	215

FINANCIAL INFORMATION

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 2011, 2012 and 31 December 2013 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 years ended 31 December 2011, 2012 and 2013.

FINANCIAL INFORMATION

DIVIDEND POLICY

For the years ended 31 December 2011, 2012 and 2013, we did not distribute any dividend. Subject to the below, we currently intend to pay dividends which will amount to approximately 25% of our profit attributable to the owners of the Company for each of the two years after the Listing. However, we cannot assure you that we will be able to declare or distribute dividends in any amount each year or in any year. The declaration and payment of dividends may be limited by legal restrictions or financing arrangements that we may enter into in the future. In addition, the determination to pay dividends will be made at the discretion of the Board and the amounts of dividends actually declared and paid will depend on the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- our future prospects;
- tax considerations;
- possible effects on our creditworthiness; and
- any other factors which the Board may deem relevant.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the aggregate amount of distributable reserves of the companies comprising our Group was approximately RMB7.7 million.

FINANCIAL INFORMATION

ACQUISITION OF BROAD LANDSCAPE

Financial Impact

On 28 August 2011, we acquired Broad Landscape from an Independent Third Party. For details, please refer to the subsection headed “History and Development – Corporate History of our Group” in this prospectus. By virtue of such acquisition, we obtained our Grade One qualification in urban landscape construction, which entitles us to undertake any scale and form of landscape construction work, including but not limited to comprehensive parks, community parks, theme parks and gardens.

Since we acquired Broad Landscape, we have generated revenue of RMB163.4 million and a net profit of RMB20.3 million for the period between 28 August 2011 and 31 December 2011, which accounted for approximately 92% of our revenue and 108% of our net profit for the year ended 31 December 2011. The revenue of RMB163.4 million and the net profit of RMB20.3 million was comprised of: (i) revenue of RMB74.2 million and a net profit of RMB1.3 million that we recognised from the pre-existing projects of Broad Landscape when we acquired Broad Landscape; and (ii) revenue of RMB89.2 million and a net profit of RMB19.0 million that we recognised from our Yue Ya Island project (月牙島項目) for the period between 28 August 2011 and 31 December 2011. Although the Yue Ya Island project was not a pre-existing project of Broad Landscape at the time when we acquired Broad Landscape, we became qualified to perform the relevant work for the Yue Ya Island project as a result of our acquisition of Broad Landscape. The Grade One qualification in urban landscape construction also allows us to undertake large-scale projects that tend to have a relatively higher profit margin as compared to other types of our projects.

The following table sets forth the breakdowns of revenue and net profit that we generated for the period between 28 August 2011 and 31 December 2011:

	Projects that we acquired from Broad Landscape	Yue Ya Island project	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	74,169	89,209	163,378
Net profit for the period	<u>1,264</u>	<u>19,013</u>	<u>20,277</u>

The profit and profit margin for our Yue Ya Island project was significantly higher than the profit and profit margin for the pre-existing projects of Broad Landscape mainly due to our effective project management and cost control of the project.

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Pre-Acquisition Financial Information

The following table sets forth the income statement of Broad Landscape for the period between 1 January 2011 and 27 August 2011.

	Period from 1 January 2011 to 27 August 2011
	<i>RMB'000</i>
Revenue	68,518
Cost of sales	<u>(67,972)</u>
Gross profit	546
Other income and gains	492
Administrative expenses	(1,761)
Other expenses	<u>(1,177)</u>
Loss before tax	(1,900)
Income tax expense	<u>(31)</u>
Loss for the period and total comprehensive loss for the period	<u><u>(1,931)</u></u>

Our revenue was RMB177.0 million and our net profit was RMB18.8 million for the year ended 31 December 2011. Before the acquisition, Broad Landscape generated revenue of approximately RMB68.5 million and incurred a net loss of approximately RMB1.9 million for the period between 1 January 2011 and 27 August 2011 (the day immediately before the acquisition of Broad Landscape). Therefore, assuming the acquisition had taken place at the beginning of the year ended 31 December 2011, our revenue for the year ended 31 December 2011 would have been RMB245.5 million and our net profit for the same year would have been RMB16.9 million. The decrease in our revenue from RMB245.5 million for the year ended 31 December 2011 to RMB221.6 million for the year ended 31 December 2012 and the increase in our net profit from RMB16.9 million for the year ended 31 December 2011 to RMB24.5 million for the year ended 31 December 2012, respectively, assuming the acquisition had taken place at the beginning of the year ended 31 December 2011, was primarily because (i) we recognised a revenue of RMB89.2 million for our Yue Ya Island project for the year ended 31 December 2011, but we only recognised a revenue of RMB31.0 million for our Yue Ya Island project for the year ended 31 December 2012 as more work was performed for that project in 2011 than in 2012; and (ii) after we completed the on-going projects that we acquired from Broad Landscape, we focused on only undertaking new projects with relatively higher profit margin as compared to other types of our projects.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS

Based on our unaudited condensed interim consolidated financial statements for the four months ended 30 April 2014, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, we recorded revenue of approximately RMB165.4 million.

Our revenue increased from RMB125.4 million for the four months ended 30 April 2013 (based on our unaudited condensed interim consolidated financial statements for such period) to RMB 165.4 million for the four months ended 30 April 2014, primarily as a result of an increase in the number of our new projects with revenue recognized during such period as we expanded our business in China. We were awarded a major landscape architecture project in Quanzhou, Fujian province, with a total initial contract value of RMB350.0 million in March 2014. We commenced the construction work for this project in March 2014 and expect to complete the project by 2015. Please refer to the subsection headed “Business – Our new landscape projects which commenced in 2014” and “Business – Key land construction contract terms with customers – Summary of key contract terms for The Quanzhou Project” in this prospectus for details.

We continue to improve our working capital position in accordance with our prudent financial policies. For the four months ended 30 April 2014, we recorded net cash inflow from operating activities of RMB1.5 million, primarily attributable to progress payments from our customers in relation to certain projects, which was partially offset by an increase in amount due from a contract customer in relation to the Chenzhou Project.

Moreover, our trade receivables increased by RMB10.8 million, or 6.2%, from RMB173.9 million as at 31 December 2013 to RMB184.7 million as at 30 April 2014, primarily due to the Chenzhou Project. Please refer to the subsection headed “ – Liquidity and Capital Resources – Trade Receivables” in this section for further details of the Yue Ya Island Arrangement. Our trade receivables turnover days (excluding retention money) decreased to 96 days for the four months ended 30 April 2014 as compared to that of 128 days for the year ended 31 December 2013. As at 30 April 2014, RMB96.8 million (including the Yue Ya Island Arrangement), or 55.6% of our trade receivables as at 31 December 2013 had been subsequently settled. The outstanding balance of RMB77.2 million comprises retention money in the amount of RMB45.5 million and unsettled trade receivables in the amount of RMB31.6 million.

In addition, our trade and bills payables decreased by RMB23.2 million, or 31.9%, from RMB73.0 million as at 31 December 2013 to RMB49.8 million as at 30 April 2014, primarily due to the Yue Ya Island Arrangement. Our trade and bills payable turnover days decreased to 68 days for the four months ended 30 April 2014 as compared to that of 85 days for the year ended 31 December 2013. As at 30 April 2014, RMB48.5 million, or 66.5%, of our trade and bills payable as at 31 December 2013 has been subsequently settled.

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Furthermore, on 22 April 2014, we obtained secured banking facilities of RMB75.0 million from a commercial bank in the PRC to substitute existing banking facilities of RMB22.0 million. We pledged our self-owned apartment for the banking facilities. As at 31 May 2014, we had unutilised and unrestricted banking facilities of RMB55.0 million.

In June 2014, Eastern Greenstate International, Board Landscape International and YiYu International, based on their respective equity interests in our Company, agreed to contribute an aggregate amount of HK\$63.0 million to our Company as additional capital injection on or before the Price Determination Date. In consideration, our Company will allot and issue a total of 1,000,000 Shares to the Shareholders according to their respective equity interests in our Company. Furthermore, our Company will inject the amount of HK\$63.0 million into Greenstate Times as capital contribution and Greenstate Times will issue additional 50,000 shares to our Company as consideration.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following pro forma adjusted consolidated net tangible assets of our Group have been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 31 December 2013 as if it had taken place on 31 December 2013.

The pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 December 2013 or any future date. It is prepared based on our consolidated net assets as at 31 December 2013 in the Accountants’ Report as set out in Appendix I to this prospectus, and adjusted as described below. The pro forma adjusted consolidated net tangible assets does not form part of the Accountants’ Report as set out in Appendix I to this prospectus.

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Consolidated net tangible assets attributable to the owners of the Company as at 31 December 2013	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets	Pro forma adjusted consolidated net tangible assets per share		
<i>RMB'000</i> (<i>Note 1</i>)	<i>RMB'000</i> (<i>Note 2</i>)	<i>RMB'000</i>	<i>RMB</i> (<i>Note 3</i>)	<i>(HK\$ equivalent)</i> (<i>Note 4</i>)	
Based on an offer price of HK\$1.30 per Share	1,114	203,890	205,004	0.26	0.32
Based on an offer price of HK\$1.76 per Share	1,114	276,036	277,150	0.35	0.44

Notes:

- (1) The consolidated net tangible assets of our Group attributable to owners of the Company as at 31 December 2013 is extracted from the section headed "Appendix I – Accountants' Reports" in this prospectus, which is based on the audited consolidated equity attributable to owners of our Company as at 31 December 2013 of RMB8,871,000 less goodwill and other intangible assets as at 31 December 2013 of RMB1,916,000 and RMB5,841,000.
- (2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$1.30 or HK\$1.76 per Share after deduction of the underwriting fees and other related expenses payable by the Company and 200,000,000 Shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering is converted into RMB at an exchange rate of HK\$1.00 to RMB0.8043.
- (3) The pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2013 and an Offer Price of HK\$1.30 per Share, being the low end of the Offer Price range, and 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2013 and an Offer Price of HK\$1.76 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8043.
- (5) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2013.

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PROFIT FORECAST

Profit Forecast for the Six Months Ending 30 June 2014

	Forecast for the six months ending 30 June 2014
Forecast consolidated profit attributable to owners of our Group ⁽¹⁾⁽³⁾	not less than RMB55.1 million (equivalent to HK\$68.5 million)
Unaudited pro forma forecast earnings per Share ⁽²⁾	not less than RMB0.07 (equivalent to HK\$0.09)

Notes:

- (1) The forecast consolidated profit attributable to owners of our Group for the six months ending 30 June 2014 is extracted from Appendix III to this prospectus. The bases and assumptions on which the above forecast for the six months ending 30 June 2014 has been prepared are summarised in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of our Group for the six months ending 30 June 2014 and on the assumptions that a total of 800,000,000 Shares were in issue during the six months ending 30 June 2014, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8043.
- (3) The forecast income tax expense and Listing-related expenses attributable to owners of our Group for the six months ending 30 June 2014 are approximately RMB18.5 million and RMB16.9 million respectively.
- (4) Pursuant to Rule 11.18 of the Hong Kong Listing Rules, we have given an undertaking to the Hong Kong Stock Exchange that the interim report for the six months ending 30 June 2014 will be audited.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules, with respect to advance to an entity, financial assistance and guarantees to affiliated companies of an issuer, pledging of shares by the Controlling Shareholders, covenants in loan agreements relating to specific performance of the Controlling Shareholders, and breach of loan agreement by an issuer.

RELATED-PARTY TRANSACTIONS

As at 31 December 2011, 2012 and 2013, we leased an office from Mr. Wu Zhengping, our ultimate Controlling Shareholder, for a lease payment of RMB360,000 per year for the years ended 31 December 2011, 2012 and 2013, for the purpose of the daily operation of our business.

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In addition, Mr. Wu Zhengping has guaranteed our bank loans of RMB12.0 million as at 31 December 2012 and 2013, respectively.

During the Track Record Period, Shanghai Greenstate Gardening Development Co., Ltd. used an office premises of a gross floor area of 100 sq.m. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, PRC, which was owned by Mr. Wu Jie, a cousin of Mr. Wu, free of charge.

On 22 October 2013, our Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000. As at 31 December 2013, we had an amount due from the Shareholders of RMB305,000 that represented the amount of paid in capital. For details, please refer to the subsection headed “History and Development – Incorporation of Our Company” in this prospectus.

As at 31 December 2013, we had an amount due to the Founding Shareholders of RMB120.7 million and an amount due to the Pre-IPO Investors of RMB3.4 million (excluding withholding individual income tax) that we incurred in relation to the Onshore Acquisitions conducted on 31 December 2013. Such balances are unsecured and interest-free. For details regarding the Onshore Acquisitions, please refer to the subsection headed “History and Development – Our Reorganisation” in this prospectus. In March 2014, we settled the amount due to the Founding Shareholders and the amount due to the Pre-IPO Investors by a long-term bank loan of RMB126.2 million that we obtained on 4 March 2014 from a commercial bank in the PRC.

Our Directors believe that the related parties transactions described above were carried out in the normal course of business and on normal commercial terms between the relevant parties or terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2013 (being the date to which our Company’s latest consolidated audited financial results were prepared) and there is no event since 31 December 2013 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

On 12 January 2014, in preparation for the Listing, Mr. Wu, Ms. Xiao and the Management Shareholders executed the Acting in Concert Deed, whereby they confirmed the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner upon the Listing to consolidate their control over our Group until the Acting in Concert Deed is terminated by them in writing. With regard to each Controlling Shareholder, he/she shall not be bound by the Acting in Concert Deed when he/she ceases to have any equity interest in our Company. According to the Acting in Concert Deed, our Controlling Shareholders have agreed to continue to vote on any resolution to be passed by at any shareholders' meeting of our Company in a unanimous manner.

By virtue of the Acting in Concert Deed, our Controlling Shareholders include Mr. Wu, Ms. Xiao (Mr. Wu's spouse) and the Management Shareholders. Immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), our Controlling Shareholders will together be entitled to exercise or control the exercise of approximately 67.97% of the issued share capital of the Company.

NO COMPETITION

Our Directors, including our independent non-executive Directors, confirm that, as at the Latest Practicable Date, none of the Controlling Shareholders or any of their respective associates had interests in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with the business of our Group.

NON-COMPETITION DEED

For the purpose of the Listing, the Controlling Shareholders have executed the Non-competition Deed in our favour on 25 June 2014, pursuant to which each of the Controlling Shareholders has undertaken to us that:

- (a) he/she/it will not engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venture, employee, consultant or otherwise) which competes or is likely to compete, either directly or indirectly, with all the business currently carried on by our Group and the business which is identical or similar to, or in direct or indirect competition with, that of any member of our Group from time to time (the "Restricted Business");
- (b) in respect of any of his/her/its associates, he/she/it will procure that each of such associates will not engage otherwise be involved in any Restricted Business;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) he/she/it will not (and procure his/her/its associates will not) exploit his/its knowledge or information obtained from our Group to compete, directly or indirectly, with the business currently carried on by our Group and such other businesses as may be carried on by our Group from time to time;
- (d) he/she/it will not (and procure his/her/its associates will not), directly or indirectly, take any other action which constitutes an intentional undue interference with or a disruption of any of our Group's current business and such other businesses as may be carried on by our Group from time to time, will not, and will procure that its or his associates, either by himself or itself or through another company directly, will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, be interested or engaged in or acquire or hold (in each case, whether acting as an investor, shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any of the Restricted Business both within and outside the PRC;
- (e) he/she/it will (i) notify our Company in writing of any business opportunity which competes or is likely to compete, either directly or indirectly, with the Restricted Business (the "New Business Opportunity"), if any of them becomes aware of such business opportunities; and (ii) use his/her/its best endeavours to procure the New Business Opportunity is first offered to us on terms and conditions that are fair and reasonable;
- (f) he/she/it will provide all information necessary (including his/her/its interest in business undertakings and those of his/her/its associates) for the annual review by the committee comprising the independent non-executive Directors of the compliance and the enforcement of such undertakings by each of the Controlling Shareholders;
- (g) he/she/it will make an annual declaration on compliance with such undertakings in our annual reports; and
- (h) he/she/it will excuse himself/herself/itself from voting and not be counted as quorum of any meetings of Shareholders and/or our Board for consideration and approval of any matters referred to in the non-competition deed which have given or may give rise to conflicts of interest, whether actual or potential.

The Non-competition Deed is effective from the Listing Date and will remain in full force until terminated upon occurrence of the following events: (i) with regard to each Controlling Shareholder, the date on which such Controlling Shareholders and/or their respective associates cease to a Controlling Shareholder of us within the meaning of the Hong Kong Listing Rules. For the avoidance of doubt, the Deed of Non-competition Deed shall remain in full force in respect of the remaining Controlling Shareholders, or (ii) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange, whichever is earlier.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Non-competition Deed shall not restrict each of the Controlling Shareholders (or any of their respective associates), either by itself or any other person, from holding interests in the shares of a company which is listed on a recognised stock exchange provided that:

- (a) any Restricted Business conducted or engaged by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
- (b) the total number of the shares held by any of the Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and the Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and/or at any time, there should exist at least another shareholder of the company who holds more shares in the company than the Controlling Shareholders and/or their respective associates in aggregate.

CORPORATE GOVERNANCE

Our Board will consist of not less than three independent non-executive Directors and at least one-third of our Board will be independent non-executive Directors. This will help ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders.

We have adopted the following procedures for matters or transactions with potential conflicts of interest between us, on the one hand, and our Controlling Shareholders and associates, on the other hand:

- (a) The Articles of Association provide that if a Director is in any way interested in a contract, transaction or arrangement with our Company, the Director shall declare the nature of such interest at the earliest opportunity at which it is practicable for him or her to do so;
- (b) Subject to certain exceptions, the Articles of Association provide that a Director shall not vote (nor shall he or she be counted in the quorum) on any resolution of our Board approving any contract, arrangement or proposal in which he or she, or any of his or her associates, is, to his or her knowledge, materially interested. If he or she votes, his or her vote will not be counted (nor will he or she counted in the quorum for that resolution). The Articles of Association require a Director to excuse himself or herself from voting in the event the Director has any conflicts of interest;
- (c) We have established an audit committee, a nomination committee and a remuneration committee to assess and control, and ensure our Board is appropriately advised as to, matters relating to (among other things) our relationship with our external auditors and our internal audit function, the remuneration of the Directors and our senior management, and the composition of the Board. Our audit committee comprises independent non-executive Directors and each of our nomination committee and remuneration committee comprises a majority of independent non-executive Directors;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) We have entered into an agreement with a compliance adviser, Kim Eng, to provide us with professional advice and guidance in respect of compliance with the Hong Kong Listing Rules and relevant applicable laws.

In addition, the following measures will be adopted by us in respect of the enforceability of the Non-competition Deed:

- (a) The independent non-executive Directors will review, on an annual basis, the Controlling Shareholders' compliance with the Non-competition Deed. The decisions on matters reviewed by our independent non-executive Directors relating to the enforcement of the Non-competition Deed (if any) will be disclosed in our annual report or, where the Board considers it appropriate, by way of an announcement; and
- (b) Any New Business Opportunity under the Non-competition Deed and all other matters determined by our Board as having a potential conflict of interest with the Controlling Shareholders will be referred to our independent non-executive Directors for discussion and decision. When necessary, our independent non-executive Directors may consider engaging an independent financial adviser to advise them on these matters. In the event any New Business Opportunity presented by or otherwise arising in connection with any of the Controlling Shareholders are turned down by us according to Non-competition Deed, we will disclose the decision, as well as the basis for such decision in our annual report or interim report.

On the basis of the above, our Directors are satisfied that there are sufficient and effective preventive measures to manage conflicts of interest and our Board is able to operate independently of the Controlling Shareholders.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Operational Independence

Our Group has (i) its own work force to carry out our business which operates independently and does not share its operation team with the Controlling Shareholders; (ii) sufficient operational capacity to operate its business independently from the Controlling Shareholders; and (iii) independent access to our suppliers and customers. Our Group is in possession of all relevant licences which are necessary to carry on and operate our business.

In relation to our leasing of premises from Mr. Wu and Ms. Xiao, this tenancy agreement was entered into on normal commercial terms after arm's length negotiations and the rentals payable by our Group are fair and reasonable and consistent with the prevailing market rate for similar premise in similar location in the PRC. Our Directors are of the view that even if this tenancy agreement is terminated and the relevant premises are no longer available to our Group, our Group would be able to find suitable premise from third party landlord in the same district to satisfy its need for alternative premise for its business operation without undue delay or inconvenience.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Directors consider that our operations do not rely on the supply or services provided by the Controlling Shareholders.

Management Independence

The Board comprises four executive Directors and three independent non-executive Directors. Each of our Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to its own business needs. Our Directors confirm that all the loans or guarantees provided by the Controlling Shareholders to our Group and non-traded balance with related parties will be settled/released before Listing.

In view of the above, the Directors consider that we are capable of carrying on our business independently of, and do not place undue reliance on the Controlling Shareholders.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

Mr. Wu is the chairman of the Board, the chief executive officer of our Company, an executive Director and a Controlling Shareholder. Therefore, Mr. Wu is a connected person of our Company by virtue of Rule 14A.07(1) of the Hong Kong Listing Rules which will be effective from 1 July 2014.

Ms. Xiao, the spouse of Mr. Wu, is an executive Director and a Controlling Shareholder. Therefore, Ms. Xiao is a connected person of our Company by virtue of Rule 14A.07(1) of the Hong Kong Listing Rules which will be effective from 1 July 2014.

Mr. Wu Jie (吳杰) is a relative of Mr. Wu. Therefore, Mr. Wu Jie (吳杰) is a connected person of our Company by virtue of Rule 14A.07(4) of the Hong Kong Listing Rules which will be effective from 1 July 2014.

EXEMPT CONTINUING CONNECTED TRANSACTION

The following transactions have been carried out by our Group and their connected persons which constitute continuing connected transactions exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules which will be effective from 1 July 2014.

Tenancy Agreement

Description of transaction

Pursuant to a tenancy agreement (the "Tenancy Agreement") entered into on 26 December 2013 between Mr. Wu, Ms. Xiao and Greenstate Landscape (a wholly owned subsidiary of our Company), 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 (the "Office Premises") to Greenstate Landscape (as the tenant) for use as our office. The term of the tenancy agreement is for a period of three years commencing from 1 January 2014 and ending on 31 December 2016. The rental for the Tenancy Agreement shall be RMB360,000 for each of the financial years ending 31 December 2014, 2015 and 2016, which was determined based on arm's length negotiations between our Group and Mr. Wu and Ms. Xiao.

Historical transaction amounts

In 2011, 2012 and 2013, the aggregate rental paid by our Group for the leasing of the Office Premises were RMB360,000, RMB360,000 and RMB360,000, respectively.

Hong Kong Listing Rules requirements

As each of the applicable percentage ratios (other than the profit ratio) under Rule 14.07 of the Hong Kong Listing Rules which will be effective from 1 July 2014 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

CONNECTED TRANSACTIONS

minimis transaction which is exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Chapter 14A of the Hong Kong Listing Rules which will be effective from 1 July 2014.

Directors' confirmation

Our Directors (including the independent non-executive Directors) confirmed that the above continuing connected transaction has been entered into in the ordinary and usual course of our Group's business, on normal commercial terms, and is fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Licence Agreement

Background

During the Track Record Period, Greenstate Gardening (our wholly owned subsidiary) had historically been using an office premises of a gross floor area of 100 sq.m. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, PRC (the "Jinshan Premises") as its registered address in Shanghai.

Description of transaction

In anticipation of the Global Offering, we entered into a licence agreement (無償使用許可協議) (the "Licence Agreement") with Mr. Wu Jie (吳杰) on 7 January 2014 to ensure Greenstate Gardening will continue to be able to use the Jinshan Premises as its registered address from the following date of the Licence Agreement to 17 August 2014. The licence fee payable to Mr. Wu Jie (吳杰) shall be nil.

Historical transaction amounts

In 2011, 2012 and 2013, there was no historical amount in respect of the licence fee paid by our Group to Mr. Wu Jie (吳杰).

Hong Kong Listing Rules requirements

As each of the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Hong Kong Listing Rules which will be effective from 1 July 2014 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 Hong Kong Listing Rules which will be effective from 1 July 2014.

Directors' confirmation

Our Directors (including the independent non-executive Directors) confirmed that the above continuing connected transaction has been entered into in the ordinary and usual course of our business and is on terms favourable to our Group, which is in the interests of our Shareholders as a whole.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised share capital:

		<i>HK\$</i>
<u>1,000,000,000</u>	Shares of HK\$0.10 each	<u>100,000,000</u>

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which may be granted under the Share Option Scheme):

Issued and to be issued, fully paid or credited as fully paid:

		<i>HK\$</i>
3,800,000	Shares in issue at the date of this prospectus	380,000
1,000,000	Shares to be issued pursuant to the Capital Injection	100,000
595,200,000	Shares to be issued pursuant to the Capitalisation Issue	59,520,000
200,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	20,000,000
<u>800,000,000</u>	Shares	<u>80,000,000</u>

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which may be granted under the Share Option Scheme):

Issued and to be issued, fully paid or credited as fully paid:

		<i>HK\$</i>
3,800,000	Shares in issue at the date of this prospectus	380,000
1,000,000	Shares to be issued pursuant to the Capital Injection	100,000
595,200,000	Shares to be issued pursuant to the Capitalisation Issue	59,520,000
237,200,000	Shares to be issued pursuant to the Global Offering (inclusive of any Shares which may be issued under the Over-allotment Option)	23,720,000
<u>837,200,000</u>	Shares	<u>83,720,000</u>

Note: These Shares do not include the 48,000,000 Shares to be sold by the Selling Shareholders pursuant to the Global Offering. The Selling Shareholders shall sell their Sale Shares out of the Shares owned by them as at the date of this prospectus and/or the Shares to be issued to them pursuant to the Capitalisation Issue.

SHARE CAPITAL

Assumptions

The above table assumes that the Global Offering becomes unconditional, and that the Capitalisation Issue is made but takes no account of any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as described below.

For further details of this general mandate, see “Appendix V – Statutory and General Information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 25 June 2014”.

Ranking

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue or to be issued as mentioned in this prospectus, and, in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus except in respect of the Capitalisation Issue.

Capitalisation Issue

Under the written resolutions of our Shareholders passed on 25 June 2014 and subject to the conditions set out therein, our Directors were authorized to allot and issue a total of 595,200,000 Shares credited as fully paid at par to the Shareholder(s) whose name(s) appear(s) on the register of members of our Company at close of business on 25 June 2014 by way of capitalization of the sum of HK\$59,520,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued under this resolution shall rank *pari passu* in all respects with the existing issued Shares. Please refer to “Appendix V – Written resolutions of our Shareholders passed on 25 June 2014” to this prospectus for more details.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme under which options to subscribe for Shares representing up to 10% of the issued share capital of our Company as at the date of listing may be granted to the directors, full-time or part-time employees, consultants and advisers of our Group. The principal terms of the Share Option Scheme are summarised in “Appendix V – Statutory and General Information – E. Share Option Scheme”.

SHARE CAPITAL

General mandate to issue new Shares

Our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

1. 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue and before the exercise of the Over-allotment Option; and
2. the aggregate nominal amount of the share capital of our Company repurchased by our Company (if any) pursuant to the repurchase mandate.

Our Directors may, in addition to Shares which they are authorised to issue under the mandate, allot, issue or deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights under options which may be granted under the Share Option Scheme, scrip dividend or similar arrangement.

This general mandate to issue Shares will expire:

- at the conclusion of the next annual general meeting of our Company; or
- on the date by which the next annual general meeting of our Company is required by law or the Articles to be held; or
- when revoked, varied or renewed by ordinary resolution of our Shareholders in general meeting,

whichever occurs first. For further details of this general mandate, see “Appendix V – Statutory and General Information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 25 June 2014”.

General mandate to repurchase Shares

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such aggregate number of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue and before the exercise of the Over-allotment Option.

The mandate only relates to repurchases made on the Hong Kong Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose. Any repurchases by our Company must be made in accordance with the Hong Kong Listing Rules. A summary of the relevant Hong Kong Listing Rules is set out in “Appendix V – Statutory and General Information – A. Further information about our Group – 6. Repurchase by our Company of our own securities”.

SHARE CAPITAL

This general mandate to repurchase Shares will expire:

- at the conclusion of the next annual general meeting of our Company; or
- the date by which the next annual general meeting of our Company is required by law or by the Articles to be held; or
- when revoked, varied or renewed by ordinary resolution of our Shareholders in general meeting,

whichever occurs first. For further details, see “Appendix V – Statutory and General Information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 25 June 2014”.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. Wu (1)(4)	Interest held jointly with another person; interest in a controlled corporation; interest of spouse	3,743,543	98.51%
Broad Landscape International (2)	Beneficial owner	2,610,068	68,686%
Ms. Xiao (1)(4)(5)	Interest held jointly with another person; interest in a controlled corporation; interest of spouse	3,743,543	98.51%
Mr. Shen Wenlin (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Song Shudong (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Zhang Kequan (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Jiao Ye (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Wang (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Li Qiuliang (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Xiao Xu (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Ms. Zhu (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%

SUBSTANTIAL SHAREHOLDERS

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. She Lei (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Eastern Greenstate International (3)	Beneficial owner	1,133,475	29.8283%

Notes:

- (1) Our Company is held as to 68.686%, 29.8283% and 1.4857%, respectively, by Broad Landscape International, Eastern Greenstate International and YiYu International as at the Latest Practicable Date. Pursuant to the Acting in concert Deed, each of Mr. Wu, Ms. Xiao and the Management Shareholders has agreed to jointly control their respective interests in our Company and the decisions as to the business and operations of our 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.
- (2) Broad Landscape International, a wholly owned subsidiary of Mr. Wu, is directly interested in 68.686% in our Company as at the Latest Practicable Date.
- (3) Eastern Greenstate International is directly interested in 29.8283% in our Company as at the Latest Practicable Date.
- (4) Mr. Wu is the spouse of Ms. Xiao. Under the SFO, Mr. Wu is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.
- (5) Ms. Xiao has controlled more than one third of the voting power at the general meeting of Eastern Greenstate International, therefore under the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Eastern Greenstate International is interested.

Save as disclosed herein, our Directors are not aware of any person who will, as at the Latest Practicable Date, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the Global Offering and the Capitalisation Issue without taking into account the Shares that could be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the options granted under the Share Option Scheme, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. Wu (1)(4)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Broad Landscape International (2)	Beneficial owner	379,146,720	47.39%
Ms. Xiao (1)(5)(4)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Shen Wenlin (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Song Shudong (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Zhang Kequan (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Jiao Ye (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Wang (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Li Qiuliang (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Xiao Xu (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%

SUBSTANTIAL SHAREHOLDERS

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Ms. Zhu (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. She Lei (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Eastern Greenstate International (3)	Beneficial owner	164,652,216	20.58%

Notes:

- (1) Our Company is held as to approximately 47.39%, 20.58% and 1.03%, respectively, by Broad Landscape International, Eastern Greenstate International and YiYu International immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Pursuant to the Acting in concert Deed, each of Mr. Wu, Ms. Xiao and the Management Shareholders has agreed to jointly control their respective interests in our Company and the decisions as to the business and operations of our 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.
- (2) Broad Landscape International, a wholly owned subsidiary of Mr. Wu, is directly interested in approximately 47.39% in our Company immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme).
- (3) Eastern Greenstate International is directly interested in approximately 20.58% in our Company immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme).
- (4) Mr. Wu is the spouse of Ms. Xiao. Under the SFO, Mr. Wu is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.
- (5) Ms. Xiao has controlled more than one third of the voting power at the general meeting of Eastern Greenstate International, therefore under the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Eastern Greenstate International is interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering and the Capitalisation Issue, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

GENERAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of seven Directors including four executive Directors and three independent non-executive Directors. The following table sets out information in respect of our Directors:

Name	Age	Position	Date of joining our Group	Appointment date as Director	Principal responsibilities	Relationship among the Directors
Wu Zhengping (吳正平)	50	Chairman and Executive Director	15 June 2004	13 January 2014	Overseeing the overall strategic planning and management of our Group	Spouse of Ms. Xiao Li
Xiao Li (肖莉)	42	Executive Director	15 June 2004	13 January 2014	Overseeing the financial matters and daily operations of our Group	Spouse of Mr. Wu Zhenping
Zhu Wen (朱雯)	31	Executive Director	15 June 2004	13 January 2014	Overseeing the administration matters of our Group	Not applicable
Wang Lei (王磊)	41	Executive Director	11 May 2006	13 January 2014	Overseeing the construction and technical matters of our Group	Not applicable
Dai Guoqiang (戴國強)	62	Independent Non-Executive Director	25 June 2014	25 June 2014	Chairman of the Nomination Committee, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee	Not applicable
Zhang Qing (張清)	45	Independent Non-Executive Director	25 June 2014	25 June 2014	Chairman of the Audit Committee	Not applicable
Wang Xiaohong (王孝泓)	66	Independent Non-Executive Director	25 June 2014	25 June 2014	Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee	Not applicable

Note: For the residential addresses of the Directors, please refer to the section headed “Directors and Parties involved in the Global Offering” in this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our four executive Directors concurrently hold senior management positions. The following table sets out the information in respect of the members of the senior management of our Group:

Name	Age	Position	Date of joining our Group	Appointment date as senior management	Principal responsibilities	Residential address
Wu Zhengping (吳正平)	50	Chief Executive Officer	15 June 2004	13 January 2014	Daily management of our business and strategic development of our Group	Room 1802, No. 3 Huang Jin Cheng Road Lane 500, Chang Ning District, Shanghai, China, 200336
Xiao Li (肖莉)	42	Deputy general manager	15 June 2004	13 January 2014	Daily management of operation, finance, administration and project cost control	Room 1802, No. 3 Huang Jin Cheng Road Lane 500, Chang Ning District, Shanghai, China, 200336
Zhu Wen (朱雯)	30	Administrative manager	15 June 2004	13 January 2014	Daily supervision of administrative affairs and human resources management	216 Wu Kang Road, Xu Hui District, Shanghai, China, 200233
Wang Lei (王磊)	40	Head of engineering department	11 May 2006	13 January 2014	Daily supervision and control of projects on-site	Room 601, No. 15, 1558 Mei Chuan Road, Jiading District, Shanghai, China
Wong Wai Ming (黃偉明)	41	Chief Financial Officer and Company Secretary	16 December 2013	13 January 2014	Financial management and corporate secretarial affairs	Flat C 13/F, Hoi Sing Mansion, 10 Taikoo Shing Road, Hong Kong

DIRECTORS

Executive Directors

Mr. Wu Zhengping (吳正平), aged 50, was appointed as our executive Director and chairman of our Board on 3 January 2014. Mr. Wu is also our chief executive officer, the director of Broad Landscape, Greenstate Landscape and Greenstate Gardening. Mr. Wu founded our Group with Ms. Xiao in 2004 and is one of our Controlling Shareholders. He is responsible for our overall strategy, business and investment planning of our Group. Mr. Wu has extensive experience in the landscape architecture service industry, and has been engaged in such business for over nine years.

Mr. Wu received a bachelor's degree in Nanjing Forestry University* (南京林業大學) from September 1981 to July 1985. He was qualified as engineer in December 1992. Mr. Wu served as a tutor at Shanghai Gardening School* (上海市園林學校) (currently known as Shanghai Urban Construction and Engineering School* (上海市城市建設工程學校)) from August 1985 to December 2000 and served as a tutor at Shanghai Gardening Vocational School* (上海園林職工學校) from January 2001 to May 2004. When Mr. Wu founded our 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 since 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, our executive Director.

Ms. Xiao Li (肖莉), aged 42, was appointed as our executive Director on 3 January 2014 and a member of nomination committee on 25 June 2014. Ms. Xiao founded our Group with Mr. Wu in 2004 and is one of our Controlling Shareholders. She is the director of Broad Landscape and Greenstate Landscape. She is responsible for overseeing the financial matters and daily operations of our 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 nine years of experience in business management. She has been the general manager of Greenstate Landscape since June 2004 and the director and assistant general manager of Broad Landscape since August 2011. Ms. Xiao is the spouse of Mr. Wu Zhengping.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Zhu Wen (朱雯), aged 30, was appointed as our executive Director on 3 January 2014 and a member of remuneration committee on 25 June 2014. She has joined our Group for nine years since 15 June 2004. She is currently the manager of the administrative department in Greenstate Landscape. She has also been the director of Broad Landscape and the manager of our administrative department since August 2011. Ms. Zhu is responsible for overseeing the administration matters of our 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), aged 40, is appointed as our executive Director on 3 January 2013. He is also the director of Board Landscape and the manager of construction department. Mr. Wang is responsible for overseeing the landscape architecture projects of our 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 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 our Group for seven years since 11 May 2006. He has been the assistant manager under the construction department of Greenstate Landscape since he joined our Group. He has also been the director and the manager under the construction department of Broad Landscape since August 2011.

Independent Non-executive Directors

Mr. Dai Guoqiang (戴國強), aged 61, was appointed as our independent non-executive Director on 25 June 2014 and is the chairman of nomination committee on 25 June 2014, member of audit committee on 25 June 2014 and member of remuneration committee on 25 June 2014. Mr. Dai has nearly ten years of experience in Finance and Economics. Mr. Dai graduated with a bachelor and a master degree in Economics from Shanghai School of Finance and Economics* (上海財經學院), currently known as Shanghai University of Finance and Economics (上海財經大學), in January 1983 and July 1987 respectively. Following which Mr. Dai obtained a PH.D. in Economics from Fudan University (復旦大學) in Shanghai, China in July 1994.

From March 1999 to April 2006, he was the Dean of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) in Shanghai, China. He was the party secretary* (黨委書記) of the School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to July 2007. From July 2007 to April 2011, he served as the Dean and secretary of the Master of Business Administration School of Shanghai University of Finance and Economics (上海財經大學). Mr. Dai has served as a finance professor, the party branch secretary and vice president* (黨支部書記兼部院長) of the School

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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. 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 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* (上海市教育育人楷模提名獎) in September 2012.

Mr. Zhang Qing (張清), aged 45, was appointed as our independent non-executive Director on 25 June 2014 and is the chairman of audit committee on 25 June 2014. Mr. Zhang graduated from Shanghai Jiao Tong University, China (上海交通大學) with a bachelor degree of Industrial Engineering Management (工業管理工程本科) in 1991. He also obtained a Master's degree in Business Administration from the University of Illinois, Chicago of USA in May 2000. Mr. Zhang has over 20 years of experience in finance and accounting industry. From August 1991 to April 1994, Mr. Zhang was a dealer on behalf of the Industrial Bank of Japan (IBJ), Shanghai Branch (日本興業銀行上海分行) in China Foreign Exchange Centre. Mr. Zhang then served as the regional finance officer (華中區域財務主任) of British American Tobacco China Company (英美煙草中國公司) from April 1994 to August 1995. From September 1995 to March 1999, Mr. Zhang was the finance manager of Dow Chemical (China) Investment Co., Ltd (陶氏化學(中國)投資有限公司). Mr. Zhang was the manager financial analysis in the finance department of Avis & Budget Car Rental, LLC from July 2000 to May 2005. He was then the corporate finance manager of Kraton Polymers US LLC from May 2005 to July 2008. From July 2008 to March 2012, he served as the chief financial officer of China in Elkay (China) Kitchen Solutions Co. Ltd. He is the group chief financial officer of Asia Timber Products Ltd since March 2012.

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.

Mr. Wang Xiao Hong (王孝泓), aged 66, was appointed as our independent non-executive Director on 25 June 2014 and is the chairman of the remuneration committee on 25 June 2014 and a member of nomination committee on 25 June 2014. Mr. Wang has over 12 years of experience in landscape architecture industry. He was qualified as an engineer in September 1993. From December 1974 to April 1987, he was the party secretary and deputy

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

party secretary (黨委副書記、書記) of Shanghai South District Real Estate Management Authority* (上海市南市區房地產管理局). From May 1987 to March 1993, Mr. Wang was the authority head (局長) of Shanghai South District Construction Management Authority* (上海市南市區建設管理局). He was the deputy district head (副區長) of Shanghai South District People Government* (上海市南市人民政府) from April 1993 to March 2000. From April 2000 to March 2008, Mr. Wang served as the deputy authority head (副局長) of Shanghai Landscaping Management Authority* (上海市綠化管理局) currently known as Shanghai Greenery and Cityscape Management Authority (上海市綠化和市容管理局). Mr. Wang is the chief consultant (首席顧問) of Shanghai Gardening Landscaping Industry Association* (“上海市園林綠化行業協會”) since 2008.

Please refer to the subsection headed “Appendix V – Statutory and General Information – D. Further Information About Our Directors And Substantial Shareholders – 1. Disclosure of Interests – (a) Interests of our Directors” in this prospectus for details of our Directors’ interests in our Shares (within the meaning of Part XV of the SFO), particulars of our Directors’ service agreements and remuneration.

Save as disclosed in this prospectus, each of our Directors has confirmed that (i) he or she has not held any other directorships in any listed company during the three years immediately prior to the date of this prospectus; (ii) there are no other matters relating to his/her appointment as a Director that need to be brought to the attention of our Shareholders and (iii) there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

SENIOR MANAGEMENT AND COMPANY SECRETARY

Our executive Directors, 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 our Group. For each of their biographies, please refer to the subsection headed “Executive Directors” in this section of the prospectus.

Mr. Wong Wai Ming (黃偉明), aged 41, is the chief financial officer and company secretary of our Group on 16 December 2013. Mr. Wong has over 19 years of experience in accounting and finance. He served as staff accountant at Moores Rowland from 1994 to 1996. He was a staff accountant and an audit manager at Ernst & Young from 1996 to 2001. He subsequently joined Kin Yat Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 638) in 2001 as a finance manager and was promoted to financial controller in 2005. He then became its finance director in 2007 to 2010. From 2011 to 2013, Mr. Wong joined Baofeng Modern International Holdings Company Limited, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 1121) and served as chief financial officer. Mr. Wong is currently an independent non-executive director of Prince Frog International Holdings Ltd, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 1259) on a part-time basis. Mr. Wong received a bachelor degree of business administration from the Chinese University of Hong Kong in 1994. He has been a fellow member of each of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants since 1 November 2002 and 1 March 2006, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

WAIVER FROM RULE 8.12 OF THE HONG KONG LISTING RULES

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Hong Kong Listing Rules regarding the requirement of management presence in Hong Kong. For details of the waiver, please refer to the subsection headed “Waivers From Strict Compliance With The Hong Kong Listing Rules – Management Presence” in this prospectus.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration (including fees, salaries and other benefits, retirement benefit scheme contribution) paid to Mr. Wu, Ms. Xiao, Ms. Zhu and Mr. Wang in aggregate for the three years ended 31 December 2013 were approximately RMB1.6 million, RMB1.7 million and RMB1.7 million, respectively.

The remuneration (including salaries and other benefits, retirement benefit scheme contribution) paid to our Group’s five highest paid individuals in aggregate for the three years ended 31 December 2013 were approximately RMB1.9 million, RMB1.9 million and RMB2.0 million, respectively.

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

Except as disclosed above, no other payments have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of the Directors.

For additional information on Directors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to the subsection headed “Appendix I – Accountants Report – 29. Business Combination – Acquisition of a subsidiary – iii. Director’s remuneration and five highest paid employees” in this prospectus, respectively.

AUDIT COMMITTEE

We have established an audit committee in compliance with Rules 3.21 and 3.22 of the Hong Kong Listing Rules. Our audit committee consists of three members, namely Mr. Zhang Qing (張清), Mr. Dai Guoqiang (戴國強) and Mr. Wang Xiaohong (王孝泓). The chairman of the audit committee is Mr. Zhang Qing (張清), our independent non-executive Director.

The primary duties of our audit committee are to review and supervise our financial reporting process and internal control system and provide advice and comments to our Board. Our audit committee’s terms of reference can be accessed at our website at www.broad-greenstate.com.cn and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION COMMITTEE

We have established a remuneration committee in compliance with Rules 3.25 and 3.26 of the Hong Kong Listing Rules. Our remuneration committee consists of three members, namely Mr. Wang Xiao Hong (王孝泓), Mr. Dai Guoqiang (戴國強) and Ms. Zhu Wen (朱雯). The chairman of the remuneration committee is Mr. Wang Xiaohong (王孝泓), our independent non-executive Director.

The primary duties of the remuneration committee are to make recommendations to our Directors on our policy and structure for all remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration, 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 our Directors from time to time.

Our remuneration committee's terms of reference can be accessed at our website at www.broad-greenstate.com.cn and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

NOMINATION COMMITTEE

We have established a nomination committee in compliance with paragraph A.5.1 of the Corporate Governance Code. Our nomination committee consists of three members, namely Mr. Dai Guoqiang (戴國強), Mr. Wang Xiaohong (王孝泓) and Ms. Xiao Li (肖莉). The chairman of the nomination committee is Mr. Dai Guoqiang (戴國強).

The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes, identify, select or make recommendations to our Board on the selection of individuals nominated for directorships, assess the independence of our independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment or reappointment of our Directors and succession planning for our Directors.

Our nomination committee's terms of reference can be accessed at our website at www.broad-greenstate.com.cn and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we will comply with the Corporate Governance Code after the Listing.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Wu currently performs these two roles. Our 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 our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

COMPLIANCE ADVISER

Our Company has appointed Kim Eng Securities (Hong Kong) Limited as its compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules.

The material terms of the compliance adviser's agreement entered into between our Company and the compliance adviser are as follows:

- (1) the compliance adviser's appointment shall be for a period commencing on the date on which our Shares are listed on the Hong Kong Stock Exchange and ending on the date on which our Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of the financial results of our Group for the first full financial year commencing from the Listing Date;
- (2) the compliance adviser shall provide our Company with services including guidance and advice as to compliance with the requirement of the Hong Kong Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Company to any meetings with the Hong Kong Stock Exchange;
- (3) our Company may terminate the appointment of the compliance adviser by giving a 30 days' prior written notice to the compliance adviser. Our Company will exercise such right in compliance with Rule 3A.26 of the Hong Kong Listing Rules. The compliance adviser will have the right to terminate its appointment as compliance adviser under certain specific circumstances and upon notification of the reason of its resignation to the Hong Kong Stock Exchange; and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (4) during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:
- (a) before the publication of any regulatory announcement, circular or financial report;
 - (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
 - (c) where we propose to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and
 - (d) where the Hong Kong Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Company.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the subsection headed “Business – Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$1.53 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK\$298.3 million. We currently intend to apply such net proceeds for the following purposes:

- approximately HK\$149.2 million, or 50%, of the net proceeds from the Global Offering will be used by 31 December 2015 to finance our existing and potential projects, including:
 - approximately HK\$59.7 million, or 20%, of the net proceeds from the Global Offering to finance the completion of our Chenzhou Project; and
 - approximately HK\$89.5 million, or 30%, of the net proceeds from the Global Offering for our potential future projects;
- approximately HK\$59.7 million, or 20%, of the net proceeds from the Global Offering will be used for potential acquisition of landscape architecture service companies or design companies;
- approximately HK\$29.8 million, or 10%, of the net proceeds from the Global Offering will be used for expansion of our geographical coverage in China by establishing more subsidiaries and branches;
- approximately HK\$29.8 million, or 10%, of the net proceeds from the Global Offering will be used for our research & development activities, including research on the introduction of new and rare plant seedling cultivation methods, the establishment of a research and development centre in Hong Kong and talent recruitment in this regard; and
- approximately HK\$29.8 million, or 10%, of the net proceeds from the Global Offering will be used as general working capital of our Group.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders estimate that they will receive, in aggregate, net proceeds from the Global Offering of approximately HK\$71.6 million, after deducting the estimated underwriting commissions and expenses payable by them in the Global Offering and assuming an Offer Price of HK\$1.53 per Share.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering would increase up to approximately HK\$353.8 million (based on the mid-point Offer Price of HK\$1.53 per Share). We intend to apply up to 100% of the net proceeds derived from the exercise of the Over-allotment Option for our potential future projects, and apply the remaining portion as our general working capital.

If the Offer Price is fixed at HK\$1.76 per other Share, being the highest price within the stated Offer Price range, the net proceeds will be increased by approximately HK\$44.9 million. If the Offer Price is fixed at HK\$1.30 per other Share, being the lowest price within the stated Offer Price range, the net proceeds will be reduced by approximately HK\$44.9 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed in interest-bearing bank accounts or short term demand deposits with banks in Hong Kong or the PRC.

Should we decide to re-allocate the intended use of proceeds to other business plans and/or new projects to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Global Coordinators

Kim Eng Securities (Hong Kong) Limited
BOCOM International Securities Limited

Joint Bookrunners and Joint Lead Managers

Kim Eng Securities (Hong Kong) Limited
BOCOM International Securities Limited
Haitong International Securities Company Limited
Industrial Securities (Hong Kong) Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Hong Kong Stock Exchange and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing to the final Offer Price), the Hong Kong Underwriters have severally agreed to subscribe, or procure subscribers to subscribe, for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

UNDERWRITING

Grounds for termination

The Joint Global Coordinators, at their sole and absolute discretion, may, for themselves and on behalf of the Hong Kong Underwriters, upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in any Offer Documents and any amendments in the agreed form issued by our Company in connection with the Global Offering was or has become, untrue, incorrect or misleading in any respect, including any forecast, expression of opinion, intention or expectation expressed in any Offer Documents (as defined in the Hong Kong Underwriting Agreement) is not, in the sole and absolute opinion of the Joint Global Coordinators, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom; or
 - (iii) any breach of any of the obligations imposed upon any party (other than the Sole Sponsor, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or any Hong Kong Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on the part of any of the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, the Selling Shareholders, Mr. Wu, Ms. Xiao, Ms. Zhu, Mr. Wang and Broad Landscape International (together, the “Warrantors”) under the Hong Kong Underwriting Agreement; or
 - (v) any change or development involving a prospective change or development in the conditions, assets, liabilities, business affairs, prospects, profits, losses or the financial or trading position or performance or otherwise of our Company or any member of our Group; or
 - (vi) that any warranties under the Hong Kong Underwriting Agreement is/or would be when repeated untrue, incorrect or misleading in any material respect; or
 - (vii) the approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

UNDERWRITING

- (viii) our Company withdraws any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Global Offering; or
 - (ix) any person (other than the Sole Sponsor, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Offer Documents; or
- (b) there develops, occurs, exists or comes into effect:
- (i) any event, or series of events beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, volcanic eruption, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, Avian influenza (H5N1, H7N9 or H10N8), swine flu (H1N1) or such related or mutated forms or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in or represent any change or development involving prospective change, in local, regional, national, international, financial, economic, political, military, industrial, fiscal, currency, regulatory or market conditions (including without limitation conditions in any stock or bond markets, money and foreign exchange markets and inter-bank markets, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the London Stock Exchange or the Shanghai Stock Exchange, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures in or affecting Hong Kong or anywhere in the world or any other material development relating to the Hong Kong dollar or Reminbi); or
 - (iii) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of Hong Kong, the PRC, the United States, Japan, the United Kingdom, the European Union (or any member thereof), Singapore, the Cayman Islands, the British Virgin Islands or any other jurisdictions relevant to any member of our Group (together, the “Specific Jurisdictions”); or

UNDERWRITING

- (iv) any general moratorium on commercial banking activities in Hong Kong, New York, Japan, London, the European Union (or any member thereof) or the PRC declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for or on any of the Specific Jurisdictions; or
- (vi) (A) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws in any of the Specific Jurisdictions or (B) any change or development involving a prospective change in taxation in any Specific Jurisdiction adversely affecting an investment in the Shares; or
- (vii) any change or development involving a prospective change relating to, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (viii) any litigation or claim being threatened or instigated against any member of our Group or any Warrantors or any contravention of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any Law or any provision of the Listing Rules by any member of our Group or any Warrantor; or
- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer or chief financial officer of our Company or any Director vacating his office; or
- (xi) the commencement by any governmental, regulatory or political body or organisation of any public action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xii) a government or regulatory prohibition on our Company or the Selling Shareholders for whatever reason from allotting or selling the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiii) non-compliance of this prospectus, the preliminary offering circular, the final offering circular (or any other documents used in connection with the subscription and purchase of the Offer Shares) or any respect of the Global Offering with the Hong Kong Listing Rules or any other applicable laws; or

UNDERWRITING

- (xiv) the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Hong Kong Listing Rules; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvi) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xvii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group,

which in each case or in aggregate in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) is or will have or is likely to or could be expected to have a materially adverse effect in, or affecting, the assets, business, results of operations, prospects, shareholders' equity, position or condition, financial or otherwise of our Company or any of its subsidiaries taken as a whole; or
- (b) has or will have or is likely to or could be expected to have a material adverse effect on the success of the Global Offering; or
- (c) makes or will make or is likely to or could be expected to make it inadvisable, inexpedient or impracticable, for the Hong Kong Public Offering and/or the Global Offering to proceed or the delivery of the Offer Shares on the terms and in the manner contemplated by the Offer Documents (as defined in the Hong Kong Underwriting Agreement) to be made; or
- (d) has or will have or is likely to or could be expected to have the effect of making any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement or the Price Determination Agreement (including underwriting), the Hong Kong Public Offering and/or the Global Offering incapable of performance or implementation envisaged.

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Undertakings to the Hong Kong Stock Exchange under the Hong Kong Listing Rules

(A) Undertaking by us

Under Rule 10.08 of the Hong Kong Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 10.08 of the Hong Kong Listing Rules.

(B) Undertaking by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Hong Kong Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to our Company and the Hong Kong Stock Exchange that, except pursuant to the Global Offering or the Stock Borrowing Agreement, he/she/it shall not and shall procure that the relevant registered holder(s) of the Shares, any associates or companies controlled by him/her/it or any nominees or trustees holding the Shares in trust for him/her/it (as the case may be) shall not:

- (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan) any of the Shares or securities of our Company owned by him/her/it or the relevant registered holder(s), nominee or trustee (including any interest in any shares in any company controlled by him/her/it which is, directly or indirectly, the beneficial owner of any of our Shares or securities of our Company); and
- (ii) in the period of a further six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan) any of the Shares or securities of our Company owned by him/her/it or the relevant registered holder(s), nominee or trustee (including any interest in any shares in any company controlled by him/her/it which is, directly or indirectly, the beneficial owner of any of our Shares or securities of our Company) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be the controlling shareholders (as defined in the Hong Kong Listing Rules) of our Company.

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In addition, in accordance with Note 3 to Rule 10.07 of the Hong Kong Listing Rules, he/she/it jointly and severally undertakes to our Company and the Hong Kong Stock Exchange that, within the period commencing on the date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) when any of his/her/its pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when him/her/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

We undertake to inform the Hong Kong Stock Exchange as soon as we have received information relating to the above pledge or charge and disclose such matters by way of an announcement which will be published in accordance with the requirements under the Hong Kong Listing Rules.

Other undertakings

A. Undertaking by us

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (“First Six Month Period”), it will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules:

- (i) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of the Shares or other securities of our Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, the Shares or other securities of our Company or any derivatives with the Shares or such other securities as underlying securities; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

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- (iii) enter into any transaction with the same economic effect as any transaction described in Clauses (i) or (ii) above,

whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Company will or may enter into any transaction described above. Our Company further agrees that, in the event of an issue or disposal of any Shares or any interest therein during the period of six months immediately following the expiry of the First Six Months Period, it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

B. Undertaking by Mr. Wu, Ms. Xiao and Broad Landscape International

Pursuant to the Hong Kong Underwriting Agreement, each of Mr. Wu, Ms. Xiao and Broad Landscape International has jointly and severally undertaken each of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that:

- (i) during the First Six Month Period, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Joint Global Coordinators and unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Hong Kong Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities (together, the “Relevant Securities”); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;
- (ii) he/she/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, during the period of six months immediately following the expiry of the First Six Months Period (“Second Six Months Period”), without the prior written consent of the Joint Global Coordinators and unless in compliance with the Hong Kong Listing Rules, dispose of, nor enter into any

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agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or any of its associates or companies controlled by it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be a controlling shareholder (as defined in the Listing Rules) of the Company;

- (iii) in the event of a disposal of any Relevant Securities or securities of our Company or any interest therein within Second Six Months Period, he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) he/she/it shall, and shall procure that his/her/its associates and companies controlled by and nominees or trustees holding in trust for him/her/it shall, comply with all the restrictions and requirements under the Hong Kong Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of Mr. Wu, Ms. Xiao and Broad Landscape International further undertakes to each of our Company, the Joint Global Coordinators, the Sole Sponsor, Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, from the date hereof up to the expiry of the first twelve months from the Listing Date, he, she or it will:

- (v) when he, she or it pledges or charges any securities or interests in the Relevant Securities, immediately inform our Company and the Joint Global Coordinators in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (vi) when he, she or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Joint Global Coordinators in writing of such indications, and

our Company will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters above (if any) by Mr. Wu, Ms. Xiao and Broad Landscape International and disclose such matters by way of an announcement.

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C. Undertaking by the Pre-IPO Investors

Each of the Pre-IPO Investors has jointly and severally to each of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that:

during the First Six Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators and unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Hong Kong Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any Relevant Securities; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

International Offering

In connection with the International Offering, it is expected that, our Company and the Selling Shareholders, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or procure subscribers for the International Offer Shares being offered pursuant to the International Offering.

Our Company is expected to grant to the Joint Global Coordinators the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging of applications under the Hong Kong Public Offering to require our Company to allot up to an aggregate of 37,200,000 additional International Offer Shares representing 15% of the initial Offer Shares, at the same price per Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.5% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid. In addition, our Company may, at our sole discretion, pay to the Underwriters an incentive fee at the rate of 1% of the aggregate Offer Price in respect of all the Offer Shares.

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The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company and the Selling Shareholders with reference to the number of new Shares and Sale Shares under the Global Offering respectively.

The Sponsor will receive HK\$6,500,000 as their sponsor's fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$33.7 million in total (based on an Offer Price of HK\$1.53 per Share, being the mid-point of the indicative Offer Price range of between HK\$1.30 and HK\$1.76 per Share, and on the assumption that the Over-allotment Option is not exercised), and approximately HK\$7.7 million will be payable by the Company and approximately HK\$1.8 million will be payable by the Selling Shareholders.

Indemnity

Our Company, Mr. Wu, Ms. Xiao and Broad Landscape International and the Selling Shareholders have agreed to indemnify the Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Hong Kong Underwriting Agreements, none of the Hong Kong Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Hong Kong Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

UNDERWRITING

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Kim Eng is the Sole Sponsor. Kim Eng and BOCOM International Securities are Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of the Global Offering.

The Global Offering consists of (subject to the Over-allotment Option):

- (i) the Hong Kong Public Offering of 24,800,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “Hong Kong Public Offering”; and
- (ii) the International Offering of 223,200,000 Offer Shares, of which 175,200,000 Shares are to be offered by us and 48,000,000 Sale Shares are to be offered by the Selling Shareholders (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdiction outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional, corporate and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as set out in the paragraph headed “Over-allotment Option” below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

HONG KONG PUBLIC OFFERING

Number of Shares initially offered

Our Company is initially offering 24,800,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the number of the Hong Kong Public Offer Shares will represent 3.1% of our Company's enlarged issued share capital immediately after completion of the Global Offering (without taking into account the Over-allotment Option and any option which may be granted under the Share Option Scheme).

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph below headed "Conditions of the Hong Kong Public Offering."

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, the shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- (ii) the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date and the Price Determination Agreement not having been subsequently revoked;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, for themselves and on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of respective agreements; and
- (iv) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on the Listing Date.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.broad-greenstate.com.cn on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be despatched on Thursday, 10 July 2014 but will only become valid certificates of title at 8:00 a.m. on Friday, 11 July 2014 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the subsection headed “Underwriting – Grounds for termination” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

Allocation

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK\$5,000,000 (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK\$5,000,000 (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable and up to the initial value of pool B). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Hong Kong Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 12,400,000 Hong Kong Public Offer Shares (being 50% of the initial number of Hong Kong Public Offer Shares) are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares available under the Hong Kong Public Offering to certain percentage of the total number of the Offer Shares initially available under the Global Offering as follows, if certain prescribed total demand levels are reached:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Hong Kong Public Offer Shares initially available for subscription under the Hong Kong Public Offering, then International Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering will be 74,400,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Hong Kong Public Offer Shares initially available for subscription under the Hong Kong Public Offering, then International Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering will be 99,200,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Hong Kong Public Offer Shares initially available for subscription under the Hong Kong Public Offering, then International Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering will be 124,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offer Shares are not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportion as the Joint Global Coordinators deem appropriate.

STRUCTURE OF THE GLOBAL OFFERING

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. The maximum Offer Price of HK\$1.76 per Share plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% in each case of the Offer Price amounting to a total of HK\$3,555.48 per board lot of 2,000 Offer Shares is payable in full on application. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price Determination of the Global Offering" below, is less than the maximum price of HK\$1.76 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

INTERNATIONAL OFFERING

The number of Offer Shares to be initially offered for subscription under the International Offering will be 223,200,000 Offer Shares (including 175,200,000 new Shares and 48,000,000 Sale Shares subject to adjustment and the Over-allotment Option), representing approximately 90% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the number of the International Offer Shares will represent 27.9% of our Company's enlarged issued share capital immediately after completion of the Global Offering (without taking into account the Over-allotment Option and any option which may be granted under the Share Option Scheme). The International Offering is subject to the Hong Kong Public Offering being unconditional.

STRUCTURE OF THE GLOBAL OFFERING

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Over-allotment Option

In connection with the Global Offering, we are expected to grant to the International Underwriters the Over-allotment Option exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement up to 30 days from the last day for the lodging of applications under the Global Offering.

Pursuant to the Over-allotment Option, we may be required by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) to allot and issue up to 37,200,000 additional new Shares, representing 15% of the total number of the Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things, over-allocation in the International Offering, if any, subject to the same terms and conditions as the other Offer Shares. If the Over-allotment Option is exercised in full, the additional new Shares will represent approximately 4.4% of our enlarged share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Hong Kong Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be determined by us (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is currently expected to be on or around Friday, 4 July 2014 or such later date as may be agreed by us and the Joint Global Coordinators, but in any event, no later than Wednesday, 9 July 2014. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us by Thursday, 10 July 2014, the Global Offering will not become unconditional and will lapse immediately.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will be not more than HK\$1.76 per Offer Share and is expected to be not less than HK\$1.30 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors and other investors during the book-building process, and with our consent, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.broad-greenstate.com.cn notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offer statistics as currently set out in the section headed “Summary” this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by us with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, 10 July 2014 in the manner set out in the paragraph “How to Apply for Hong Kong Public Offer Shares – 11. Publication of Results” in this prospectus.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, Kim Eng, as the stabilising manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date. However, there is no obligation on the Stabilising Manager or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

Subject to and under the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), the Stabilising Manager, its affiliates or any person acting for it may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (ii) in connection with any action described in paragraph (i) above;
 - (a) (1) over-allocate our Shares; or
 - (2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (b) exercise the Over-allotment Option and purchase or subscribe for, or agree to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;
 - (c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in the paragraph (i) above in order to liquidate any position that has been established by such action; or
 - (d) offer or attempt to do anything described in (ii)(a), (ii)(b) or (ii)(c) above.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager or any of its affiliates or any person acting for it (for itself and on behalf of the Underwriters), may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager or any of its affiliates or any person acting for it (for itself and on behalf of the Underwriters), will maintain such a position;

STRUCTURE OF THE GLOBAL OFFERING

- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, may fall;
- the market price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

An announcement in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the laws of Hong Kong) will be made within seven days after the expiration of the stabilising period.

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilising Manager may choose to borrow up to 37,200,000 Shares from Broad Landscape International, being one of our Controlling Shareholders, equivalent to the maximum number of additional Shares to be issued upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement on the following conditions in compliance with Rule 10.07(3) of the Hong Kong Listing Rules:

- the Stock Borrowing Agreement will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Broad Landscape International by the Stabilising Manager will be the maximum number of Shares that may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Broad Landscape International or its nominees (as the case may be) within three business days (being days on which the Hong Kong Stock Exchange is open for the business of dealing in securities) after the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the date on which the Over-allotment Option is exercised in full;

STRUCTURE OF THE GLOBAL OFFERING

- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Hong Kong Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Broad Landscape International by the Stabilising Manager in relation to the Stock Borrowing Agreement.

COMMENCEMENT OF DEALING IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on the Listing Date, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, 11 July 2014.

Our Shares will be traded in board lots of 2,000 each. The stock code of our Shares is 1253.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1 HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Hong Kong Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries (“Eligible Director”);
- an associate (as defined in the Hong Kong Listing Rules) of any of the above;
- a connected person (as defined in the Hong Kong Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 June 2014 until 12:00 noon on Friday, 4 July 2014 from:

- (i) any of the following addresses of the Hong Kong Underwriters:

Kim Eng Securities (Hong Kong) Limited	Level 30, Three Pacific Place, 1 Queen’s Road East, Hong Kong
BOCOM International Securities Limited	9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (ii) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch Name	Address
Hong Kong Island	Central District Sub-Branch	G/F., Far East Consortium Building, 125A Des Voeux Road C., Central
	Wanchai Sub-Branch	G/F., 32-34 Johnston Road
Kowloon	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
New Territories	Yuen Long Sub-Branch	Shop 2B, G/F., Man Yu Building, 2-14 Tai Fung Street, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 June 2014 until 12:00 noon on Friday, 4 July 2014 from the Depository Counter of HKSCC at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – Broad Greenstate Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 30 June 2014 – 9:00 a.m. to 5:00 p.m.
Wednesday, 2 July 2014 – 9:00 a.m. to 5:00 p.m.
Thursday, 3 July 2014 – 9:00 a.m. to 5:00 p.m.
Friday, 4 July 2014 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 4 July 2014, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Selling Shareholders, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, the Selling Shareholders, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Selling Shareholders, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company (on behalf of ourselves and the Selling Shareholders) and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 30 June 2014 until 11:30 a.m. on Friday, 4 July 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 4 July 2014 or such later time under the “10. Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO white form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Selling Shareholders, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Selling Shareholders, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- agree to disclose your personal data to the Company, the Selling Shareholders, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 30 June 2014 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 2 July 2014 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 3 July 2014 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 4 July 2014 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 June 2014 until 12:00 noon on Friday, 4 July 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 4 July 2014, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Selling Shareholders, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Selling Shareholders, our Directors, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 4 July 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the subsection headed “Structure of the Global Offering – Price Determination of the Global Offering” in this prospectus for details.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 4 July 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 4 July 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Thursday, 10 July 2014 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on our Company's website at **www.broad-greenstate.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.broad-greenstate.com.cn** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 10 July 2014;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 10 July 2014 to 12:00 midnight on Wednesday, 16 July 2014;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 10 July 2014 to Tuesday, 15 July 2014 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 10 July 2014 to Monday, 14 July 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.76 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the subsection headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 10 July 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 10 July 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 11 July 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 July 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 10 July 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 10 July 2014, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 10 July 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 July 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 10 July 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 10 July 2014 by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 10 July 2014, or on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of results" above on Thursday, 10 July 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 10 July 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 10 July 2014. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 10 July 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



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

30 June 2014

The Directors
Broad Greenstate International Company Limited
Kim Eng Securities (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information of Broad Greenstate International Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2011, 2012 and 2013 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013, together with the notes thereto (the “Financial Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 30 June 2014 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 October 2013. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 1 of Section II below, which was completed on 31 December 2013, the Company became the holding company of the subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company since the date of its incorporation as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of its incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) 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 (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

1. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Section II Notes</i>	Year ended 31 December		
		2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	5(a)	176,986	221,550	289,883
Cost of sales		<u>(147,387)</u>	<u>(177,028)</u>	<u>(206,568)</u>
Gross profit		29,599	44,522	83,315
Other income and gains	5(b)	587	1,499	4,340
Administrative expenses		(11,037)	(12,835)	(15,079)
Finance costs	7	–	(255)	(752)
Share of profits and losses of:				
A joint venture		2	11	7
An associate		<u>–</u>	<u>–</u>	<u>(233)</u>
Profit before tax	6	19,151	32,942	71,598
Income tax expense	10	<u>(311)</u>	<u>(8,414)</u>	<u>(18,098)</u>
Profit for the year and total comprehensive income for the year		<u>18,840</u>	<u>24,528</u>	<u>53,500</u>
Attributable to:				
Owners of the Company		<u>18,840</u>	<u>24,528</u>	<u>53,500</u>
Earnings per share attributable to owners of the Company:				
Basic and diluted	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Section II Notes</i>	2011 RMB'000	31 December 2012 RMB'000	2013 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	12	1,846	2,358	11,357
Goodwill	13	1,916	1,916	1,916
Other intangible assets	14	6,511	6,176	5,841
Investment in a joint venture	15	5,237	5,248	5,255
Investment in an associate	16	–	–	7,867
Prepayments	17	–	8,100	–
Deferred tax assets	26	493	990	1,390
Total non-current assets		<u>16,003</u>	<u>24,788</u>	<u>33,626</u>
CURRENT ASSETS				
Biological assets	18	1,675	1,741	1,810
Construction contracts	19	–	–	28,051
Trade receivables	20	53,541	85,470	173,941
Prepayments, deposits and other receivables	21	24,066	32,792	32,961
Due from related parties	31(c)	–	–	305
Cash and cash equivalents	22	53,934	51,916	10,793
Total current assets		<u>133,216</u>	<u>171,919</u>	<u>247,861</u>
CURRENT LIABILITIES				
Trade and bills payables	23	66,450	61,856	72,966
Other payables and accruals	24	4,918	13,913	43,897
Interest-bearing bank borrowings	25	–	12,000	11,984
Amounts due to the Founding Shareholders	31(d)	–	–	120,682
Tax payable		1,692	8,549	21,545
Total current liabilities		<u>73,060</u>	<u>96,318</u>	<u>271,074</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>60,156</u>	<u>75,601</u>	<u>(23,213)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>76,159</u>	<u>100,389</u>	<u>10,413</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	26	1,906	1,608	1,542
Total non-current liabilities		<u>1,906</u>	<u>1,608</u>	<u>1,542</u>
NET ASSETS		<u>74,253</u>	<u>98,781</u>	<u>8,871</u>
EQUITY				
Equity attributable to owners of the Company				
Issued capital	27	–	–	305
Reserves	28	74,253	98,781	7,666
Non-controlling interests		<u>–</u>	<u>–</u>	<u>900</u>
Total equity		<u>74,253</u>	<u>98,781</u>	<u>8,871</u>

3. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Total equity RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Issued capital RMB'000 Note 27	Contributed surplus RMB'000* Note 28(a)	Statutory reserve RMB'000* Note 28(b)	Retained profits RMB'000*			
At 1 January 2011		–	32,500	1,131	12,182	45,813	–	45,813
Profit for the year and total comprehensive income for the year		–	–	–	18,840	18,840	–	18,840
Contribution from the Founding Shareholders	29	–	9,600	–	–	9,600	–	9,600
Transfer from retained profits		–	–	84	(84)	–	–	–
At 31 December 2011 and 1 January 2012		<u>–</u>	<u>42,100</u>	<u>1,215</u>	<u>30,938</u>	<u>74,253</u>	<u>–</u>	<u>74,253</u>
At 1 January 2012		–	42,100	1,215	30,938	74,253	–	74,253
Profit for the year and total comprehensive income for the year		–	–	–	24,528	24,528	–	24,528
Transfer from retained profits		–	–	2,573	(2,573)	–	–	–
At 31 December 2012 and 1 January 2013		<u>–</u>	<u>42,100</u>	<u>3,788</u>	<u>52,893</u>	<u>98,781</u>	<u>–</u>	<u>98,781</u>
At 1 January 2013		–	42,100	3,788	52,893	98,781	–	98,781
Profit for the year and total comprehensive income for the year		–	–	–	53,500	53,500	–	53,500
Capital contribution from non-controlling interests of a subsidiary		–	–	–	–	–	900	900
Change in non-controlling interests without change in control		–	(3,030)	–	–	(3,030)	3,030	–
Issue of shares		305	–	–	–	305	–	305
Acquisition of equity interests by the Group from the then equity holders (Section II note 2.1)		–	(39,070)	(9,159)	(93,356)	(141,585)	(3,030)	(144,615)
Transfer from retained profits		–	–	5,371	(5,371)	–	–	–
At 31 December 2013		<u>305</u>	<u>–</u>	<u>–</u>	<u>7,666</u>	<u>7,971</u>	<u>900</u>	<u>8,871</u>

* These reserve accounts comprise the consolidated reserves of RMB74,253,000 and RMB98,781,000 and RMB7,666,000 in the consolidated statements of financial position as at 31 December 2011, 31 December 2012 and 31 December 2013, respectively.

During the year ended 31 December 2013, the Company has distributed RMB144,615,000 to its shareholders pursuant to the group reorganisation (Section II notes 2.1). Other than the above mentioned, no other cash dividend has been paid by the Company's subsidiaries to the then shareholders during the Relevant Periods.

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Section II Notes</i>	Year ended 31 December		
		2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities				
Profit before tax		19,151	32,942	71,598
Adjustments for:				
Share of profits and losses of				
a joint venture and an associate		(2)	(11)	226
Depreciation of items of property,				
plant and equipment	6, 12	489	783	1,012
Amortisation of other intangible assets	6, 14	139	335	335
Loss on disposal of items of property,				
plant and equipment	6	120	–	20
Finance costs	7	–	255	752
Provision of other receivables	6	36	–	–
Fair value gains on biological assets	5(b)	(79)	(66)	(69)
		19,854	34,238	73,874
Decrease/(increase) in trade receivables		22,326	(31,929)	(88,471)
Increase in prepayments, deposits and				
other receivables		(5,517)	(8,726)	(169)
Increase in construction contracts		–	–	(28,051)
Decrease in inventories		100	–	–
Decrease in other current assets		12,250	–	–
Increase/(decrease) in trade and bills				
payables		(16,020)	(4,594)	11,110
Increase/(decrease) in other payables and				
accruals		(13,547)	8,995	1,585
Cash generated from/(used in) operations		19,446	(2,016)	(30,122)
PRC tax paid		(281)	(2,352)	(5,568)
Net cash flows from/(used in) operating activities		19,165	(4,368)	(35,690)

	<i>Section II</i> <i>Notes</i>	Year ended 31 December		
		2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investing activities				
Purchase of items of property, plant and equipment		(444)	(1,295)	(5,583)
Proceeds from disposal of items of property, plant and equipment		133	–	18
Acquisition of a subsidiary	29(a)	12,175	–	–
Increase in prepayment	17	–	(8,100)	–
Net cash flows from/(used in) investing activities		<u>11,864</u>	<u>(9,395)</u>	<u>(5,565)</u>
Financing activities				
New bank loans		–	12,000	11,984
Repayments of bank loans		–	–	(12,000)
Contributions from non-controlling interests		–	–	900
Interest paid	7	–	(255)	(752)
Net cash flows from financing activities		<u>–</u>	<u>11,745</u>	<u>132</u>
Net increase/(decrease) in cash and cash equivalents		<u>31,029</u>	<u>(2,018)</u>	<u>(41,123)</u>
Cash and cash equivalents at beginning of year		<u>22,905</u>	<u>53,934</u>	<u>51,916</u>
Cash and cash equivalents at end of year		<u><u>53,934</u></u>	<u><u>51,916</u></u>	<u><u>10,793</u></u>

5. COMPANY STATEMENT OF FINANCIAL POSITION

	<i>Section II Notes</i>	31 December 2013 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary		—
Total non-current asset		—
CURRENT ASSETS		
Due from related parties	<i>31(c)</i>	305
Cash and cash equivalents		—
Total current assets		305
CURRENT LIABILITIES		
Other payables and accruals		—
Total current liabilities		—
NET CURRENT ASSETS		305
TOTAL ASSETS LESS CURRENT LIABILITIES		305
NET ASSETS		<u>305</u>
EQUITY		
Issued capital	<i>27</i>	305
Reserves		—
Total equity		<u><u>305</u></u>

II. NOTES TO THE FINANCIAL INFORMATION

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, Uglund House Grand Cayman, KY1-1104, Cayman Islands.

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

Before the formation of the existing Group, the principal business was carried out by the subsidiaries now comprising the Group, all of which were controlled by Mr. Wu Zhengping ("Mr. Wu") and Xiao Li ("Ms. Xiao") and the Management Shareholders (as referred to in the "Definitions" section to the Prospectus) (hereafter in this report collectively referred to the "Founding Shareholders").

During the Relevant Periods, approximately 3% of the shareholdings of certain subsidiaries of the Group were acquired by the Pre-IPO Investors (as referred to in the "Definition" section in the Prospectus).

To rationalise the group structure, the Group underwent a reorganisation ("Reorganisation") whereby the Company acquired from the then shareholders (which comprised Mr. Wu, Ms. Xiao, the Management Shareholders and the Pre-IPO Investors (All the terms in capital letters are defined in the "Definition" section to the Prospectus)) their entire interests in the companies now comprising the Group through a series of the transactions which have been summarised as follows.

- On 22 October 2013, Broad Greenstate International Company Limited (the "Company") was incorporated as an exempted company with limited liability under the laws of the Cayman Islands. Its shares were allotted and issued to Broad Landscape International Company Limited, Eastern Greenstate International Company Limited and YiYu International Company Limited, which are wholly owned by the Founding shareholders and the Pre-IPO Investors.
- Greenstate Times International Company Limited was incorporated under the laws of the British Virgin Islands on date 30 October 2013 whose shares were allotted to the Company. On 12 November 2013, Greenstate International Company Limited was incorporated in Hong Kong whose shares were allotted to Greenstate Times International Company Limited.
- Shanghai Qianyi Landscape Engineering Company Limited ("Shanghai Qianyi") was set up as an investment holding company in China on 26 December 2013 whose registered shareholder is Greenstate International Company Limited.
- On 31 December 2013, the Founding Shareholders and Pre-IPO investors transferred all of their shareholding interests in Shanghai Broad Landscape Construction and Development Company Limited, one of the subsidiaries now comprising the Group (as defined below as "Shanghai Broad") to Shanghai Qianyi for a consideration of RMB72,925,200. The cash consideration was determined with reference to the net asset value of Shanghai Broad at the time and fully settled by Shanghai Qianyi on 14 March 2014.
- On 31 December 2013, the Founding Shareholders and Pre-IPO investors transferred all of their shareholding interests in Shanghai Greenstate Landscape Properties Company Limited, one of the subsidiaries now comprising the Group (as defined below as "Shanghai Greenstate Landscape") to Shanghai Qianyi for a consideration of RMB71,365,400. The cash consideration was determined with reference to the net asset value of Shanghai Greenstate Landscape at the time and fully settled by Shanghai Qianyi on 14 March 2014.
- On 31 December 2013, Mr. Wu transferred all of his shareholding interest in Shanghai Greenstate Gardening Company Limited, one of the subsidiaries now comprising the Group (as defined below as "Shanghai Greenstate") to Shanghai Qianyi for a consideration of RMB324,300. The cash consideration was determined with reference to the net asset value of Shanghai Greenstate at the time and fully settled by Shanghai Qianyi on 14 March 2014.

Additional details of the Reorganisation have been set out in the "History and Development" section in the Prospectus.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong). 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 attributable to the Company						Principal activities
				2011		2012		2013		
				direct	indirect	direct	indirect	direct	indirect	
Greenstate Times International Company Limited**	(iii) British Virgin Islands	30 October 2013	USD50,000	-	-	-	-	100%	-	Investment holding
Greenstate International Company Limited	(iii) Hong Kong	12 November 2013	HKD10,000	-	-	-	-	-	100%	Investment holding
Shanghai Qianyi#	(iii) PRC	26 December 2013	USD2,000,000	-	-	-	-	-	100%	Investment holding
Shanghai Greenstate Landscape Properties Company Limited ("Shanghai Greenstate Landscape")#	(i) PRC	15 June 2004	RMB32,000,000	-	100%	-	100%	-	100%	Landscaping
Shanghai Broad Landscape Construction and Development Company Limited ("Shanghai Broad")#	(ii) PRC	1 June 1999	RMB20,000,000	-	100%	-	100%	-	100%	Landscaping
Shanghai Greenstate Gardening Company Limited ("Shanghai Greenstate")#	(iii) PRC	17 September 2004	RMB500,000	-	100%	-	100%	-	100%	Landscaping
Shanxi Broad Weiye Landscape Engineering Company Limited*#	(iii) PRC	11 September 2013	RMB2,000,000	-	-	-	-	-	55%	Landscaping

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

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

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

Notes:

- (i) The statutory financial statements of this entity for the year ended 31 December 2011 and the year ended 31 December 2012 prepared in accordance with the relevant accounting principles applicable to enterprises in the PRC ("PRC GAAP") were audited by Shanghai Rongshen Certified Public Accountants Co., Ltd[^] (上海榮審會計師事務所), and Shanghai Yongyi Certified Public Accountants[^] (上海永屹會計師事務所), firms of certified public accountants registered in the PRC, respectively.
- (ii) The statutory financial statements of this entity for the year ended 31 December 2011 and the year ended 31 December 2012 prepared in accordance with the relevant accounting principles applicable to enterprises in the PRC ("PRC GAAP") were audited by local CPA firms, Shanghai Rongshen Certified Public Accountants Co., Ltd[^] (上海榮審會計師事務所), and Shanghai Yongyi Certified Public Accountants[^] (上海永屹會計師事務所), firms of certified public accountants registered in the PRC, respectively.
- (iii) No audited financial statements have been prepared for these entities the years ended 31 December 2013, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of their incorporation.

[^] English translations of names for identification purposes only.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the Note 1 of Section II, the Company became the holding company of the companies now comprising the Group on 31 December 2013. The companies now comprising the Group were under the common control of the Founding Shareholders before and after the Reorganisation. Accordingly, for the purpose of this report the Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Founding Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Founding Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or business held by parties other than the Founding Shareholders, and changes therein if significant, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

As set out in note 1 to this report, the Reorganisation was effected by the Company issuing shares. Shanghai Qianyi gave cash consideration in exchange for the investment in the subsidiaries now comprising the Group as part of this transaction. Accordingly, the cash paid to the then shareholders of these subsidiaries now comprising the Group which amounted to RMB144,615,000 is effectively a distribution to the shareholders and has been accounted for as an equity transaction. Such transaction is reflected as distribution to shareholders in the consolidated statement of changes in equity.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention except for biological assets which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousands except when otherwise indicated.

The Financial Information has been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the coming 12 months notwithstanding that at 31 December 2013, the Group had net current liabilities of approximately RMB23,213,000. In the opinion of the Directors, the Group will have sufficient liquidity funds to finance its working capital and capital expenditure requirements for its next fiscal year because the Group has successfully negotiated with a bank for a two-year long-term bank loan which amounted to RMB126,191,920 on 4 March 2014. The Group settled the amount due to Founding Shareholders and Pre-IPO investors by the above bank loan on 14 March 2014.

2.3 IMPACT OF 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 ⁴
HKFRS 9 and HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities ¹
HKFRS 14	Regulatory Deferral Accounts ³
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions ²
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ¹
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC)-Int 21	Levies ¹
Annual improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014 ²
Annual improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014 ²

Notes:

- (1) Effective for annual periods beginning on or after 1 January 2014
- (2) Effective for annual periods beginning on or after 1 July 2014
- (3) Effective for annual periods beginning on or after 1 January 2016
- (4) No mandatory effective date not yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Financial Information includes the financial statements of the Group for the Relevant Periods. 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 of acquisition, being 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 within a subsidiary is 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.

Subsidiaries

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

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

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

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

Investment in associates and joint ventures

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

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

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

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and

recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 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 by the acquiree.

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

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

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

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

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

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

Fair value measurement

The Group measures its biological assets at the end of each reporting period. 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.

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.

Related parties

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

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

or

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

Property, plant and equipment and depreciation

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

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

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

Buildings	5%
Furniture and fixtures	19% to 32%
Motor vehicles	10% to 32%
Machinery	12% to 32%

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

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

Intangible assets (other than goodwill)

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

Licenses

Licenses 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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets***Initial recognition and measurement***

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

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

Subsequent measurement

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

Loans and receivables

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

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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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 individually whether objective evidence of 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 measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Assets carried at cost

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

Financial liabilities***Initial recognition and measurement***

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Biological assets

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

Cash and cash equivalents

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

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the 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 for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

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

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

Government grants

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

Revenue recognition

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

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

Construction contracts

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

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

Revenue from cost plus construction contracts is recognised on the percentage of completion method, 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.

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.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 22% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB493,000 and RMB990,000 and RMB1,390,000 as at 31 December 2011, 2012 and 2013, respectively (note 26 of Section II).

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 contract 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.

Fair values of on biological assets

The Group's biological assets are valued at fair value less costs to sell. The fair value of biological assets is determined based on the market-determined prices as at the end of each of the reporting period adjusted with reference to the species, age, diameter, cost incurred. Any changes in the estimates may affect the fair value of the biological assets. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in fair value of biological assets. Further details are given in note 18 of Section II.

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 2013, impairment provision for receivables amounted to approximately RMB226,000 (2012: RMB226,000; 2011: RMB226,000). Further details are given in note 20 of Section II.

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 2011, 2012 and 2013 was RMB1,916,000. Further details are given in note 13 of Section II.

Impairment of non-financial assets (other than goodwill)

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

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

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

4. OPERATING SEGMENT INFORMATION

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

Information about major customers

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

	2011	Group	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	89,209	30,960	111,955
Customer B	*	*	46,622
Customer C	*	48,048	*
	<u> </u>	<u> </u>	<u> </u>

* Less than 10% of the total revenue

5. REVENUE, OTHER INCOME AND GAINS

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

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

(a) Revenue:

	2011	Group	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Construction contracts	170,826	201,071	267,067
Rendering of services	6,160	20,479	22,816
	<u> </u>	<u> </u>	<u> </u>
	176,986	221,550	289,883
	<u> </u>	<u> </u>	<u> </u>

(b) Other income and gains:

	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	251	298	357
Other interest income	–	–	2,800
Government grants*	254	1,021	1,111
Fair value gains on biological assets	79	66	69
Others	3	114	3
	<u> </u>	<u> </u>	<u> </u>
	587	1,499	4,340
	<u> </u>	<u> </u>	<u> </u>

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

6. PROFIT BEFORE TAX

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

		Group		
	<i>Notes</i>	2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of construction contracts		146,246	174,502	198,270
Cost of services provided		1,141	2,526	8,298
Employee benefit expenses (including directors' and chief executive's remuneration as set out in note 8)				
Wages and salaries		2,691	3,162	4,312
Pension scheme contribution		450	928	1,106
		<u>3,141</u>	<u>4,090</u>	<u>5,418</u>
Depreciation	<i>12</i>	489	783	1,012
Amortisation of other intangible assets [^]	<i>14</i>	139	335	335
Consulting fees		958	397	454
Auditors' remuneration		78	104	880
Minimum lease payments under operating leases:				
Land and buildings		360	360	360
Loss on disposal of items of property, plant and equipment		120	–	20
Impairment of prepayments, deposits and other receivables		36	–	–
		<u>36</u>	<u>–</u>	<u>–</u>

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

7. FINANCE COSTS

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense on bank loans	<u>–</u>	<u>255</u>	<u>752</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Relevant Periods.

Subsequent to the end of the Relevant Periods, Mr. Wu, Ms. Xiao, Mr. Wang Lei and Ms. Zhu Wen were appointed as executive directors of the Company on 3 January 2014. On 13 January 2014, Mr. Wu was appointed as the chief executive director of the Company.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the Relevant Periods included the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods of the remaining four highest paid employees who are neither directors nor the chief executive of the Company are as follows:

	Year ended 31 December		
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Salaries, allowances and benefit in kind	1,600	1,600	1,600
Pension scheme contribution	295	335	380
	<u>1,895</u>	<u>1,935</u>	<u>1,980</u>

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

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

	Year ended 31 December		
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current – PRC			
Charge for the year	790	9,209	18,564
Deferred tax (<i>note 26</i>)	(479)	(795)	(466)
	<u>311</u>	<u>8,414</u>	<u>18,098</u>

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

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:

	Year ended 31 December		
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before tax	19,151	32,942	71,598
Tax at the statutory tax rate (25%)	4,788	8,236	17,900
Profit attributable to a joint venture	(1)	(3)	57
Expenses not deductible for tax	558	181	141
Tax losses utilised from previous periods	(5,034)	–	–
	<u>311</u>	<u>8,414</u>	<u>18,098</u>
Tax charge at the Group's effective rate	<u>311</u>	<u>8,414</u>	<u>18,098</u>

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
At 31 December 2011					
At 31 December 2010 and at 1 January 2011:					
Cost	–	555	2,065	166	2,786
Accumulated depreciation and impairment	–	(257)	(472)	(58)	(787)
Net carrying amount	–	298	1,593	108	1,999
At 1 January 2011					
Net of accumulated depreciation and impairment	–	298	1,593	108	1,999
Additions	–	142	302	–	444
Acquisition of a subsidiary (note 26)	–	145	–	–	145
Disposals	–	–	(253)	–	(253)
Depreciation provided for the year (note 6)	–	(64)	(399)	(26)	(489)
At 1 December 2011, net of accumulated depreciation and impairment	–	521	1,243	82	1,846
At 31 December 2011:					
Cost	–	969	2,067	166	3,202
Accumulated depreciation and impairment	–	(448)	(824)	(84)	(1,356)
Net carrying amount	–	521	1,243	82	1,846
At 31 December 2012					
At 31 December 2011 and at 1 January 2012:					
Cost	–	969	2,067	166	3,202
Accumulated depreciation and impairment	–	(448)	(824)	(84)	(1,356)
Net carrying amount	–	521	1,243	82	1,846
At 1 January 2012					
Net of accumulated depreciation and impairment	–	521	1,243	82	1,846
Additions	–	927	368	–	1,295
Depreciation provided for the year (note 6)	–	(277)	(480)	(26)	(783)
At 31 December 2012, net of accumulated depreciation and impairment	–	1,171	1,131	56	2,358
At 31 December 2012:					
Cost	–	1,896	2,435	166	4,497
Accumulated depreciation and impairment	–	(725)	(1,304)	(110)	(2,139)
Net carrying amount	–	1,171	1,131	56	2,358

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Total RMB'000
31 December 2013					
At 31 December 2012 and at 1 January 2013:					
Cost	–	1,896	2,435	166	4,497
Accumulated depreciation and impairment	–	(725)	(1,304)	(110)	(2,139)
Net carrying amount	<u>–</u>	<u>1,171</u>	<u>1,131</u>	<u>56</u>	<u>2,358</u>
At 1 January 2013, net of accumulated depreciation and impairment					
Additions	8,966	1,171 245	1,131 804	56 34	2,358 10,049
Disposals	–	–	(38)	–	(38)
Depreciation provided for the year (note 6)	–	(394)	(592)	(26)	(1,012)
At 1 December 2013, net of accumulated depreciation and impairment	<u>8,966</u>	<u>1,022</u>	<u>1,305</u>	<u>64</u>	<u>11,357</u>
At 31 December 2013:					
Cost	8,966	2,141	3,201	200	14,508
Accumulated depreciation and impairment	–	(1,119)	(1,896)	(136)	(3,151)
Net carrying amount	<u>8,966</u>	<u>1,022</u>	<u>1,305</u>	<u>64</u>	<u>11,357</u>

At 31 December 2011, 2012 and 2013, none of the Group's property, plant and equipment was pledged to secure general bank facilities granted to the Group.

13. GOODWILL

Group

RMB'000

At 1 January 2011

Cost and net carrying amount –

Acquisition of a subsidiary (note 29(a)) 1,916

At 31 December 2011 and 31 December 2012 and 31 December 2013

Cost and net carrying amount 1,916

Impairment testing of goodwill

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

The recoverable amount of the cash-generation 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 grow 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 2011, 31 December 2012 and 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

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

The values assigned to the key assumptions on market development of industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources.

14. OTHER INTANGIBLE ASSETS

Group	Licences RMB'000
31 December 2011	
Cost at 1 January 2011, net of accumulated amortisation	–
Acquisition of a subsidiary (<i>note 29(a)</i>)	6,650
Amortisation provided during the year (<i>note 6</i>)	(139)
	<u>6,511</u>
At 31 December 2011	<u>6,511</u>
At 31 December 2011:	
Cost	6,650
Accumulated amortisation	(139)
	<u>6,511</u>
Net carrying amount	<u>6,511</u>
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	6,511
Amortisation provided during the year (<i>note 6</i>)	(335)
	<u>6,176</u>
At 31 December 2012	<u>6,176</u>
At 31 December 2012:	
Cost	6,650
Accumulated amortisation	(474)
	<u>6,176</u>
Net carrying amount	<u>6,176</u>
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	6,176
Amortisation provided during the year (<i>note 6</i>)	(335)
	<u>5,841</u>
At 31 December 2013	<u>5,841</u>
At 31 December 2013:	
Cost	6,650
Accumulated amortisation	(809)
	<u>5,841</u>
Net carrying amount	<u>5,841</u>

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

15. INVESTMENT IN A JOINT VENTURE

	2011 <i>RMB'000</i>	Group 2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Share of net assets	5,237	5,248	5,255

Particulars of the joint venture are as follow:

Name	Place of registration and operations	Nominal value of registered capital	Percentage of equity attributable to the Group			Principal activities
			2011	2012	2013	
Shanghai City Investment Virescence Technology Development Company Limited ("Shanghai City")	PRC/Mainland China	RMB 36,000,000	15%	15%	15%	Landscaping

The Group's voting power held in relation to Shanghai City is 15% and the Group's profit sharing arrangement in relation to Shanghai City is 15% during the Relevant Periods.

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

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

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

	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Cash and cash equivalents	10,805	11,457	10,457
Other current assets	32,098	28,609	29,928
Current assets	42,903	40,066	40,385
Non-current assets	1,414	1,092	773
Current liabilities	(9,405)	(6,172)	(6,126)
Net assets	34,912	34,986	35,032
Net assets, excluding goodwill	34,912	34,986	35,032
Reconciliation to the Group's interest in the joint venture:			
Proportion of the Group's ownership	15%	15%	15%
Group's share of net assets of the joint venture, excluding goodwill	5,237	5,248	5,255
Carrying amount of the investment	5,237	5,248	5,255
Revenue	4,430	9,726	4,318
Depreciation and amortisation	(162)	(142)	(139)
Tax	(14)	-	-
Profit for the year and total comprehensive income for the year	16	74	46

16. INVESTMENT IN AN ASSOCIATE

	Group		
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Share of net assets	–	–	7,867

Particulars of the associate are as follows:

Name	Place of incorporation/ registration and business	Nominal value of registered capital	Percentage of ownership interest attributable to the Group			Principal Activities
			2011	2012	2013	
Shanghai Taifu Diandang Company Limited ("Shanghai Taifu")	PRC/Mainland China	RMB30,000,000	–	–	27%	Pawnbroking

The Group's voting power held in relation to Shanghai Taifu is 27% and the Group's profit sharing arrangement in relation to Shanghai Taifu was 27% during the period from 1 August 2013 to 31 December 2013.

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

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

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

	2013 <i>RMB'000</i>
Current assets	29,233
Non-current assets	71
Current liabilities	(168)
Net assets	<u>29,136</u>
Net assets, excluding goodwill	<u>29,136</u>
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	27%
Group's share of net assets of the associate, excluding goodwill	7,867
Carrying amount of the investment	<u>7,867</u>
Revenue	94
Loss for the period and total comprehensive income for the period	<u>(864)</u>

17. PREPAYMENTS

On 29 December 2012, Shanghai Broad, a wholly-owned subsidiary of the Company, prepaid RMB8,100,000 for the formation of an associate, Shanghai Taifu, which is the principally engaged in the pawn business in the PRC.

On 1 August 2013, Shanghai Taifu was established in the PRC as a limited liability company with initial registered capital of RMB30,000,000. At the time of its incorporation, Shanghai Broad, Shanghai Xionglong Plastic Manufacturing Company Limited, an independent third party, and three independent individual shareholders held 27%, 25% and 48% equity interests in Shanghai Taifu, respectively. The above prepayment of RMB8,100,000 was transferred to the paid-in capital of Shanghai Taifu contributed by Shanghai Board.

18. BIOLOGICAL ASSETS**A Nature of activities**

Camphor trees owned by the Group are held for the future landscape gardening.

The quantity of camphor trees owned by the Group at 31 December 2011, 2012 and 2013 is shown below.

	2011	Group	2013
	<i>quantity</i>	<i>quantity</i>	<i>quantity</i>
Camphor trees	<u>169</u>	<u>169</u>	<u>169</u>

In the view of the Group's Directors, the influence to the camphor trees from the financial risks as at 31 December 2011, 2012 and 2013 was not material.

B Value of camphor trees

The value of camphor trees at the end of 2011, 2012 and 2013 was:

Group

	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Camphor trees	<u>1,675</u>	<u>1,741</u>	<u>1,810</u>

Camphor trees
RMB'000

Balances as at 1 January 2011	1,596
Gain arising from changes in fair value less costs of disposal	<u>79</u>
Balance as at 31 December 2011 and 1 January 2012	1,675
Gain arising from changes in fair value less costs of disposal	<u>66</u>
Balance as at 31 December 2012 and 1 January 2013	1,741
Gain arising from changes in fair value less costs of disposal	<u>69</u>
Balance as at 31 December 2013	<u><u>1,810</u></u>

The Group's camphor trees were independently valued by a firm of independent qualified professional valuers not connected with the Group, who has appropriate qualifications and recent experiences in valuation of biological assets. The fair value less costs of disposal of the camphor trees are determined based on the market-determined prices as at the end of each of the reporting period adjusted with reference to the species, age, diameter, cost incurred. The Group decides to appoint which external valuer to be responsible for the external valuation of the Group's biological assets based on selection criteria including market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group has discussion with the valuer on the valuation assumption and valuation results annually when the valuation is performed for financial reporting.

The principal valuation assumption adopted in measuring fair value of camphor trees was as follows:

The valuation of the fair value of biological assets has taken into consideration the transportation costs following HKFRS 13 "Fair Value Measurement". The transportation costs for the sales of camphor trees are not material in the view of the Group's Directors.

C Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's biological assets:

Group

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2011	–	–	1,675	1,675
As at 31 December 2012	–	–	1,741	1,741
As at 31 December 2013	–	–	1,810	1,810

The movements in fair value measurements in Level 3 during the Relevant Periods are as follows:

	Group		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
At 1 January	1,596	1,675	1,741
Fair value gains recognised in profit or loss	79	66	69
At 31 December	1,675	1,741	1,810

During the Relevant Periods, 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 (2011 and 2012: Nil).

19. CONSTRUCTION CONTRACTS

	Group		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Gross amount due from contract customers	–	–	28,051
Contract costs incurred plus recognised profits less recognised losses to date	160,141	290,468	94,959
Less: Progress billings	(160,141)	(290,468)	(66,908)
	–	–	28,051

20. TRADE RECEIVABLES

	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables	53,767	85,696	174,167
Impairment	(226)	(226)	(226)
	<u>53,541</u>	<u>85,470</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 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 Relevant Periods, based on the transaction date and net of provision, is as follows:

	2011 <i>RMB'000</i>	Group 2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within one year	50,846	67,800	157,316
Over one year but within two years	1,924	16,131	13,019
Over two years	771	1,539	3,606
	<u>53,541</u>	<u>85,470</u>	<u>173,941</u>

Provision for impairment of trade receivables is RMB226,000 during the Relevant Periods.

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB226,000 (2012: RMB226,000; 2011: RMB226,000) with a carrying amount before provision of RMB226,000 (2012: RMB226,000; 2011: RMB226,000).

For retention money receivables in respect of construction works carried out by the Group, the respective due dates usually range from one to two years after the completion of the relevant construction works. At 31 December 2013, retentions money held by customers included in trade receivables amounted to approximately RMB46,948,000 (2012: RMB9,854,000 and 2011: RMB4,522,000).

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

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

	2011 <i>RMB'000</i>	Group 2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Neither past due nor impaired	<u>53,541</u>	<u>85,470</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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011	Group	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	15,760	9,593	4,035
Deposits and other receivables	7,036	23,199	28,926
Others	1,270	–	–
	<u>24,066</u>	<u>32,792</u>	<u>32,961</u>

Net of prepayments, deposits and other receivables is a provision of RMB36,000 (2012: RMB36,000; 2011: RMB36,000).

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

	2011	Group	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	–	36	36
Provision for impairment of prepayments, deposits and other receivables (<i>note 6</i>)	<u>36</u>	<u>–</u>	<u>–</u>
At 31 December	<u>36</u>	<u>36</u>	<u>36</u>

Included in the provision for impairment of prepayments, deposits and other receivables is a provision for individually impaired receivables of RMB36,000 (2012: RMB36,000; 2011: RMB36,000) with a carrying amount before provision of RMB36,000 (2012: RMB36,000; 2011: RMB36,000). The individually impaired receivables relate to the portions of receivables that were not expected to be recovered.

Included in the above other receivables as at 31 December 2013 was an unsecured receivable from a local government authority amounted to RMB12,000,000 (2012: RMB20,000,000; 2011: Nil) with an effective interest rate of 14% (2012: 14%; 2011: Nil) per annum. Apart from the abovementioned, the rest of other receivable balance is unsecured, interest-free and has no fixed term of repayment.

22. CASH AND CASH EQUIVALENTS

	2011	Group	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	<u>53,934</u>	<u>51,916</u>	<u>10,793</u>

As at the end of the Relevant Periods, 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.

23. TRADE AND BILLS PAYABLES

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

	2011	Group	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	53,639	53,977	67,395
Over one year but within two years	10,393	5,495	3,775
Over two years	2,418	2,384	1,796
	<u>66,450</u>	<u>61,856</u>	<u>72,966</u>

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

24. OTHER PAYABLES AND ACCRUALS

	2011	Group	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits from sub-contractors	1,667	8,175	4,277
Staff payroll and welfare payables	1,734	3,224	4,994
Other tax payable	693	2,043	25,493
Other payables	824	471	5,703
Payables for purchase of equity interests from non-controlling interests (see note 31(d))	—	—	3,430
	<u>4,918</u>	<u>13,913</u>	<u>43,897</u>

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

25. INTEREST-BEARING BANK BORROWINGS

	2011			2012			2013		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans									
– unsecured	—	—	—	6.60	2013	12,000	6.60	2014	11,984

The Company's Director, Mr. Wu, has guaranteed the Group's bank loan up to RMB11,984,000 (2012: RMB12,000,000; 2011: Nil). The borrowing is denominated in RMB and bears floating interest rates. The effective interest rate at the end of the Relevant Periods was 6.6% (2012: 6.6%; 2011: Nil) and the maturity date of the loans is 19 July 2014 (2012: 18 July 2013; 2011: Nil).

26. DEFERRED TAX

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

Group

Deferred tax assets:

	Payroll payables <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2011	–	56	56
Acquisition of a subsidiary (<i>note 29(a)</i>)	27	–	27
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	407	3	410
At 31 December 2011 and at 1 January 2012	434	59	493
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	372	125	497
At 31 December 2012 and at 1 January 2013	806	184	990
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	400	–	400
At 31 December 2013	<u>1,206</u>	<u>184</u>	<u>1,390</u>

Deferred tax liabilities:

	Fair value adjustment arising from acquisition of a subsidiary <i>RMB'000</i>	Changes in the fair value of biological assets of loss <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2011	–	–	–
Acquisition of a subsidiary (<i>note 29(a)</i>)	1,975	–	1,975
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	(69)	–	(69)
At 31 December 2012 and at 1 January 2012	1,906	–	1,906
Deferred tax (credited)/charged to profit or loss during the year (<i>note 10</i>)	(314)	16	(298)
At 31 December 2012 and at 1 January 2013	1,592	16	1,608
Deferred tax (credited)/charged to profit or loss during the year (<i>note 10</i>)	(84)	18	(66)
At 31 December 2013	<u>1,508</u>	<u>34</u>	<u>1,542</u>

At the end of the Relevant Periods, 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 (2012: RMB5,444,000, 2011: RMB3,127,000).

27. ISSUED CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 October 2013 with initial authorised share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1 each. On the date of incorporation, 50,000 ordinary shares of US\$1 (equivalent to RMB305,000) were allotted and issued by the Company to its then shareholders.

Upon the completion of the Reorganisation on 31 December 2013, the Company became the holding company of the Group.

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

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

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

On 25 June 2014, the Company increased its authorised share capital to HK\$100,000,000 divided into 1,000,000,000 shares of a par value of HK\$0.10 each, by the creation of an additional 996,200,000 shares of a par value of HK\$0.10 each to rank passu in all respects.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity on pages 5 of the accountants' reports.

(a) Contributed surplus

The contributed surplus as at 31 December 2012 represents (i) the merger reserve of RMB32,500,000 arising pursuant to the Reorganisation as more fully explained in note 1, and (ii) the contribution from the Founding Shareholders of RMB9,600,000 (note 29(a)) for the acquisition of Shanghai Broad. Movement in 2013 represents the change in non-controlling interests without the change in control of RMB3,030,000 and the acquisition of equity interests by the Group from the then equity holders of RMB39,070,000 pursuant to the Reorganisation.

(b) Statutory reserve

In accordance with the PRC regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of this reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, the statutory surplus reserve fund must be maintained at a minimum of 25% of the entity's share capital after such issuance. Movement in 2013 represents the acquisition of equity interests by the Group from the then equity holders of RMB9,159,000 pursuant to the Reorganisation.

29. BUSINESS COMBINATION – ACQUISITION OF A SUBSIDIARY

- (a) The Group acquired a 100% interest in Shanghai Broad, which is engaged in the landscape gardening service business in Mainland China, from an independent third party on 28 August 2011 at a total consideration of RMB9,600,000. The purchase consideration for the acquisition was in the form of cash, and was fully paid by the Founding Shareholders.

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

	<i>Notes</i>	Fare values recognised on acquisition RMB'000
Property, plant and equipment	<i>12</i>	145
Other intangible assets	<i>14</i>	6,650
Deferred tax assets	<i>26</i>	27
Trade receivables		69,438
Prepayments, deposits and other receivables		13,016
Prepaid tax		345
Cash and cash equivalents		12,175
Trade and bills payables		(81,839)
Other payables and accruals		(10,298)
Deferred tax liabilities	<i>26</i>	(1,975)
		<hr/>
Total identifiable net assets at fair value		7,684
		<hr/> <hr/>
Goodwill on acquisition	<i>13</i>	1,916
		<hr/>
Contribution from the Founding Shareholders		9,600
		<hr/> <hr/>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB69,438,000 and RMB13,016,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB69,438,000 and RMB13,016,000 respectively.

The Group incurred no transaction costs for this acquisition.

The goodwill of RMB1,916,000 mainly comprises the value of expected synergies arising from the acquisition. The acquisition was made as part of the Group's strategy to expand its market share. None of the goodwill recognised is expected to be deductible for income tax purpose.

An analysis of the cash flows in respect of the acquisition of these subsidiaries is as follows:

Cash consideration	–
Cash and cash equivalents acquired	12,175
	<hr/>
Net cash inflow	12,175
	<hr/> <hr/>

Since the acquisition, Shanghai Broad contributed RMB163,378,022 to the Group's revenue and RMB20,277,024 to the consolidated profit for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year ended 31 December 2011, the revenue and profit of the Group for the year would have been RMB245,504,000 and RMB16,909,000, respectively.

- (b) Pre-acquisition financial information of Shanghai Broad included the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the period from 1 January 2011 to 27 August 2011, (the day immediately before the acquisition of the entire issued share capital of Shanghai Broad), and statement of financial position as at 27 August 2011, together with the notes thereto of Shanghai Broad are as follows:

Statement of statement of profit or loss and other comprehensive income

	<i>Notes</i>	Period from 1 January 2011 to 27 August 2011 RMB'000
Revenue	<i>i(a)</i>	68,518
Cost of sales		<u>(67,972)</u>
Gross profit		546
Other income and gains	<i>i(b)</i>	492
Administrative expenses		(1,761)
Loss on disposal of items of property, plant and equipment	<i>ii</i>	<u>(1,177)</u>
Loss before tax	<i>ii</i>	(1,900)
Income tax expense	<i>iv</i>	<u>(31)</u>
Loss for the period and total comprehensive loss for the period		<u><u>(1,931)</u></u>

Statement of Financial Position

	<i>Notes</i>	27 August 2011 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	<i>v</i>	145
Deferred tax assets	<i>vi</i>	<u>27</u>
Total non-current assets		<u>172</u>
CURRENT ASSETS		
Trade receivables	<i>vii</i>	69,438
Prepayments, deposits and other receivables	<i>viii</i>	11,766
Prepaid-tax		345
Cash and cash equivalents	<i>ix</i>	<u>12,175</u>
Total current assets		<u>93,724</u>
CURRENT LIABILITIES		
Trade and bills payables	<i>x</i>	81,839
Other payables and accruals	<i>xi</i>	<u>10,298</u>
Total current liabilities		<u>92,137</u>
NET CURRENT ASSETS		<u>1,587</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,759</u>
NET ASSETS		<u><u>1,759</u></u>
EQUITY		
Issued Capital		20,000
Reserves	<i>xii</i>	<u>(18,241)</u>
Total equity		<u><u>1,759</u></u>

Statement of changes in equity

	Issued capital <i>RMB'000</i>	Contributed surplus <i>RMB'000</i> <i>(note xii(a))</i>	Statutory reserve <i>RMB'000</i> <i>(note xii(b))</i>	Accumulated losses <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2011	20,000	389	804	(17,503)	3,690
Loss for the period and total comprehensive loss for the period	—	—	—	(1,931)	(1,931)
At 27 August 2011	<u>20,000</u>	<u>389</u>	<u>804</u>	<u>(19,434)</u>	<u>1,759</u>

Statement of cash flows

	<i>Note</i>	Period from 1 January 2011 to 27 August 2011 <i>RMB'000</i>
Operating activities		
Loss before tax		(1,900)
Adjustments for:		
Depreciation of items of property, plant and equipment	<i>v</i>	162
Loss on disposal of items of property, plant and equipment		1,177
Decrease in trade receivables		9,438
Increase in prepayments, deposits and other receivables		(6,868)
Decrease in trade and bills payables		(12,793)
Increase in other payables and accruals		8,828
Cash flows used in operations		<u>(1,956)</u>
PRC tax paid		(509)
Net cash flows used in operating activities		<u>(2,465)</u>
Investing activity		
Purchase of items of property, plant and equipment		(61)
Net cash flows used in investing activity		<u>(61)</u>
Net decrease in cash and cash equivalents		(2,526)
Cash and cash equivalents at beginning of period		14,701
Cash and cash equivalents at end of the period		<u>12,175</u>

i. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

Revenue, which is also Shanghai Broad's turnover, represents an appropriate proportion of contract revenue of construction contracts and the value of services rendered during the period from 1 January 2011 to 27 August 2011.

	Period from 1 January 2011 to 27 August 2011 RMB'000
Revenue from construction contracts	68,518
	<u>68,518</u>

(b) Other income and gains, net:

	Period from 1 January 2011 to 27 August 2011 RMB'000
Interest income	90
Government grants*	373
Others	29
	<u>492</u>

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

ii. LOSS BEFORE TAX

The loss before tax of Shanghai Broad is arrived at after charging:

	Period from 1 January 2011 to 27 August 2011 RMB'000
Cost of construction contract	67,972
Employee benefit expense (including director's remuneration (<i>note iii</i>))	
Wages and salaries	750
Pension scheme contribution	298
	<u>1,048</u>
Loss on disposal of items of property, plant and equipment	1,177
Depreciation	162
	<u>162</u>

iii. DIRECTOR'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Director's remuneration

Director's remuneration for the period from 1 January 2011 to 27 August 2011 was as follows:

	Period from 1 January 2011 to 27 August 2011 RMB'000
Fees	–
Other emoluments:	
Salaries	34
Pension scheme contribution	7
	<u>41</u>

There is only one director for the period from 1 January 2011 to 27 August 2011.

There was no arrangement under which the director waived or agreed to waive any remuneration during the period from 1 January 2011 to 27 August 2011.

(b) Five highest paid employees

The five highest paid employees during the period from 1 January 2011 to 27 August 2011 included one director, details of whose remuneration are set out in note iii(a) above. Details of the remuneration for the period from 1 January 2011 to 27 August 2011 of the remaining four highest paid employees who are neither directors nor the chief executive of Shanghai Broad are as follows:

	Period from 1 January 2011 to 27 August 2011 RMB'000
Salaries, allowances and benefit in kind	104
Pension scheme contribution	23
	<u>127</u>

During the the period from 1 January 2011 to 27 August 2011, no emoluments were paid by the Group to any of the persons who are director of Shanghai Broad, or the five highest paid employees as an inducement to join or upon joining Shanghai Broad or as compensation for loss of office.

iv. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company had no assessable profits derived from or earned in Hong Kong during the period from 1 January 2011 to 27 August 2011. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Company operates.

	Period from 1 January 2011 to 27 August 2011 RMB'000
Current Mainland China corporate income tax	–
Deferred tax (<i>note vi</i>)	31
	<u>31</u>

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 is 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 loss before tax using the applicable rates to the tax expense at the effective tax rates is as follows:

	Period from 1 January 2011 to 27 August 2011 RMB'000
Loss before tax	(1,900)
Tax at the statutory tax rate	475
Tax losses not recognised	(444)
	<u>31</u>

v. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2011			
Cost	274	2,139	2,413
Accumulated depreciation and impairment	(146)	(844)	(990)
Net carrying amount	<u>128</u>	<u>1,295</u>	<u>1,423</u>
At 1 January 2011, net of accumulated depreciation and impairment			
	128	1,295	1,423
Additions	61	–	61
Disposals	(2)	(1,175)	(1,177)
Depreciation provided for the period (note ii)	(42)	(120)	(162)
At 27 August 2011, net of accumulated depreciation and impairment	<u>145</u>	<u>–</u>	<u>145</u>
At 27 August 2011			
Cost	283	–	283
Accumulated depreciation and impairment	(138)	–	(138)
Net carrying amount	<u>145</u>	<u>–</u>	<u>145</u>

vi. DEFERRED TAX ASSETS

The movement in deferred tax assets during the period from 1 January 2011 to 27 August 2011 is as follows:

	Payroll payables <i>RMB'000</i>
At 1 January 2011	58
Deferred tax charged to profit or loss during the period (note iv)	<u>(31)</u>
At 27 August 2011	<u>27</u>

vii. TRADE RECEIVABLES

	27 August 2011 <i>RMB'000</i>
Trade receivables	<u>69,438</u>

Shanghai Broad's trading terms with its customers are mainly on credit. The credit period is based on actual projects, ranging from one month to three years. Shanghai Broad 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 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 27 August 2011, based on the transaction date and net of provision, is as follows:

	27 August 2011 <i>RMB'000</i>
Within 3 months	60,373
More than 3 months but less than 1 year	4,100
Over 1 year	4,965
	<u>69,438</u>

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

	27 August 2011 <i>RMB'000</i>
Neither past due nor impaired	<u>69,438</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.

viii. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	27 August 2011 <i>RMB'000</i>
Prepayments	6,153
Deposits and other receivables	5,566
Others	47
	<u>11,766</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

ix. CASH AND CASH EQUIVALENTS

	27 August 2011 <i>RMB'000</i>
Cash and cash equivalents	<u>12,175</u>

As at 27 August 2011, the cash and cash equivalents of Shanghai Broad are all denominated in Renminbi 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, Shanghai Broad 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 balances approximate to their fair values.

x. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at 27 August 2011, based on the transaction date, is as follows:

	27 August 2011
	<i>RMB'000</i>
Within 3 months	64,819
3 to 6 months	448
6 to 12 months	7,422
Over 12 months	9,150
	<hr/>
	81,839
	<hr/> <hr/>

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

xi. OTHER PAYABLES AND ACCRUALS

	27 August 2011
	<i>RMB'000</i>
Staff payroll and welfare payables	107
Other payables	10,191
	<hr/>
	10,298
	<hr/> <hr/>

Other payables are non-interest-bearing and have an average credit term of three months.

xii. RESERVES

(a) Contributed surplus

The contributed surplus at 27 August 2011 of Shanghai Broad represents the capital contributions from the equity holders of Shanghai Broad of the capital contributions excess over paid-in capital.

(b) Statutory reserve

In accordance with the PRC regulations and the articles of association of Shanghai Broad, before distributing the net profit of each year, Shanghai Broad is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of this reserve reaches 50% of Shanghai Broad's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, the statutory surplus reserve fund must be maintained at a minimum of 25% of Shanghai Broad's share capital after such issuance.

xiii. FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of each of the categories of financial instruments as at 27 August 2011 are as follows:

Financial assets

	Loans and receivables <i>RMB'000</i>
Trade receivables	69,438
Financial assets included in prepayments, deposits and other receivables	5,567
Cash and cash equivalents	12,175
	<hr/>
	87,180
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	81,839
Financial liabilities included in other payables, and accruals	3,343
	<hr/>
	85,182
	<hr/> <hr/>

Fair values

As at 27 August 2011, the fair values of Shanghai Broad's financial assets and financial liabilities approximated to their carrying amounts largely due to the short term maturities of these instruments.

xiv. COMMITMENTS

As at 27 August 2011, Shanghai Broad had no material commitments.

xv. CONTINGENT LIABILITIES

As at 27 August 2011, Shanghai Broad had no material contingent liabilities.

30. OPERATING LEASE ARRANGEMENTS**As lessee**

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

At the end of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating lease payables as follows:

	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within one year	360	362	26
In the second to fifth years, inclusive	360	10	101
After five years	—	35	88
	<hr/>	<hr/>	<hr/>
	720	407	215
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

31. RELATED PARTY TRANSACTIONS

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

	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Lease of office from Mr. Wu and Ms. Xiao	360	360	360

- (b) Other transaction with related party:

During the Relevant Periods, Shanghai Greenstate Gardening Development Company Limited used an office premise with gross floor area of 100 sq.m. located at Group 17, Zhangqiao Village, Jinshanwei Town, Jinshan District, Shanghai, PRC, which was owned by Mr. Wu Jie, a close family member of that Mr. Wu's family, free of charge.

- (c) Outstanding balances with related parties:

As at 31 December 2013, the Group had amounts due from the related parties RMB305,000 (2012: Nil; 2011: Nil), These balances are unsecured, interest-free and have no fixed terms and repayment.

- (d) Balances arising from the equity transaction:

	<i>Notes</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Due to the Founding Shareholders	<i>(i)</i>	–	–	120,682
Due to the non-controlling interests (also known as the Pre-IPO Investors)	<i>(ii)</i>	–	–	3,430
		–	–	124,112

Notes:

- (i) The amounts due to the Founding Shareholders were arisen from the acquisition of companies now comprising the Group which include Shanghai Broad, Shanghai Greenstate Landscape and Shanghai Greenstate on 31 December 2013 at aggregate cash consideration of RMB140,277,000 which formed part of the Reorganisation (see note 2.1). The above amount was regarded as an equity transaction and treated as a distribution to the Founding Shareholders of RMB140,277,000, after deducting the related tax withheld of RMB19,595,000.
- (ii) The amounts due to the non-controlling interests (also known as the Pre-IPO investors) were arisen from the acquisition of companies now comprising the Group which include Shanghai Broad, Shanghai Greenstate Landscape and Shanghai Greenstate on 31 December 2013 at an aggregate cash consideration of RMB4,338,000 which formed part of the Reorganisation (see note 2.1). The above amount was regarded as an equity transaction and treated as a distribution to the non-controlling interests of RMB4,338,000, after deducting the related tax withheld of RMB908,000.

The Group settled all such amount due to Founding Shareholders and Pre-IPO investors by the long-term bank loan which amounted to RMB126,191,920 on 14 March 2014 as set out in note 2.2 of Section II above.

- (e) Compensation of key management personnel of the Group:

	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Salaries	1,400	1,400	1,400
Pension scheme contribution	236	268	304
	1,636	1,668	1,704

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

31 December 2011

Financial assets

	Loans and receivables <i>RMB'000</i>
Trade receivables	53,541
Financial assets included in prepayments, deposits and other receivables	7,185
Cash and cash equivalents	53,934
	<hr/>
	114,660
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	66,450
Financial liabilities included in other payables and accruals	2,491
	<hr/>
	68,941
	<hr/> <hr/>

31 December 2012

Financial assets

	Loans and receivables <i>RMB'000</i>
Trade receivables	85,470
Financial assets included in prepayments, deposits and other receivables	23,199
Cash and cash equivalents	51,916
	<hr/>
	160,585
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	61,856
Financial liabilities included in other payables and accruals	8,646
Interest-bearing bank borrowings	12,000
	<hr/>
	82,502
	<hr/> <hr/>

31 December 2013

Financial assets

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

Financial liabilities

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

33. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

As at 31 December 2013, 2012 and 2011, the Group did not hold any assets or liabilities measured at fair value except the biological assets disclosed in note 18.

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation technique	Significant unobservable input	Range	Sensitivity of the input to fair value
Biological assets	Market- approach	Diameter of camphor tree	22cm to 47.2cm	115% increase in growth rate would result in increase in fair value by RMB 204,000

34. COMMITMENTS

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

35. CONTINGENT LIABILITIES

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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 borrowing).

	Increase/ (decrease) in basic points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2013			
RMB	15	(10)	(7)
RMB	(15)	10	7
2012			
RMB	15	(10)	(7)
RMB	(15)	10	7

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, 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 Relevant Periods, all cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

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 Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

	2011					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Trade and bills payables	66,450	–	–	–	–	66,450
Other payables	2,491	–	–	–	–	2,491
	<u>68,941</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>68,941</u>

	2012					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank borrowings	–	198	12,198	–	–	12,396
Trade and bills payables	61,856	–	–	–	–	61,856
Other payables	8,646	–	–	–	–	8,646
	<u>70,502</u>	<u>198</u>	<u>12,198</u>	<u>–</u>	<u>–</u>	<u>82,898</u>
	2013					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank borrowing	–	197	12,182	–	–	12,379
Trade and bills payables	72,966	–	–	–	–	72,966
Other payables	9,980	–	–	–	–	9,980
Amounts due to the Founding Shareholders	120,682	–	–	–	–	120,682
	<u>203,628</u>	<u>197</u>	<u>12,182</u>	<u>–</u>	<u>–</u>	<u>216,007</u>

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 2011, 2012 and 2013.

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

Group	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest bearing bank borrowings	–	12,000	11,984
Trade and bills payables	66,450	61,856	72,966
Other payables and accruals	2,491	8,646	9,980
Amounts due to the Founding Shareholders	–	–	120,682
Less: Cash and cash equivalents	(53,934)	(51,916)	(10,793)
Net debt	<u>15,007</u>	<u>30,586</u>	<u>204,819</u>
Equity attributable to owners of the Company	<u>74,253</u>	<u>98,781</u>	<u>7,971</u>
Capital and net debt	<u>89,260</u>	<u>129,367</u>	<u>212,790</u>
Gearing ratio	17%	24%	96%

37. SUBSEQUENT EVENTS

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

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

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

On 25 June 2014, the Company increased its authorised share capital to HK\$100,000,000 divided into 1,000,000,000 shares of a par value of HK\$0.10 each, by the creation of an additional 996,200,000 shares of a par value of HK\$0.10 each to rank passu in all respects.

On 4 March 2014, the Group entered into a two-year secured bank loan with Bank of Shanghai Co., Ltd. According to the loan agreement, a loan of RMB126,191,920 is drawn down by the Group which bears floating interest rates on the principle amount. The loan is supported by corporate guarantees given by independent third parties. The loan is to settle the amount due to Founding shareholders and Pre-IPO investors as set out in note 31(d).

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 December 2013.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following pro forma adjusted consolidated net tangible assets of our Group have been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 31 December 2013 as if it had taken place on 31 December 2013.

The pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 December 2013 or any future date. It is prepared based on our consolidated net tangible assets as at 31 December 2013 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to the owners of the Company as at 31 December 2013	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets	Pro forma adjusted consolidated net tangible assets per share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>(HK\$ equivalent)</i> <i>(Note 4)</i>
Based on an offer price of HK\$1.30 per Share	1,114	203,890	205,004	0.26	0.32
Based on an offer price of HK\$1.76 per Share	1,114	276,036	277,150	0.35	0.44

Notes:

- (1) The consolidated net tangible assets of our Group attributable to owners of the Company as at 31 December 2013 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of our Company as at 31 December 2013 of RMB8,871,000 less goodwill and other intangible assets as at 31 December 2013 of RMB1,916,000 and RMB5,841,000.
- (2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$1.30 or HK\$1.76 per Share after deduction of the underwriting fees and other related expenses payable by the Company and 200,000,000 Shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. Estimated net proceeds from the Global Offering is converted into RMB at an exchange rate of HK\$1.00 to RMB0.8043.
- (3) The pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2013 and an Offer Price of HK\$1.30 per Share, being the low end of the Offer Price range, and 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2013 and an Offer Price of HK\$1.76 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8043.
- (5) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2013.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share of our Group for the six months ending 30 June 2014 has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial results of our Group.

Profit forecast for the six months ending 30 June 2014

	Forecast for the six months ending 30 June 2014
Forecast consolidated profit attributable to owners of our Group ⁽¹⁾	not less than RMB55.1 million (equivalent to HK\$68.5 million)
Unaudited pro forma forecast earnings per Share ⁽²⁾	not less than RMB0.07 (equivalent to HK\$0.09)

Notes:

- (1) The forecast consolidated profit attributable to owners of our Group for the six months ending 30 June 2014 is extracted from Appendix III to this prospectus. The bases and assumptions on which the above forecast for the six months ending 30 June 2014 has been prepared are summarised in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of our Group for the six months ending 30 June 2014 and on the assumptions that a total of 800,000,000 Shares were in issue during the six months ending 30 June 2014, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8043.
- (3) The forecast income tax expense and Listing-related expenses attributable to owners of our Group for the six months ending 30 June 2014 are approximately RMB18.5 million and RMB16.9 million respectively.
- (4) Pursuant to Rule 11.18 of the Hong Kong Listing Rules, we have given an undertaking to the Hong Kong Stock Exchange that the interim report for the six months ending 30 June 2014 will be audited.

C. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

To the Directors of Broad Greenstate International Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Broad Greenstate International Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2013, and the pro forma forecast earnings per share for the six months ending 30 June 2014, and related notes as set out in Section A and B of Appendix II of the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II(a) to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2013 and the Group's forecast earnings per share for the six months ending 30 June 2014 as if the transaction had taken place at 31 December 2013 and 31 January 2014 respectively. As part of this process, information about the Group's financial position, and forecast profit has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2013, on which an Accountants' Report has been published, and the Group's profit forecast for the six months ending 30 June 2014, respectively.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Hong Kong Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Hong Kong Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Hong Kong Listing Rules.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong
30 June 2014

Our forecast of the consolidated profit for the six months ending 30 June 2014 is set out in the section headed “Financial Information – Profit Forecast for the six months ending 30 June 2014” in this prospectus.

A. PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2014

The Profit Forecast of our Group for the six months ending 30 June 2014 prepared by our Directors is based on the audited results of our Group for the three years ended 31 December 2013. Our Directors are not aware of any extraordinary items which have arisen or are likely to arise during the six months ending 30 June 2014. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the accountants’ report, the text of which is set out in Appendix I to this prospectus and the principal assumptions set out below.

Principal Assumptions for the Profit Forecast

The principal assumptions adopted by the Directors of the Company in preparing the profit forecast are as follows:

- The existing political, legal, fiscal, economic or regulatory conditions in the PRC, which may have adverse effect on the business of our Group, would not have material changes;
- There will be no material changes in the bases or rates of taxation in countries in which our Group operates or in the countries in which our Company or our subsidiaries were incorporate;
- There will be no material change in the inflation, interest rate, tariff and duties in the PRC and any other places in which our Group operates from those currently prevailing;
- Our Group’s operations, results and financial condition will not be materially and adversely affected by the risk factors set forth in the section headed “Risk Factors” in this Prospectus;
- Our Group will be able to continually obtain adequate finance for its business and to operate as going concern in the foreseeable future;
- Our Group’s operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, supply failure, labour dispute, significant lawsuit and arbitration.

Profit forecast for the six months ending 30 June 2014

	Forecast for the six months ending 30 June 2014
Forecast consolidated profit attributable to owners of our Group ⁽¹⁾	not less than RMB55.1 million (equivalent to HK\$68.5 million)
Unaudited pro forma forecast earnings per Share ⁽²⁾	not less than RMB0.07 (equivalent to HK\$0.09)

Notes:

- (1) The forecast consolidated profit attributable to owners of our Group for the six months ending 30 June 2014 is extracted from Appendix III to this prospectus. The bases and assumptions on which the above forecast for the six months ending 30 June 2014 has been prepared are summarised in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of our Group for the six months ending 30 June 2014 and on the assumptions that a total of 800,000,000 Shares were in issue during the six months ending 30 June 2014, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8043.
- (3) The forecast income tax expense and Listing-related expenses attributable to owners of our Group for the six months ending 30 June 2014 are approximately RMB18.5 million and RMB16.9 million respectively.
- (4) Pursuant to Rule 11.18 of the Hong Kong Listing Rules, we have given an undertaking to the Hong Kong Stock Exchange that the interim report for the six months ending 30 June 2014 will be audited.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong
30 June 2014

The Board of Directors
Broad Greenstate International Company Limited
c.c. Kim Eng Securities (HK) Ltd
BOCOM International Securities Limited

Dear Sirs,

Broad Greenstate International Company Limited (“the Company”)

Profit forecast for six months period ending 30 June 2014

We refer to the forecast of the consolidated profit attributable to equity holders of the Company for the six months period ending 30 June 2014 (“the Profit Forecast”) set forth in the section headed “Financial Information” in the prospectus of the Company dated 30 June 2014 (“the Prospectus”).

Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2013, the unaudited consolidated results based on the management accounts of the Group for the five months ended 31 May 2014 and a forecast of the consolidated results of the Group for the remaining one month ending 30 June 2014.

The Company’s directors are solely responsible for the Profit Forecast. It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of

Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Forecast in accordance with the bases and assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 30 June 2014, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

ERNST & YOUNG*Certified Public Accountants*

Hong Kong

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the Sole Sponsor, in connection with the forecast of our consolidated profit for the six months ending 30 June 2014.



30 June 2014

The Directors
Broad Greenstate International Co., Ltd.

Dear Sirs,

We refer to the forecast of the consolidated profit of Broad Greenstate International Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ending 30 June 2014 (the “Profit Forecast”), as set out in the prospectus dated 30 June 2014 issued by the Company (the “Prospectus”).

The Profit Forecast, for which the Directors are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Group for the year ended 31 December 2013, the unaudited consolidated results based on the management accounts of the Group for the five months ended 31 May 2014 and a forecast of the consolidated results of the Group for the remaining one month ending 30 June 2014.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 30 June 2014 addressed to you and us from Ernst & Young, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Ernst & Young, Certified Public Accountants, Hong Kong, we have formed the opinion that the Profit Forecast, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully

For and on behalf of

Kim Eng Securities (Hong Kong) Limited

Wiley Oyang

Managing Director

**SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS
LAW**

1 Memorandum of Association

The Memorandum of Association was conditionally adopted on 25 June 2014 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix VI to this prospectus.

2 Articles of Association

The Articles of Association were conditionally adopted on 25 June 2014 and effective on the Listing Date and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each.

2.2 *Directors*

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any Shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the articles of association of the Company expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the articles of association of the Company or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the articles of association of the Company and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the articles of association of the Company, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

- (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, 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. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which

notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Hong Kong Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Hong Kong Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made

up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Hong Kong Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Hong Kong Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Hong Kong Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Hong Kong Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements

imposed from time to time by the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members

of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall

(subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Hong Kong Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Hong Kong Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority Shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Hong Kong Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Hong Kong Stock Exchange has been notified of such

intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 October 2013 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any Shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

We are incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on 22 October 2013. We have established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 March 2014 under the same address. Mr. WONG Wai Ming (黃偉明) has been appointed as the authorised representative of our company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation of our Company, our Company had an authorised share capital of US\$50,000, divided into 50,000 shares of a par value of US\$1.00 each. 50,000 shares were allotted and issued fully paid at par value to Broad Landscape International, Eastern Greenstate International and YiYu International on 22 October 2013.

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

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

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

On 25 June 2014, the Company increased its authorised share capital to HK\$100,000,000 divided into 1,000,000,000 shares of a par value of HK\$0.10 each, by the creation of an additional 996,200,000 shares of a par value of HK\$0.10 each to rank passu in all respects.

Immediately following the completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme, the issued share capital of our Company will be 80,000,000, divided into 800,000,000 shares of HK\$0.10 each, all fully paid or credited as fully paid and 200,000,000 Shares of HK\$0.10 each will remain unissued.

Save as disclosed “2. Changes in the Share Capital of our Company” above and as mentioned in “3. Written Resolutions of our Shareholders passed on 25 June 2014” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Written Resolutions of our Shareholders passed on 25 June 2014

Pursuant to the written resolutions of our Shareholders passed on 25 June 2014, resolutions were passed under which, among other things:

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;
- (b) the authorised share capital of the Company was increased to HK\$100,000,000 divided into 1,000,000,000 Shares of par value of HK\$0.10 each, by creation of an additional 996,200,000 Shares of a par value of HK\$0.10 each;
- (c) conditional on (1) the Listing Committee of the Hong Kong Stock Exchange granting approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, (2) the Offer Price being duly determined among the Company and the Joint Bookrunners (on behalf of the Underwriters), and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering and the Over-allotment Option were approved and the Directors were authorised to approve the allotment and issue of the Offer Shares and any Shares which are required to be issued if the Over-allotment Option is exercised;
 - (ii) the Share Option Scheme was approved and adopted, and our Directors were authorised to grant options thereunder and to allot and issue Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional upon our share premium account being credited as a result of the Global Offering, we capitalised and applied HK\$59,520,000 of such amount so credited in paying up in full at par 595,200,000 Shares for allotment and issue to holders of the Shares on the register of members at the close of business on 25 June 2014 (or as our Directors may direct) in the same proportion as their then shareholdings;

- (iv) a general unconditional mandate was granted to our Directors to allot, issue and deal with, otherwise than by way of rights or pursuant to the exercise of any options which may be granted under any share option scheme or by virtue of scrip dividend schemes or similar arrangements in accordance with our Articles, Shares with an aggregate nominal value not exceeding:
 - (1) 20% of the aggregate nominal value of our share capital in issue and to be issued as mentioned in this prospectus (including, without limitation, any issue of Shares pursuant to the Capitalisation Issue); and
 - (2) the aggregate nominal amount of our share capital repurchased under the authority referred to in sub-paragraph (v) below; and

- (v) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase on the Hong Kong Stock Exchange, or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange, such number of Shares that will represent up to 10% of the aggregate nominal value of our issued share capital immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted pursuant to the Share Option Scheme, and the said approval shall be limited accordingly.

Each of the general mandates referred to in paragraphs (b)(iv) and (v) above will remain in effect until the earliest of:

- (i) the conclusion of our next annual general meeting;
 - (ii) the expiration of the period within which our next annual meeting is required to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.
- (d) the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the appointment letters made between each of our non-executive Directors and independent non-executive Directors with us were approved.

4. Group Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History and Development” in this prospectus for further details.

5. Changes in the share capital of our Subsidiaries

Saved as disclosed in the subsection headed “History and Development – Corporate History of our Group” in this prospectus, there is no alternation in the share capital (or registered capital, as the case may be) of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

This paragraph includes information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Hong Kong Listing Rules

The Hong Kong Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities by a company with its primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the written resolutions of our Shareholders passed on 25 June 2014, our Directors were granted a general unconditional mandate (the “repurchase mandate”) to repurchase on the Hong Kong Stock Exchange, or any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange, such number of Shares with an aggregate nominal value not exceeding 10% of our share capital in issue and to be issued as mentioned in this prospectus (including, without limitation, any issue of Shares pursuant to the Capitalisation Issue).

The repurchase mandate will remain in effect until the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which our next annual general meeting is required to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Repurchases of Shares must only be funded out of funds legally permitted to be utilised in this connection (namely profits of our Company or the proceeds from a new issue of shares made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the Companies Law, out of capital) in accordance with the Memorandum and Articles of Association, the Hong Kong Listing Rules and the applicable laws of the Cayman Islands. Any premium on a repurchase may be made out of profits of our Company or from sums standing to the credit of our Company's share premium account or, if so authorised by its articles of association and subject to the Companies Law, out of capital. A company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(iii) Trading restrictions

The total number of shares which we are authorised to repurchase on the Hong Kong Stock Exchange is such number of shares which represents up to a maximum of 10% of our existing issued share capital as at the date of the resolution approving the repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange.

(iv) Shares to be purchased

The Hong Kong Listing Rules provide that the shares which are proposed to be purchased by a company must be fully paid up.

(v) Status of repurchased securities

The listing of all repurchased securities (whether on the Hong Kong Stock Exchange or otherwise) is automatically cancelled and the relevant certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, the amount of our Company's issued share capital shall be diminished by the nominal value of the repurchased shares accordingly.

(vi) Suspension of repurchases

Securities repurchases are prohibited after a price-sensitive development has occurred or has been the subject of a decision until such time as the price-sensitive information has been publicly announced. In addition, the Hong Kong Stock Exchange reserves the right to prohibit repurchases of securities on the Hong Kong Stock Exchange if a company has breached the Hong Kong Listing Rules.

(vii) Reporting requirements

Repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session (Hong Kong time) on the following Business Day. In addition, our Company's annual report is required to disclose details regarding repurchases of securities made during the year, including the monthly breakdown of the number of securities repurchased, purchase price per share and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchases.

(viii) Connected persons

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates (as defined in the Hong Kong Listing Rules) and a connected person is prohibited from knowingly selling his securities to the company.

(b) Share capital

Exercise in full of the repurchase mandate, on the basis of 800,000,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 80,000,000 Shares being repurchased by us during the course of the period prior to the date on which such repurchase mandate expires or terminates (as referred to in paragraph (a)(i) above).

(c) General information relevant to the repurchase mandate

- (i) Our Directors believe that it is in the best interests of us and our Shareholders to have a general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of shares will only be made when our Directors believe that such repurchases will benefit us and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net value and our assets and/or our earnings per Share.
- (ii) There might be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels, which in the opinion of our Directors are from time to time appropriate for us.

- (iii) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention to sell any Shares to us or our subsidiaries if the repurchase mandate is exercised.
- (iv) Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate only in accordance with the Hong Kong Listing Rules and the applicable laws of the Cayman Islands. We shall procure the broker who affects the repurchase of securities to disclose to the Hong Kong Stock Exchange such information in relation to the purchase as the Hong Kong Stock Exchange may request.
- (v) If as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Code on Takeovers and Mergers (the Takeovers Code"). Accordingly, a Shareholder (or a group of shareholders acting in concert, as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed in this prospectus, our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.
- (vi) No connected person (as defined in the Hong Kong Listing Rules) has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement (the "11 November 2013 Agreement") dated 11 November 2013 entered into between Broad Landscape and Shanghai First Ocean Geological Engineering Company Limited (上海第一海洋地質工程有限公司) ("Shanghai Ocean"), pursuant to which Broad Landscape agreed to transfer 27% equity interest in Taifu Diandang to Shanghai Ocean at a consideration of RMB8.1 million;
- (b) a termination agreement dated 20 December 2013 entered into between Broad Landscape and Shanghai Ocean, pursuant to which Broad Landscape and Shanghai Ocean mutually agreed to terminate the 11 November 2013 Agreement;

- (c) an equity transfer agreement dated 31 December 2013 entered into among Shanghai Qianyi, Mr. Wu, Ms. Xiao, the Management Shareholders and the Pre-IPO Investors, pursuant to which Shanghai Qianyi agreed to acquire 100% equity interest in Broad Landscape from Mr. Wu, Ms. Xiao, the Management Shareholders and the Pre-IPO Investors at an aggregate consideration of RMB72,925,200;
- (d) an equity transfer agreement dated 31 December 2013 entered into among Shanghai Qianyi, Mr. Wu, Ms. Xiao, the Management Shareholders and the Pre-IPO Investors, pursuant to which Shanghai Qianyi agreed to acquire 100% equity interest in Greenstate Landscape from Mr. Wu, Ms. Xiao, the Management Shareholders and the Pre-IPO Investors at an aggregate consideration of RMB71,365,400;
- (e) an equity transfer agreement dated 31 December 2013 entered into between Shanghai Qianyi and Mr. Wu, pursuant to which Shanghai Qianyi agreed to acquire 100% equity interest in Greenstate Gardening from Mr. Wu at a consideration of RMB324,300;
- (f) the Deed of Indemnity;
- (g) the Non-competition Deed; and
- (h) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, we are in the process of registering the following trademarks which are material to our business:

Trademark	Type and Class	Registered Owner	Place of Registration	Application Number	Application Date
	1	Company	Hong Kong	302857825	6 January 2014
	44	Company	Hong Kong	302857825	6 January 2014
	1	Company	Hong Kong	302860975	9 January 2014
	44	Company	Hong Kong	302860975	9 January 2014

(b) Domain names

As at the Latest Practicable Date, we are the registered owner of the following domain names which we believe are material to our business:

Domain name	Registration Date	Expiry Date
broad-greenstate.cn	26 September 2011	26 September 2021
broad-greenstate.com.cn	26 September 2011	26 September 2021
greenstate.com.cn	16 December 2004	16 December 2019
greenstate.cn	30 October 2003	30 October 2018

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights, which are or may be material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR GROUP'S ENTERPRISES IN THE PRC

Our Company has the following subsidiaries established in the PRC, the basic information of which as at the Latest Practicable Date is set out below:

1. Broad Landscape

Nature	Limited Liability Company
Date of incorporation	1 July 1999
Term of operation	From 1 July 1999 to unspecified expiration date
Registered Capital	RMB20,000,000
Attributable interest of our Group	100%
Scope of business	Municipal and city level landscape architecture projects and offering customers "one stop" package solutions including design and planning, design refinement, construction, seedlings cultivation and maintenance
Legal representative	Mr. Wu

2. Greenstate Landscape

Nature	Limited Liability Company
Date of incorporation	15 June 2004
Term of operation	From 15 June 2004 to 19 June 2024
Registered Capital	RMB32,000,000
Attributable interest of our Group	100%
Scope of business	Garden landscaping, garden greenery, garden construction and decoration, seedling and cultivation, greenery and maintenance
Legal representative	Ms. Xiao

3. Greenstate Gardening

Nature	Limited Liability Company
Date of incorporation	17 September 2004
Term of operation	From 17 September 2004 to 16 September 2014
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	Seedling cultivation, garden greenery, landscape architecture and greenery and maintenance
Legal representative	Mr. Wu

4. Broad Weiye

Nature	Limited Liability Company
Date of incorporation	11 September 2013
Term of operation	From 11 September 2013 to 9 September 2033
Registered Capital	RMB2,000,000
Attributable interest of our Group	55%
Scope of business	landscape engineering design and construction, seedling and cultivation
Legal representative	Ms. Xiao

5. Shanghai Qianyi

Nature	Limited Liability Company
Date of incorporation	26 December 2013
Term of operation	26 December 2013 to 25 December 2033
Registered capital	US\$2,000,000
Attributable interest of our Group	100%
Scope of business	Garden landscape, landscape engineering design and landscape maintenance
Legal representative	Mr. Wu

D. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of our Directors*

As at the Latest Practicable Date, the interests and short positions of each of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Hong Kong Stock Exchange, will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been under such provisions of the SFO), or will be required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Hong Kong Listing Rules (all of the aforesaid being “Disclosable Interests”), will be as follows:

Name of Director	Nature of Interest	Number of Shares held (note 2)	Approximate percentage of shareholding
Mr. Wu (1)(2)	Interest held jointly with another person; interest in a controlled corporation; interest of spouse	3,743,543(L)	98.51%
Ms. Xiao (1)(2)(3)	Interest held jointly with another person; interest in a controlled corporation; interest of spouse	3,743,543(L)	98.51%
Mr. Wang (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543(L)	98.51%
Ms. Zhu (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543(L)	98.51%

Notes:

- (1) Our Company is held as to 68.686%, 29.8283% and 1.4857%, respectively, by Broad Landscape International, Eastern Greenstate International and YiYu International as at the Latest Practicable Date. Pursuant to the Acting in concert Deed, each of Mr. Wu, Ms. Xiao and the Management Shareholders has agreed to jointly control their respective interests in our Company and the decisions as to the business and operations of our 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.
- (2) Mr. Wu is the spouse of Ms. Xiao. Under the SFO, Mr. Wu is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.
- (3) Ms. Xiao has controlled more than one third of the voting power at the general meeting of Eastern Greenstate International, therefore under the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Eastern Greenstate International is interested.
- (4) The letter “L” denotes long position of the directors in the Shares.

Immediately following completion of the Global Offering and the Capitalisation Issue, and taking no account of any Shares which may be issued and allotted pursuant to the Share Option Scheme and assuming the Over-allotment Option is not exercised, the Disclosable Interests, will be as follows:

Name of Director	Nature of Interest	Number of Shares held <i>(note 2)</i>	Approximate percentage of shareholding
Mr. Wu (1)(2)	Interest held jointly with another person; interest in a controlled corporation; interest of spouse	543,798,936(L)	67.97%
Ms. Xiao (1)(2)(3)	Interest held jointly with another person; interest in a controlled corporation; interest of spouse	543,798,936(L)	67.97%
Mr. Wang (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936(L)	67.97%
Ms. Zhu (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936(L)	67.97%

Notes:

- (1) Our Company is held as to approximately 47.39%, 20.58% and 1.03%, respectively, by Broad Landscape International, Eastern Greenstate International and YiYu International immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Pursuant to the Acting in concert Deed, each of Mr. Wu, Ms. Xiao and the Management Shareholders has agreed to jointly control their respective interests in our Company and the decisions as to the business and operations of our 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.
- (2) Mr. Wu is the spouse of Ms. Xiao. Under the SFO, Mr. Wu is deemed to be interested in the same number of Share in which Ms. Xiao is interested.
- (3) Ms. Xiao has controlled more than one third of the voting power at the general meeting of Eastern Greenstate International, therefore under the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Eastern Greenstate International is interested.
- (4) The letter "L" denotes long position of the directors in the Shares.

(b) Interests of the Substantial Shareholders

So far as our Directors are aware, as at the Latest Practicable Date, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. Wu (1)(4)	Interest held jointly with another person; interest in a controlled corporation; interest of spouse	3,743,543	98.51%
Broad Landscape International (2)	Beneficial owner	2,610,068	68,686%
Ms. Xiao (1)(4)(5)	Interest held jointly with another person; interest in a controlled corporation; interest of spouse	3,743,543	98.51%
Mr. Shen Wenlin (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Song Shudong (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Zhang Kequan (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Jiao Ye (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Wang (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Li Qiuliang (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Mr. Xiao Xu (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Ms. Zhu (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. She Lei (1)	Interest held jointly with another person; interest in a controlled corporation	3,743,543	98.51%
Eastern Greenstate International (3)	Beneficial owner	1,133,475	29.8283%

Notes:

- (1) Our Company is held as to 68.686%, 29.8283% and 1.4857%, respectively, by Broad Landscape International, Eastern Greenstate International and YiYu International as at the Latest Practicable Date. Pursuant to the Acting in concert Deed, each of Mr. Wu, Ms. Xiao and the Management Shareholders has agreed to jointly control their respective interests in our Company and the decisions as to the business and operations of our 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.
- (2) Broad Landscape International, a wholly owned subsidiary of Mr. Wu, is directly interested in 68.686% in our Company as at the Latest Practicable Date.
- (3) Eastern Greenstate International is directly interested in 29.8283% in our Company as at the Latest Practicable Date.
- (4) Mr. Wu is the spouse of Ms. Xiao. Under the SFO, Mr. Wu is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.
- (5) Ms. Xiao has controlled more than one third of the voting power at the general meeting of Eastern Greenstate International, therefore under the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Eastern Greenstate International is interested.

Save as disclosed herein, our Directors are not aware of any person who will, as at the Latest Practicable Date, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

So far as our Directors are aware, immediately following the Global Offering and the Capitalisation Issue without taking into account the Shares that could be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the options granted under the Share Option Scheme, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. Wu (1)(4)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Broad Landscape International (2)	Beneficial owner	379,146,720	47.39%
Ms. Xiao (1) (4) (5)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Shen Wenlin (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Song Shudong (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Zhang Kequan (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Jiao Ye (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Wang (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Li Qiuliang (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. Xiao Xu (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Ms. Zhu (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Mr. She Lei (1)	Interest held jointly with another person; interest in a controlled corporation	543,798,936	67.97%
Eastern Greenstate International (3)	Beneficial owner	164,652,216	20.58%

Notes:

- (1) Our Company is held as to approximately 47.39%, 20.58% and 1.03%, respectively, by Broad Landscape International, Eastern Greenstate International and YiYu International immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Pursuant to the Acting in concert Deed, each of Mr. Wu, Ms. Xiao and the Management Shareholders has agreed to jointly control their respective interests in our Company and the decisions as to the business and operations of our 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.
- (2) Broad Landscape International, a wholly owned subsidiary of Mr. Wu, is directly interested in approximately 47.39% in our Company immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme).
- (3) Eastern Greenstate International is directly interested in approximately 20.58% in our Company immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme).
- (4) Mr. Wu is the spouse of Ms. Xiao. Under the SFO, Mr. Wu is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.
- (5) Ms. Xiao has controlled more than one third of the voting power at the general meeting of Eastern Greenstate International, therefore under the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Eastern Greenstate International is interested.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering and the Capitalisation Issue, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Directors' Service Contracts

1. *Particulars of Directors' service contracts*

Each of our executive Directors, Mr. Wu, Ms. Xiao, Ms. Zhu and Mr. Wang, has entered into a service contract with us for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by not less than six months' written notice. Particulars of these service contracts are in all material respects the same except as indicated below:

- (a) Mr. Wu, Ms. Xiao, Ms. Zhu and Mr. Wang will receive a monthly salary of RMB80,000, RMB80,000, RMB50,000 and RMB50,000, respectively, subject to annual review by our Board and our Remuneration Committee; and
- (b) each of Mr. Wu, Ms. Xiao, Ms. Zhu and Mr. Wang will receive a discretionary bonus as may be determined by our Board and our Remuneration Committee based on the relevant Director's performance of his duties and our Company's earnings.

Each of our independent non-executive Directors, Mr. Dai Guoqiang (戴國強), Mr. Wang Xiaohong (王孝泓) and Mr. Zhang Qing (張清), has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date unless terminated by three months' written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. The basic annual remuneration payable by our Company to our independent non-executive Directors according to their respective letter of appointment will be RMB80,000.

2. *Directors' remuneration*

For the three years ended 31 December 2013, the aggregate of the remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind and discretionary bonuses) paid to Mr. Wu, Ms. Xiao, Ms. Zhu and Mr. Wang by our Group was approximately RMB1.6 million, RMB1.7 million and RMB1.7 million, respectively.

Under the arrangements currently in place, the estimated aggregate amount that our Directors will be entitled to receive in the form of remuneration and benefits in kind for the year ending 31 December 2014 is approximately RMB3.36 million (excluding any discretionary bonuses payable to our Directors).

3. *Directors' Competing Interests*

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

4. *Disclaimers*

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are listed on the Hong Kong Stock Exchange.
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of the Directors nor any of the persons listed in the subsection headed “– Other Information – Qualification of Experts” in this section of the prospectus is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors nor any of the persons listed in the subsection headed “– Other Information – Qualification of Experts” in this section of the prospectus is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in the subsection headed “– Other Information – Qualification of Experts” in this section of the prospectus has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- (f) none of our Directors, their respective associates (as defined under the Hong Kong Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company, has any interest in our Company's five largest customer and five largest suppliers.

E. SHARE OPTION SCHEME

1. Summary of terms

The following is a summary of all the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 25 June 2014,

(a) Purpose of the Share Option Scheme

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 our Group and to promote the success of the business of our Group.

The Share Option Scheme provides that our Company may specify a minimum holding period and performance conditions which must be satisfied before options can be exercised by the option holders. In addition, the basis for the determination of the exercise price of the options has been set out in the Share Option Scheme. The Board considers that the aforesaid criteria and the terms of the Share Option Scheme will serve to preserve the value of our Company and encourage option holders to acquire proprietary interests in our Company.

(b) Who may join

The Board may offer any employee (whether full-time or part-time), Director, consultant or adviser of our Group (the "Eligible Person") options to subscribe for Shares at a price calculated in accordance with paragraph (c) below and subject to the other terms of the Share Option Scheme summarised below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant.

(c) Maximum number of Shares

- (i) The maximum number of 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 our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time.
- (ii) Subject always to the overall limit specified in paragraph (c)(i) above:
- the Board may grant options under the Share Option Scheme, generally and without further authority, in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Share Option

Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of our Company as at the date on which dealings in the Shares commence on the Main Board (the “Scheme Mandate Limit”) (being 80,000,000 Shares). For the avoidance of doubt, options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;

- the Scheme Mandate Limit may be renewed by obtaining approval of the Shareholders in a general meeting, provided that such renewed limit shall not exceed 10% of the Shares in issue as at the date of approval of such limit (the “Refreshed Limit”). Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Refreshed Limit. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rule 17.02(2) of the Hong Kong Listing Rules; and
 - the Board may grant options in excess of the 10% limit to specifically identified Eligible Persons by first obtaining approval of the Shareholders in a general meeting to grant the options in the amounts and to the Eligible Persons specified in the resolution. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rule 17.02(2) of the Hong Kong Listing Rules.
- (iii) Unless approved by the Shareholders in a general meeting in the manner as set out in paragraph (c)(iv) below (with such Eligible Person and his associates abstaining from voting), the total number of Shares issued and to be issued upon the exercise of the 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 our Company in issue.
- (iv) Further options may be granted to an Eligible Person, which, if exercised, would result in such Eligible Person becoming entitled to subscribe for Shares in excess of the limit stated in paragraph (c)(iii) above, by obtaining approval of the Shareholders in general meeting with such Eligible Person and his associate(s) abstaining from voting provided that the terms and number of Shares subject to the options to be granted to such Eligible Person are fixed before the relevant approval of the Shareholders is obtained, and the date of the meeting of the Board proposing such further grant shall be deemed to be the date, which must be a Business Day, of the written notice from our Company granting option to Eligible Persons (the “Date of Grant”) for the purpose of determining the exercise price of such options. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rules 17.02(2) and 17.03(4) of the Hong Kong Listing Rules.

(d) Performance target

The Share Option Scheme does not set out performance targets which must be achieved before the options may be exercised. However, on the grant of options by the Board, the Board may specify, as part of the terms and conditions of such option, the performance condition which must be satisfied before the option can be exercised.

(e) Exercise price

The amount payable for each Share to be subscribed for under an option 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 Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheet on Date of Grant;
- (ii) the average closing price of the Shares on the Main Board as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Date of Grant; and
- (iii) the nominal value of the Shares.

(f) Rights are personal to grantee

An option which has been duly granted and remains outstanding and exercisable in accordance with the Share Option Scheme and has neither lapsed nor been cancelled or exercised in full and, has been exercised in part as permitted by the terms of such option, includes that part of the option that has not been exercised and which has neither lapsed nor been cancelled (the "Subsisting Option") and an offer to grant an option shall be personal to the Eligible Person to whom it is granted or made and shall not be assignable.

(g) Options granted to Directors or Substantial Shareholders

- (i) Any options granted to an Eligible Person who is a Director, chief executive or substantial shareholder of our Company or any of their respective associates shall be approved by the independent non-executive Directors and, in any event, if the proposed grantee is an independent non-executive Director, the vote of such grantee shall not be counted for the purpose of approving such grant.

- (ii) 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 the period of 12 months up to and including the date of such grant:
 - representing in aggregate over 0.1% of the issued share capital of our Company; and
 - having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000.

Such further grant of options must be approved by our Shareholders in a general meeting by poll convened and held in accordance with the Articles and the Hong Kong Listing Rules. Our Company must dispatch a circular to the Shareholders containing such information as required under Rule 17.04 of the Hong Kong Listing Rules. All connected persons (as defined in the Hong Kong Listing Rules) of our Company shall abstain from voting in favour at such general meeting.

(h) Grant of option

- (i) Each grantee of options will receive an option certificate sealed by our Company specifying the number of options granted and specifying the applicable terms and conditions relating to such options. These terms and conditions may include provisions as to the performance conditions which must be satisfied before the option can be exercised, the minimum period for which an option must be held before it can be exercised, vesting conditions (if any), lapse conditions and such other provisions as the Board may determine provided such provisions are not inconsistent with the relevant requirements of the Share Option Scheme or the Hong Kong Listing Rules.
- (ii) The Board shall not grant any option under the Share Option Scheme after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period of one month immediately before the earlier of (1) the date of the Board meeting for the approval of our Company's interim or annual results; and (2) the deadline for our Company to publish its interim or annual results announcement under the Hong Kong Listing Rules and ending on the date of the results announcement.

(i) Time of exercise of an option

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”, that is, the period to be notified by the Board to each option holder upon the grant of options, such period not to exceed ten years from the Date of Grant of the relevant option.

(j) Cancellation of options

Any cancellation of any Subsisting Option shall be conditional on the approval by the Board (including the approval of independent non-executive Directors) and the option holder(s) concerned.

In the event that the Board elects to cancel Subsisting Options and issue new options to the same option holder, the issue of such new options shall be made with available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Refreshed Limit, as the case may be.

(k) Voting and dividend rights

No voting rights shall be exercisable and no dividends shall be payable in relation to options that have not been exercised. A share issued upon the exercise of an option shall not carry voting rights until the registration of the grantee (or any other person) as the holder thereof.

(l) Effects of alterations in the capital structure of our Company

In the event of Capitalisation Issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made in relation to any Subsisting Option to (i) the number of Shares subject to the unexercised option; and/or (ii) the option price; and/or (iii) in the event of a consolidation and subdivision of the share capital of our Company, the maximum number of Shares referred to in paragraph (c) above. Any such corresponding alterations to the Subsisting Option shall be certified by our Company’s auditors as being fair and reasonable, and shall give an option holder the same proportion of the issued share capital of our Company as that to which he was previously entitled but so that no such alteration shall have the effect of enabling any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any option in full being increased.

(m) Rights on a takeover

If, during the Exercise Period, an offer is made to acquire all or part of the issued Shares (other than those held by the offeror and persons acting in concert with it) and such offer becomes or is declared unconditional, our Company shall give written notice to all

persons then holding Subsisting Options and each such option holder may, by notice in writing to our Company, within 14 days of the date of such notice, exercise his option in full or to the extent specified in such notice.

(n) Rights on schemes of compromise or arrangement

If, during the Exercise Period, an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our members (or any class of them), an option holder may by notice in writing to our Company, within a period of 21 days of the date of such application, exercise his option in full or to the extent specified in such notice.

(o) Rights on a voluntary winding up

In the event of a notice of a meeting being convened to consider a resolution for the voluntary winding-up of our Company during the Exercise Period, our Company shall forthwith upon notice of such meeting being given, give written notice to option holders of the convening of such meeting and an option holder may thereupon by notice in writing to our Company exercise any Subsisting Option at any time not later than five Business Days prior to the proposed general meeting of our Company to its full extent or to the extent specified in such notice.

(p) Ranking of Shares

Shares issued or transferred on the exercise of an option shall rank equally in all respects with the other Shares of the same class in issue at the date of allotment (including, without limitation, as to voting, dividend and transfer rights and rights arising on the liquidation of our Company) and will be subject to all the provisions of the Articles. They shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(q) Present status of the Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional on (i) the passing of an ordinary resolution to adopt the Share Option Scheme by the Shareholders in a general meeting (with any persons required to abstain from voting under the Hong Kong Listing Rules so abstaining); (ii) the Listing Committee of the Hong Kong Stock Exchange granting approval of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated.

The Board considers that it is not appropriate to state the value of all options that can be granted under the Share Option Scheme as if they had been granted on the Latest Practicable Date, as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, lock-up period (if any), performance targets set (if any) and other relevant variables. The Board believes that any calculation of the value of the options as at the Latest Practicable Date would be based on a great number of speculative assumptions and would henceforth not be meaningful and could be misleading to Shareholders.

(r) Duration 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 years from the date on which it is adopted by resolution of the Shareholders in general meeting.

(s) Amendment of the Share Option Scheme

- (i) Subject to paragraph (ii) below, the Board may amend any of the provisions of the Share Option Scheme or withdraw or otherwise terminate the Share Option Scheme at any time but no alterations shall be made to the advantage of any option holder unless approved by the Shareholders in a general meeting. In addition, no alteration shall operate to affect adversely any rights which have accrued to any option holder at that date.
- (ii) Our Company in a general meeting must approve in advance by ordinary resolution any proposed change which relates to the following:
- the persons to or for whom Shares may be provided under the Share Option Scheme;
 - the authority of the Board in relation to any alteration to the terms of the Share Option Scheme;
 - the limitations on the number of Shares which may be issued under the Share Option Scheme;
 - the individual limit for each option holder under the Share Option Scheme;
 - the determination of the exercise price of the option;
 - any rights attaching to the options and the Shares;
 - the terms of granted options;
 - the rights of option holders in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction or any other variation of share capital of our Company;

- the provisions under the Share Option Scheme regarding the amendment of the Share Option Scheme;
 - any matters set out in Rule 17.03 of the Hong Kong Listing Rules as amended from time to time; and
 - any alterations to the Share Option Scheme which are of a material nature.
- (iii) Except as described in paragraph (ii) above, the Board need not obtain the approval of the Shareholders in a general meeting for any minor changes:
- to benefit the administration of the Share Option Scheme;
 - to comply with or take account of the provisions of any proposed or existing legislation;
 - to take account of any changes to the legislation; or
 - to obtain or maintain favourable tax, exchange control or regulatory treatment of our Company or any of our subsidiaries or any present or future option holder.
- (iv) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be subject to the approval of the Hong Kong Stock Exchange save where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (v) Unless otherwise approved by the Hong Kong Stock Exchange, the amended terms of the Share Option Scheme or the Subsisting Options shall comply with the relevant requirements of the Hong Kong Listing Rules in guidance issued from the Hong Kong Stock Exchange from time to time.

(t) *Lapse of options*

An option shall lapse forthwith (to the extent not already exercised) on the earliest of expiry of the Exercise Period and:

- (i) the first anniversary of the death of the option holder;

- (ii) in the case of an option holder who is an employee of our Group or a Director, upon the option holder ceasing to be an employee of our Group or our Director by reason of dismissal from employment or termination of office; in the case of an option holder who is a consultant or adviser of our Group, by reason of termination by our Company or any of our subsidiaries of the contract for provision of such services, in each case on the ground of:
 - the option holder’s misconduct;
 - the option holder committing an act of bankruptcy;
 - the option holder becoming insolvent or making any arrangements or composition with his creditors generally; or
 - the option holder being convicted of any criminal offence involving his or her integrity or honesty;
- (iii) three months after the option holder ceases to be an employee of our Group by reason of:
 - his retirement on or after attaining normal retirement age;
 - his resignation;
 - ill health or disability;
 - the company by which he is employed ceasing to be a subsidiary of our Company;
 - the expiry of his contract of employment with our Group; or
 - termination of his employment with our Group for reasons other than the reasons specified in paragraphs (i) and (ii) above;
- (iv) three months after the option holder ceases to be a Director for reasons other than the reasons specified in paragraphs (ii) and (iii) above;
- (v) in the case of any takeovers, schemes of compromise or arrangement and liquidation, upon the expiry of the periods of notice as specified in the Share Option Scheme; provided that in the scheme of compromise or arrangement, such proposed compromise or arrangement becomes effective;
- (vi) save as otherwise provided, in the case of a voluntary winding-up of our Company during the Exercise Period, upon the earlier of the close of business on the fifth Business Day prior to the general meeting convened to consider such voluntary winding-up or the date of the commencement of the winding-up of our Company;

- (vii) upon any breach of the provision described in paragraph (f) above; or
- (viii) in the case of an option holder who is a consultant or adviser of our Group, on the date which is the later of (1) the date on which the Board resolves in its reasonable opinion that the option holder no longer provides consultancy or advisory (as appropriate) services to our Group; and (2) the date which falls three months after the date on which the option holder is notified of such resolution.

(u) Termination

In the event that the Board elects to terminate the operation of the Share Option Scheme, no further option shall be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

(v) Disclosure of the Share Option Scheme

Our Company shall disclose all information as required by the Hong Kong Listing Rules or any other applicable rules and regulations in our annual and interim reports.

Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnities

Under the Deed of Indemnity, each of the Controlling Shareholders has given joint and several indemnities in connection with, amongst other things:

- (1) any tax liability which might be payable by our Group resulting from any income, profit or gains earned, accrued or received and/or assets acquired on or before the date on which the Global Offering becomes unconditional (the “Effective Date”);
- (2) certain estate duty which might be payable by our Group by virtue of the Estate Duty Ordinance, Chapter 111 of the laws of Hong Kong;

- (3) any liability which might be payable by our Group directly or indirectly resulting from, or relating to or in consequence of:
 - (a) the reorganisation arrangements undergone by our Group in preparation for the Listing as set forth in the section headed “History and Development – Our Reorganisation” in this prospectus;
 - (b) any non-compliance by any member of our Group as set forth in the section headed “Business – Compliance Matters” in this prospectus; and
- (4) any liability which might be payable by our Group in respect of or arising directly or indirectly from any claim which is covered by the indemnities given under (1) to (3) above.

The Deed of Indemnity is conditional on the conditions set out in the subsection headed “Structure of the Global Offering – Conditions of Hong Kong Public Offering” being fulfilled.

The Indemnifiers will, however, not be liable for taxation under the deed of indemnity to the extent that:

- (a) provision has been made for such taxation in the audited accounts of any member of our Group for the three years ended 31 December 2013; or
- (b) such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 31 December 2013 unless liability for such taxation would not have arisen but for some other act or omission of, or transaction entered into by, the Indemnifiers, or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the date on which the Global Offering becomes unconditional; or
- (c) such taxation or liability is discharged by another person and that no member of our Group is required to reimburse such person in respect of the discharge of the taxation or liability; or
- (d) such taxation arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof of the Inland Revenue Department or any other statutory or governmental authority (in Hong Kong or elsewhere) having retrospective effect and coming into force after the date of the deed of indemnity, or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall in our Company or any of its subsidiaries under the laws of the Cayman Islands, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, finance condition or results of operations.

3. Listing Application

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

4. Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Hong Kong Listing Rules.

5. Sole Sponsor's Fees

The Sole Sponsor will receive HK\$6,500,000 as their sponsor's fees.

6. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2013 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

7. Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Kim Eng	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jincheng Tongda & Neal Law Firm	PRC legal advisers
BDO Financial Services Limited	Internal control consultants
IPSOS	Industry consultant
Maples and Calder	Cayman Islands legal advisers
Ernst & Young	Certified Public Accountants

8. Consents of Experts

Each of Kim Eng, Jincheng Tongda & Neal Law Firm, Maples and Calder, BDO Financial Services Limited, Ernst & Young and IPSOS has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Promoter

Our Company has no promoter for the purpose of the Hong Kong Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

10. Preliminary Expenses

The preliminary expenses incurred by our Company in relation to our incorporation were approximately HK\$31,398 and were paid by us.

11. Selling Shareholders

The particulars of the Selling Shareholders are set out as follows:

Name	Place of incorporation	Date of incorporation	Registered office	Number of Sale Shares
Broad Landscape International	BVI	8 October 2013	PO Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands	32,969,280 Shares
Eastern Greenstate International	BVI	9 October 2013	PO Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands	14,317,584 Shares
YiYu International	BVI	8 October 2013	PO Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands	713,136 Shares

12. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commission, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (b) Our Directors confirm that:
- (i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and
 - (ii) our Company has no outstanding convertible debt securities or debentures.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made enabling our Shares to be admitted into CCASS for clearing and settlement.

I. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to the subsection headed “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix V to this prospectus; and
- (c) the written consents referred to in the subsection headed “Statutory and General Information – F. Other Information – 8. Consents of Experts” in Appendix V to this prospectus; and
- (d) a copy of the statement of the names, descriptions and addresses of the Selling Shareholders.

II. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons, 5th Floor, Alexandra House, 18 Charter Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information issued by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the financial years ended 31 December 2011, 2012 and 2013;
- (e) the letters relating to profit forecast of our Company, the text of which are set out in Appendix III to this prospectus;
- (f) the PRC legal opinions issued by Jincheng Tongda & Neal Law Firm, our legal adviser on PRC law, in respect of our general matters and property interests of our Group;
- (g) the letter of advice prepared by Maples and Calder, our Cayman Islands legal adviser, summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;

- (h) the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix V to this prospectus;
- (i) the written consent referred to in the subsection headed “Statutory and General Information – F. Other Information – 8. Consents of Experts” in Appendix V to this prospectus;
- (j) the service contracts and letters of appointment referred to in the subsection headed “Statutory and General Information – D. Further Information about our Directors and Substantial Shareholders – 2. Directors’ Service Contracts” in Appendix V to this prospectus;
- (k) the Companies Law;
- (l) the rules of our Share Option Scheme; and
- (m) statement of particulars of the Selling Shareholders.

