



美丽中国  
BEAUTIFUL CHINA



Interim Report  
**2014**

**BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED**

(Incorporated in Bermuda with limited liability)

Stock Code : 706

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# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

|   |      | Six months ended 30 June        |                                 |
|---|------|---------------------------------|---------------------------------|
|   | Note | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| <b>Turnover</b>   | 3    | <b>3,796</b>                    | 4,738                           |
| Cost of sales   |      | –                               | –                               |
| <b>Gross profit</b>   |      | <b>3,796</b>                    | 4,738                           |
| Other income  | 4    | <b>1,983</b>                    | 1,837                           |
| Administrative expenses   |      | <b>(27,319)</b>                 | (26,934)                        |
| <b>Loss from operations</b>   |      | <b>(21,540)</b>                 | (20,359)                        |
| Finance costs   | 5    | <b>(64)</b>                     | (92)                            |
| Loss before income tax  |      | <b>(21,604)</b>                 | (20,451)                        |
| Income tax credit   | 6    | <b>159</b>                      | 196                             |
| <b>Loss for the period</b>  | 7    | <b>(21,445)</b>                 | (20,255)                        |
| <b>Loss per share</b>   | 9    |                                 |                                 |
| Basic (cents)   |      | <b>(0.56)</b>                   | (0.95)                          |
| Diluted (cents)   |      | <b>(0.56)</b>                   | (0.95)                          |
| <b>Loss for the period</b>  |      | <b>(21,445)</b>                 | (20,255)                        |
| <b>Other comprehensive income for the period, net of tax</b>                                  |      |                                 |                                 |
| <i>Item that may be reclassified to profit or loss:</i>                                       |      |                                 |                                 |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong |      | <b>(2,968)</b>                  | 2,553                           |
| <b>Total comprehensive income for the period</b>  |      | <b>(24,413)</b>                 | (17,702)                        |

The notes on pages 6 to 11 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014



|  | <i>Note</i> | <b>At<br/>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | At<br>31 December<br>2013<br>(Audited)<br>HK\$'000 |
|--|-------------|---|--|
| <b>Non-current assets</b>                    |             |   |  |
| Property, plant and equipment                |             | 1,399   | 6,476  |
| Intangible assets                            |             | 4,783   | 5,884  |
|  |             | <b>6,182</b>  | 12,360   |
| <b>Current assets</b>                        |             |   |  |
| Trade and other receivables                  | 10          | 126,973   | 36,720   |
| Bank and cash balances                       |             | 186,382   | 103,213  |
|  |             | <b>313,355</b>  | 139,933  |
| <b>Current liabilities</b>                   |             |   |  |
| Trade and other payables                     | 11          | 9,232   | 16,956   |
| Finance lease payables                       |             | 962   | 934  |
|  |             | <b>10,194</b>   | 17,890   |
| <b>Net current assets</b>                    |             | <b>303,161</b>  | 122,043  |
| <b>Total assets less current liabilities</b> |             | <b>309,343</b>  | 134,403  |
| <b>Non-current liabilities</b>               |             |   |  |
| Finance lease payables                       |             | 933   | 1,421  |
| Deferred tax liabilities                     |             | 454   | 613  |
|  |             | <b>1,387</b>  | 2,034  |
| <b>NET ASSETS</b>                            |             | <b>307,956</b>  | 132,369  |
| <b>Capital and reserves</b>                  |             |   |  |
| Share capital                                | 12          | 413,808   | 213,808  |
| Reserves                                     |             | (105,852)   | (81,439)   |
| <b>TOTAL EQUITY</b>                          |             | <b>307,956</b>  | 132,369  |

The notes on pages 6 to 11 form part of this interim financial report.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

|   | (Unaudited)    |                |                     |                      |                    |                |
|---|----------------|----------------|---------------------|----------------------|--------------------|----------------|
|   | Share capital  | Share premium  | Translation reserve | Share option reserve | Accumulated losses | Total equity   |
|   | HK\$'000       | HK\$'000       | HK\$'000            | HK\$'000             | HK\$'000           | HK\$'000       |
| At 1 January 2013                         | 213,808        | 489,081        | 41,727              | 7,498                | (580,496)          | 171,618        |
| Total comprehensive income for the period | -              | -              | 2,553               | -                    | (20,255)           | (17,702)       |
| At 30 June 2013                           | 213,808        | 489,081        | 44,280              | 7,498                | (600,751)          | 153,916        |
| <b>At 1 January 2014</b>                  | <b>213,808</b> | <b>489,081</b> | <b>46,104</b>       | <b>6,433</b>         | <b>(623,057)</b>   | <b>132,369</b> |
| Total comprehensive income for the period | -              | -              | (2,968)             | -                    | (21,445)           | (24,413)       |
| Issue of shares                           | 200,000        | -              | -                   | -                    | -                  | 200,000        |
| <b>At 30 June 2014</b>                    | <b>413,808</b> | <b>489,081</b> | <b>43,136</b>       | <b>6,433</b>         | <b>(644,502)</b>   | <b>307,956</b> |

The notes on pages 6 to 11 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014



|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| Net cash used in operating activities                  | (114,974)                       | (28,650)                        |
| Net cash generated from investing activities           | 1,070                           | 1,733                           |
| Net cash generated from/(used in) financing activities | 199,476                         | (523)                           |
| Net increase/(decrease) in cash and cash equivalents   | 85,572                          | (27,440)                        |
| Effect of foreign exchange rate changes                | (2,403)                         | 1,930                           |
| Cash and cash equivalents at 1 January                 | 103,213                         | 131,108                         |
| Cash and cash equivalents at 30 June                   | 186,382                         | 105,598                         |

The notes on pages 6 to 11 form part of this interim financial report.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 2 ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2013 annual financial statements, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2014. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group.

## 3 SEGMENT INFORMATION

The Group operates one operating segment, which is the provision of automatic teller machine (“ATM”) services. No separate segment information is prepared according to HKFRS 8 “Operating Segments”.

All operating assets and operations of the Group during the periods ended 30 June 2014 and 2013 were substantially located and carried out in the People’s Republic of China (the “PRC”).

Management has determined the operating segments based on the reports reviewed by the Group’s Chief Executive Officer (“CEO”) (being the chief operating decision maker) to make strategic decisions about resources allocation and performance assessment.

The Group’s CEO assesses the performance of the operating segment based on a measure of earnings before interest, tax, depreciation and amortisation. This measurement basis of segment results excludes the effects of non-recurring expenditures from the operating segment such as loss on disposal of property, plant and equipment and loss on write-off of property, plant and equipment.

Bank and cash balances held by the Group are not considered to be segment assets but rather are centrally managed by the Chief Finance Officer (“CFO”) in Hong Kong.



#### 4 OTHER INCOME

|                 | <b>Six months ended 30 June</b>          |                                 |
|-----------------|--|---------------------------------|
|                 | <b>2014<br/>(Unaudited)<br/>HK\$'000</b> | 2013<br>(Unaudited)<br>HK\$'000 |
| Interest income | 1,955                                    | 1,833                           |
| Others          | 28                                       | 4                               |
|                 | <b>1,983</b>                             | 1,837                           |

#### 5 FINANCE COSTS

|                       | <b>Six months ended 30 June</b>          |                                 |
|-----------------------|--|---------------------------------|
|                       | <b>2014<br/>(Unaudited)<br/>HK\$'000</b> | 2013<br>(Unaudited)<br>HK\$'000 |
| Finance lease charges | 64                                       | 92                              |

#### 6 INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

The PRC Corporate income tax rate for the subsidiaries in the PRC is 25% (2013: 25%).

|   | <b>Six months ended 30 June</b>          |                                 |
|---|--|---------------------------------|
|   | <b>2014<br/>(Unaudited)<br/>HK\$'000</b> | 2013<br>(Unaudited)<br>HK\$'000 |
| <b>Deferred taxation</b>                          |  |                                 |
| Origination and reversal of temporary differences | 159                                      | 196                             |





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 7 LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following:

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2014<br>(Unaudited)<br>HK\$'000 | 2013<br>(Unaudited)<br>HK\$'000 |
| Amortisation of intangible assets           | 967                             | 1,185                           |
| Depreciation:                               |                                 |                                 |
| – Owned assets                              | 4,219                           | 5,518                           |
| – Leased asset                              | 574                             | 574                             |
| Staff costs including directors' emoluments | 7,876                           | 8,001                           |

## 8 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 9 LOSS PER SHARE

### (a) Basic

The calculation of basic loss per share for the six months ended 30 June 2014 is based on the loss for the period attributable to owners of the Company of approximately HK\$21,445,000 (six months ended 30 June 2013: loss of HK\$20,255,000) and the weighted average number of ordinary shares of approximately 3,839,742,000 (six months ended 30 June 2013: 2,138,085,000) in issue during the period.

### (b) Diluted

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2014 and 2013.



## 10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for impairment losses for bad and doubtful debts) with the following ageing analysis:

|   | At<br>30 June<br>2014<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2013<br>(Audited)<br>HK\$'000 |
|---|--|--|
| Current                                     | 701  | 537  |
| 1 to 3 months                               | 265  | 185  |
| 3 to 12 months                              | 358  | 167  |
| Over 1 year                                 | 64   | 66   |
| Total trade receivables                     | 1,388  | 955  |
| Prepayments, deposits and other receivables | 125,585  | 35,765   |
| Total trade and other receivables           | 126,973  | 36,720   |

The Group's trading terms with all customers are mainly on credit. The credit period is generally 90 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. Trade receivables with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

## 11 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis:

|                                     | At<br>30 June<br>2014<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2013<br>(Audited)<br>HK\$'000 |
|-------------------------------------|--|--|
| 1 to 3 months                       | 40   | 73   |
| 3 to 12 months                      | 77   | 656  |
| Over 1 year                         | -  | 590  |
| Total trade payables                | 117  | 1,319  |
| Other payables and accrued expenses | 9,115  | 15,637   |
| Total trade and other payables      | 9,232  | 16,956   |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 12 SHARE CAPITAL

|   | Authorized<br>Ordinary shares of HK\$0.1 each |          |
|---|---|----------|
|   | No. of shares<br>'000                         | HK\$'000 |
| As at 31 December 2013 and 30 June 2014 | 6,000,000                                     | 600,000  |

|  | (Unaudited)<br>Issued and fully paid<br>Ordinary shares of HK\$0.1 each |          |
|--|---|----------|
|  | No. of shares<br>'000   | HK\$'000 |
| As at 1 January 2013, 31 December 2013 and<br>1 January 2014 | 2,138,085   | 213,808  |
| Issue of shares ( <i>Note</i> )                              | 2,000,000   | 200,000  |
| As at 30 June 2014   | 4,138,085   | 413,808  |

*Note:* On 28 January 2014, 2,000,000,000 subscription shares at HK\$0.1 each have been duly allotted and issued to Leading Value Industrial Limited ("Subscriber"), a company wholly owned by a director, Mr. Sze Wai, Marco. Total proceeds amounted to HK\$200,000,000.

## 13 LEASE COMMITMENTS

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|  | At<br>30 June<br>2014<br>(Unaudited)<br>HK\$'000 | At<br>31 December<br>2013<br>(Audited)<br>HK\$'000 |
|--|--|--|
| Within one year                        | 8,243  | 8,492  |
| In the second to fifth years inclusive | 2,517  | 1,488  |
|  | <b>10,760</b>                                    | 9,980  |

Operating lease payments represent rentals payable by the Group for its offices and ATM deployment. Leases are negotiated for a range of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.



## **14 CONTINGENT LIABILITIES**

There were no significant contingent liabilities as at both 30 June 2014 and 31 December 2013.

## **15 RELATED PARTY TRANSACTIONS**

There were no significant related party transactions undertaken by the Group during the six months period.

## **16 EVENTS AFTER THE REPORTING PERIOD**

On 8 July 2014, an aggregate of 426,000,000 placing shares have been successfully placed by the placing agent to not less than six placees at the placing price of HK\$0.4 per placing share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing is approximately HK\$164 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the period under review, the operating environment of the ATM business remained challenging as industry competition intensified. A majority of ATM operators have slowed down their pace of deployment and some have even experienced shrinking market share. These factors have greatly affected the performance of Beautiful China Holdings Company Limited (“Beautiful China Holdings” or the “Group”). Thus, the Group has proactively searched for better opportunities for investment during the period, so as to achieve business diversification and maintain a balanced and stable source of revenue.

Last year, the Group has entered into a memorandum of understanding with a PRC company engaged in garden and landscape building business, representing a critical step to enter the eco-environment construction sector in the PRC. The Government has implemented regulations raising the environmental impact assessment criteria for enterprises. This is expected to lead to stricter enforcement on the environmental protection law, while corporate demand for environmentally-friendly sewage facilities and integrated environmental services with higher operational efficiency is expected to further increase. To pursue this opportunity, Beautiful China has engaged in proactive planning. It aims to expand its business to the ecological restoration area, including ecological engineering construction, R&D on landscaping seedling and plant nursery base construction, water ecological treatment, restoration of mines, air treatment and dedusting, in order to develop Beautiful China into an integrated eco-environmental services provider.

With a view to further expand its business and investment in eco-environment construction, Beautiful China, the Kunming Management Committee and the Kunming Development Company entered into the Kunming Cooperation Agreement in relation to the ecological development of Dian Lake Wetlands in the Kunming Dian Lake Vacation Zone on 17 June 2014. The investment amount of the first stage of the development project is approximately RMB1 billion, which covers the costs relating to ecological improvement and construction and installation of other supporting infrastructure. The comprehensive development and construction project in the Kunming Dian Lake Vacation Zone has been prioritized by the Kunming Municipal Government in its planning and future evolution. Thus the participation in the development project is expected to contribute substantially to the diversification of the Group’s business, enhance its financial performance, and ultimately boost the Group’s competitiveness in the eco-environment industry within the PRC.

Looking ahead to the second half of the year, anticipating the challenging environment in the PRC’s ATM industry, the Group will prudently advance the development of its business while stepping up efforts and focusing resources to tap the huge potential of the garden and landscape building business. It will strive to move towards the goal of expanding business in the eco-environment construction sector in the PRC, with the aim to create satisfactory returns to the shareholders.



## PROSPECTS

Affected by the uncertainties in the PRC and the global economic environment, ATM operators have postponed their network expansion. At the same time, competition in ATM operation has become more intense as banks have deployed a large number of their own ATM facilities. During the period under review, some cooperative agreements with partnering banks regarding ATM operation will soon expire and the sluggish market in the PRC has led to high operating costs and decreases in revenue. Therefore, the Group has decided to terminate the operations in the areas with continued low revenue in phases and allocate more resources to develop the landscape ecological businesses.

In recent years, the Central Government has begun to implement a new urbanization strategy focused on driving urbanization and the livelihood-related engineering projects such as eco-environment treatment. All local governments have introduced or will soon introduce their individual plans for new urbanization and incorporating eco-environment construction according to the major implementation plan. This is a major step forward to realize the goal of completing construction according to the new urbanization strategy that integrates the concept of an “ecologically livable area”. This new urbanization trend is expected to fuel investment in new ecological landscape projects in new city areas and an ecological landscape upgrade and reform projects in old city areas, offering valuable opportunities of sustainable growth for Beautiful China’s ecological garden and landscape business.

In addition, during the year, a revision of the environmental protection law has been completed. An Action Plan on Prevention and Control of Air Pollution (“Ten Measures to Improve Air Quality”) and an Action Plan on Prevention and Control of Water Pollution (“Ten Measures to Improve Water Quality”) were announced and implemented. These initiatives will facilitate the entry of the eco-environment industry and the integrated air, land and water treatment markets into a stage of explosive growth. To take advantage of the situation, Beautiful China will continue to devote more investment in the environmental protection and ecological management business, promote an innovative model of integrated eco-environment services operation and implementation, and strive to achieve business development breakthroughs in major areas such as environmentally-friendly land restoration, water treatment, and dedusting.

In the first stage of its development towards becoming an integrated environmental services operator, Beautiful China will enhance the business of eco-environmental construction and the incubation and R&D of Plant nursery through the existing ecology wetland construction project at Kunming Dian Lake West Coast and the Colorful Pastoral Complex Project in Bengbu, Wuhe County. Moreover, the Group will actively engage with the companies offering related eco-environmental services and technologies to seek cooperative opportunities so as to more efficiently develop its contracted environmental services business in the future.

Looking to the future, with the bright prospects of the ecological garden and landscape business and the Group’s ample financial resources, Beautiful China will strive for growth adhering to its clear business direction, generating great value for its shareholders.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had cash and bank balances of HK\$186.4 million (31 December 2013: HK\$103.2 million), of which none of the balances (31 December 2013: Nil) were pledged to banks for facilities granted to the Group.

The Group had no bank and other borrowings but finance lease payables of HK\$1.9 million as at 30 June 2014 (31 December 2013: HK\$2.4 million). As at 30 June 2014, the total asset value of the Group was HK\$319.5 million (31 December 2013: HK\$152.3 million) whereas the total liabilities was HK\$11.6 million (31 December 2013: HK\$19.9 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 3.6% (31 December 2013: 13.1%).

The Group maintained a net cash (being the total cash and bank balances net of finance lease liabilities) to equity ratio of 59.9% (31 December 2013: 76.1%) as at 30 June 2014. With net cash of HK\$184.5 million (31 December 2013: HK\$100.8 million) as at 30 June 2014, the Group's liquidity position is healthy and the directors of the Company ("Directors") believe that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

## CONTINGENT LIABILITIES

There were no significant contingent liabilities as at both 30 June 2014 and 31 December 2013.

## EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

## EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2014, the Group had approximately 54 (31 December 2013: 47) employees. Employees' costs (including directors' emoluments) amounted to approximately HK\$7,876,000 (six months ended 30 June 2013: HK\$8,001,000) for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

The Directors believe that experienced staff, in particular its technicians, are the most valuable assets of the Group. Training programs are provided to technicians, especially new recruits, to ensure their technical proficiency.

The Company operates a share option scheme (the "Scheme") whereby the Board may at their absolute discretion, grant options to employees and Directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme. During the period, no share options were granted to directors, executives and employees to their contribution to the Group.

# OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES



## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and Chief Executive of the Company in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

| Name                   | Name of Company | Capacity   | Number and class of securities<br><i>(note 1)</i>                 |
|------------------------|-----------------|--|---|
| Sze Wai, Marco         | The Company     | Interest of controlled corporation <i>(note 2)</i> | 2,476,909,906 ordinary shares(L)<br>43,563,829 ordinary shares(S) |
|                        | The Company     | Beneficial owner                                   | 2,500,000 ordinary shares(L)<br><i>(note 3)</i>                   |
| Chong Yiu Kan, Sherman | The Company     | Beneficial owner                                   | 2,650,000 ordinary shares(L)<br><i>(note 4)</i>                   |
| Tan Shu Jiang          | The Company     | Beneficial owner                                   | 4,000,000 ordinary shares(L)<br><i>(note 3)</i>                   |

*Notes:*

- The letter "L" represents the Director's interests in the shares and underlying shares of the Company and "S" represents the short position.
- These shares were held by Leading Value Industrial Limited and Global Prize Limited, companies wholly owned by Mr. Sze Wai, Marco.
- These shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Directors under the share option schemes of the Company.
- Included in these shares were (i) 650,000 issued shares and (ii) 2,000,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.





## OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company had any interest and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

### SHARE OPTION SCHEMES

Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company (the "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted for a period of ten years, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees, non-executive directors, any suppliers and customers of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options to be granted after 1 September 2001, the exercise price of the options will be the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the options and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other operative share option schemes of the Group may not in aggregate exceed 105,778,000, being 10% of the shares in issue of the Company as at 30 June 2006, the date of which the resolution is passed pursuant to the share option scheme. Background of the Company's share option scheme is set out in its annual report for the financial year ended 31 December 2013.

As at 30 June 2014, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share is HK\$0.4 at the balance sheet date) granted at nominal consideration of HK\$1.00 for each lot of share options granted under the share option scheme operated by the Company, each option gives the holder the right to subscribe for one share.



## SHARE OPTION SCHEMES (Continued)

The following share options were outstanding under the share option schemes during the period:

| Grantee                                    | Date granted | Exercisable period        | Number of share options           |                         |                           |                        |                           |
|--|--------------|---------------------------|-----------------------------------|-------------------------|---------------------------|------------------------|---------------------------|
|  |              |                           | Exercise price of options<br>HK\$ | Outstanding at 1.1.2014 | Exercised during the year | Lapsed during the year | Outstanding at 30.06.2014 |
| <b>New Scheme</b>                          |              |                           |                                   |                         |                           |                        |                           |
| <b>Directors</b>                           |              |                           |                                   |                         |                           |                        |                           |
| Sze Wai, Marco                             | 31 Oct 2006  | 1 May 2007 – 30 Oct 2016  | 0.250                             | 1,000,000               | –                         | –                      | 1,000,000                 |
|  | 24 Jun 2009  | 24 Dec 2009 – 23 Jun 2019 | 0.270                             | 1,500,000               | –                         | –                      | 1,500,000                 |
| Tan Shu Jiang                              | 24 Jun 2009  | 24 Dec 2009 – 23 Jun 2019 | 0.270                             | 4,000,000               | –                         | –                      | 4,000,000                 |
| <b>Number of share options</b>             |              |                           |                                   |                         |                           |                        |                           |
| Grantee                                    | Date granted | Exercisable period        | Exercise price of options<br>HK\$ | Outstanding at 1.1.2014 | Exercised during the year | Lapsed during the year | Outstanding at 30.06.2014 |
| <b>Independent non-executive directors</b> |              |                           |                                   |                         |                           |                        |                           |
| Chong Yiu Kan,                             | 31 Oct 2006  | 1 May 2007 – 30 Oct 2016  | 0.250                             | 500,000                 | –                         | –                      | 500,000                   |
|  | Sherman      | 24 Jun 2009               | 24 Dec 2009 – 23 Jun 2019         | 0.270                   | 1,500,000                 | –                      | –                         |
| Mao Zhenhua                                | 31 Oct 2006  | 1 May 2007 – 30 Oct 2016  | 0.250                             | 1,000,000               | –                         | (1,000,000)            | –                         |
|  | 24 Jun 2009  | 24 Dec 2009 – 23 Jun 2019 | 0.270                             | 1,500,000               | –                         | (1,500,000)            | –                         |
| <b>Employees</b>                           |              |                           |                                   |                         |                           |                        |                           |
|  | 20 Mar 2006  | 20 Mar 2006 – 19 Mar 2016 | 0.122                             | 2,000,000               | –                         | –                      | 2,000,000                 |
|  | 04 Oct 2006  | 4 Apr 2007 – 3 Oct 2016   | 0.213                             | 1,000,000               | –                         | –                      | 1,000,000                 |
|  | 24 Jun 2009  | 24 Dec 2009 – 23 Jun 2019 | 0.270                             | 20,700,000              | –                         | –                      | 20,700,000                |
|  |              |                           |                                   | 34,700,000              | –                         | (2,500,000)            | 32,200,000                |

As the Group granted no share options during the period, no share-based compensation costs have been recognized.



# OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

## SHARE OPTION SCHEMES *(Continued)*

The share options are exercisable for a period of ten years commencing from the date of grant and subject to the vesting provisions as follows:

| Date granted | Vesting period          | Percentage of options vested |
|--------------|-------------------------|------------------------------|
| 20.03.2006   | 20.03.2006 – 19.03.2016 | 100%                         |
| 04.10.2006   | 04.10.2006 – 03.04.2007 | Nil                          |
|              | 04.04.2007 – 03.10.2007 | 50%                          |
|              | 04.10.2007 – 03.10.2016 | 100%                         |
| 31.10.2006   | 31.10.2006 – 30.04.2007 | Nil                          |
|              | 01.05.2006 – 31.10.2007 | 50%                          |
|              | 01.11.2007 – 30.10.2016 | 100%                         |
| 24.06.2009   | 24.06.2009 – 23.12.2009 | Nil                          |
|              | 24.12.2009 – 23.06.2019 | 100%                         |

Apart from the foregoing, at no time during the period was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Company's Directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 30 June 2014, the following persons and entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name of Shareholder                                 | Number of ordinary Shares<br><i>(note 1)</i> | Capacity         | Approximate percentage of interest |
|---|--|------------------|------------------------------------|
| Leading Value Industrial Limited<br><i>(note 2)</i> | 474,869,906 (L)                              | Beneficial owner | 22.21                              |
|   | 43,563,829 (S)                               | Beneficial owner | 1.05                               |
| Global Prize Limited<br><i>(note 2)</i>             | 2,040,000 (L)                                | Beneficial owner | 0.10                               |

Notes:

- The letter "L" represents the entity's interests in the Shares and "S" represents the short position.
- Leading Value Industrial Limited and Global Prize Limited are companies wholly owned by Sze Wai, Marco, who is an executive Director.

Save as disclosed above, as at 30 June 2014, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.



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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has complied with all Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2014, except for the deviations as mentioned below:

1. The Code Provision A.2.1 stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and CEO and Mr. Sze Wai, Marco currently holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management. Also vetting the roles of both Chairman and CEO in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of business decisions and long term business strategies. The balance of power is further ensured by the following reasons:
  - Audit Committee is comprised exclusively of all independent non-executive Directors;
  - The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advices when considered necessary.

On 18 July 2014, Mr. Sze has resigned as CEO, but remains as an executive Director and Chairman of the Board due to the fact that he will devote more time to the plan of the Company's overall business direction and Mr. Zhou Wei Feng, an executive Director, has been appointed as CEO with effect of the same day. Then the Company has a separate Chairman and CEO under the Code Provision.

2. The Code Provision A.4.1 stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election. Although the Independent Non-executive Directors are not appointed for specific term, they are subject to retirement by rotation at least once every three years in accordance with Article 111(A) of the Company's Bye-Laws.
3. The Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai, Marco was unable to attend the Company's annual general meeting which was held on 27 June 2014 as he had an overseas engagement that was important to the Company's business. Although he was unable to attend, he had arranged for Mr. Tan Shu Jiang, an Executive Director and Mr. Chan Ying Kay, the Company Secretary of the Company who are well versed in all the business activities and operations of the Group, to attend on his behalf and to chair the meeting and to respond to shareholders' questions.



# OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

## CORPORATE GOVERNANCE *(Continued)*

Due to the resignation of Mr. Chan Ming Sun, Jonathan, effective from 28 February 2014 as an Independent Non-executive Director and a member of the audit committee of the Board, the Company has only two independent non-executive Directors and two audit committee members, the number of which falls below the minimum number required under rules 3.10(1) and 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") respectively until a new independent non-executive Director is appointed on 28 May 2014.

## MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, as the Code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months ended 30 June 2014.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with Appendix 14 of the Listing Rules. The audit committee is delegated by the Board to review, in draft form, the Company's annual report and financial statements, interim report, and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal controls of the Group. The audit committee has reviewed the interim results for the six months ended 30 June 2014 with the Directors.

Following from the resignation of Mr. Chan Ming Sun, Jonathan, effective from 28 February 2014 as an Independent Non-executive Director of the Company and a member of the audit committee, the number of audit committee members has fallen below the minimum number required under the Listing Rules 3.21 since 28 February 2014 until a new member is appointed on 28 May 2014.

## BOARD OF DIRECTORS

As at the date hereof, the board of directors of the Company comprises Sze Wai, Marco, Tan Shu Jiang and Zhou Wei Feng as executive Directors, Law Fei Shing as non-executive Director and Chong Yiu Kan, Sherman, Lum Pak Sum and Liu Liyang as Independent Non-executive Directors.

By order of the Board  
**Sze Wai, Marco**  
*Chairman*

Hong Kong, 28 August 2014