

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED
美麗中國控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 706)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors of Beautiful China Holdings Company Limited (the “Company”) are pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

| | <i>Note</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Turnover | 3 | 6,013 | 9,561 |
| Other income and gains | 4 | 3,920 | 2,274 |
| Administrative expenses | | (58,153) | (51,551) |
| Other operating expenses | | (1,927) | (2,473) |
| Loss from operations | | (50,147) | (42,189) |
| Finance costs | 5 | (113) | (170) |
| Impairment losses on intangible assets | 11 | (1,123) | (1,344) |
| Impairment losses on property, plant and equipment | | (237) | (539) |
| Loss before tax | | (51,620) | (44,242) |
| Income tax credit | 6 | 503 | 616 |
| Loss for the year attributable to the owners of the Company | 7 | (51,117) | (43,626) |
| Loss per share | | | |
| Basic | 9(a) | (1.22) cents | (2.04) cents |
| Diluted | 9(b) | (1.22) cents | (2.04) cents |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss for the year attributable of the owners of the Company | (51,117) | (43,626) |
| Other comprehensive income for the year, net of tax | | |
| <i>Item that may be reclassified to profit or loss:</i> | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong | <u>(3,803)</u> | <u>4,377</u> |
| Total comprehensive income for the year attributable to the owners of the Company | <u>(54,920)</u> | <u>(39,249)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | <i>Note</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------|-------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 3,890 | 6,476 |
| Intangible assets | <i>11</i> | 2,702 | 5,884 |
| Biological assets | <i>12</i> | 2,182 | – |
| Deposits | <i>13</i> | 211,413 | – |
| | | 220,187 | 12,360 |
| Current assets | | | |
| Trade and other receivables | <i>14</i> | 16,025 | 36,720 |
| Bank and cash balances | | 217,108 | 103,213 |
| | | 233,133 | 139,933 |
| Current liabilities | | | |
| Trade and other payables | <i>15</i> | 9,902 | 16,956 |
| Finance lease payables | <i>16</i> | 991 | 934 |
| | | 10,893 | 17,890 |
| Net current assets | | 222,240 | 122,043 |
| Total assets less current liabilities | | 442,427 | 134,403 |
| Non-current liabilities | | | |
| Finance lease payables | <i>16</i> | 430 | 1,421 |
| Deferred tax liabilities | | 112 | 613 |
| | | 542 | 2,034 |
| Net assets | | 441,885 | 132,369 |
| Capital and reserves | | | |
| Share capital | | 456,408 | 213,808 |
| Reserves | | (14,523) | (81,439) |
| Total equity | | 441,885 | 132,369 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosures requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Account and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared under the historical cost convention, except for biological assets which are measured at fair value less costs to sell.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

In the current year, the Group has adopted all of the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to HKAS 32, Offsetting financial assets and financial liabilities

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. These consolidated financial statements reflect the new disclosure in note 11.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment clarifies the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group’s consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard’s basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group’s consolidated financial statements when they become effective. The Group is in the opinion of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue but not yet effective and relevant for the Company’s operation

| | |
|--------------------------------------|--|
| HKFRS 9 | Financial Instruments ¹ |
| HKFRS 15 | Revenue from Contracts with Customers ² |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ⁴ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle ⁵ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle ³ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle ⁴ |

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

(c) **New Hong Kong Companies Ordinance**

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

3. TURNOVER

The Group’s turnover is as follows:

| | 2014 <i>HK\$’000</i> | 2013 <i>HK\$’000</i> |
|--|--------------------------------|-------------------------|
| Provision of automatic teller machine (“ATM”) services | <u>6,013</u> | <u>9,561</u> |

4. OTHER INCOME AND GAINS

| | 2014 <i>HK\$’000</i> | 2013 <i>HK\$’000</i> |
|-----------------|--------------------------------|-------------------------|
| Interest income | 3,878 | 2,271 |
| Others | <u>42</u> | <u>3</u> |
| | <u>3,920</u> | <u>2,274</u> |

5. FINANCE COSTS

| | 2014 <i>HK\$’000</i> | 2013 <i>HK\$’000</i> |
|-----------------------|--------------------------------|-------------------------|
| Finance lease charges | <u>113</u> | <u>170</u> |

6. INCOME TAX CREDIT

| | 2014 <i>HK\$’000</i> | 2013 <i>HK\$’000</i> |
|---|--------------------------------|-------------------------|
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>503</u> | <u>616</u> |

No provision for profits tax in Bermuda, the British Virgin Islands or Hong Kong are required as the Group has no assessable profits arising in or derived from those jurisdictions for the years ended 31 December 2014 and 2013.

The People's Republic of China (the "PRC") Enterprise Income Tax rate for the PRC subsidiaries is 25% (2013: 25%) during the year. No provision for the PRC Enterprise Income Tax has been made in the consolidated financial statements for the years ended 31 December 2014 and 2013 as the PRC subsidiaries have either no assessable profits or sufficient tax losses brought forward to set off against assessable profits for the years.

7. LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The Group's loss for the year attributable to the owners of the Company is stated after charging the following:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Amortisation of intangible assets | 1,926 | 2,385 |
| Auditor's remuneration | 1,120 | 1,026 |
| Depreciation | 3,808 | 7,787 |
| Loss on disposals of property, plant and equipment | - | 2 |
| Net foreign exchange losses | 1,754 | 83 |
| Operating lease charges in respect of land and buildings and ATM deployment | 11,275 | 7,745 |
| Property, plant and equipment written off | 7 | 2,388 |
| Staff costs including directors' emoluments | | |
| Salaries and other benefits | 18,999 | 15,872 |
| Retirement benefits schemes contributions | 2,107 | 1,677 |
| | 21,106 | 17,549 |

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2014 and 2013.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to the owners of the Company is based on the loss for the year attributable to the owners of the Company of approximately HK\$51,117,000 (2013: HK\$43,626,000) and the weighted average number of ordinary shares of approximately 4,196,721,000 (2013: 2,138,085,000) in issue during the year.

(b) Diluted loss per share

For the years ended 31 December 2014 and 2013, diluted loss per share attributable to the owners of the Company are same as basic loss per share as the effects of all potential ordinary shares are minimal.

10. SEGMENT INFORMATION

The Group has two operating segments as follows:

- ATM
- Tree plantation

The Group's operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profit or loss represents the profit earned by each segment without allocation of corporate income and expense and central administration costs. Segment assets exclude corporate assets. Segment liabilities exclude corporate liabilities.

Information about operating segment profit or loss, assets and liabilities:

| | ATM <i>HK\$'000</i> | Tree plantation <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-------------------------------|---|---------------------------------|
| Year ended 31 December 2014 | | | |
| Revenue from external customers | <u>6,013</u> | <u>–</u> | <u>6,013</u> |
| Segment loss | <u>(9,023)</u> | <u>(8,320)</u> | <u>(17,343)</u> |
| Interest revenue | 116 | 2 | 118 |
| Depreciation and amortisation | 4,012 | 56 | 4,068 |
| Property, plant and equipment written off | 7 | – | 7 |
| Impairment losses on property, plant and equipment | 237 | – | 237 |
| Impairment losses on intangible assets | 1,123 | – | 1,123 |
| Capital expenditure | 134 | 3,516 | 3,650 |
| As at 31 December 2014 | | | |
| Segment assets | <u>151,136</u> | <u>219,933</u> | <u>371,069</u> |
| Segment liabilities | <u>178,625</u> | <u>178,790</u> | <u>357,415</u> |

| | ATM <i>HK\$'000</i> | Tree plantation <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|------------------------|---------------------------------------|--------------------------|
| Year ended 31 December 2013 | | | |
| Revenue from external customers | 9,561 | – | 9,561 |
| Segment loss | (12,876) | – | (12,876) |
| Interest revenue | 9 | – | 9 |
| Depreciation and amortisation | 8,454 | – | 8,454 |
| Property, plant and equipment written off | 2,388 | – | 2,388 |
| Impairment losses on property, plant and equipment | 539 | – | 539 |
| Impairment losses on intangible assets | 1,344 | – | 1,344 |
| Capital expenditure | 180 | – | 180 |
| As at 31 December 2013 | | | |
| Segment assets | 90,494 | – | 90,494 |
| Segment liabilities | 109,544 | – | 109,544 |

Reconciliations of segment revenue and profit or loss:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--------------------------------------|--------------------------------|-------------------------|
| Revenue | | |
| Total revenue of reportable segments | 6,013 | 9,561 |
| Profit or loss | | |
| Total loss of reportable segments | (17,343) | (12,876) |
| Unallocated corporate income | 12,985 | 9,200 |
| Unallocated corporate expenses | (46,759) | (39,950) |
| Consolidated loss for the year | (51,117) | (43,626) |

Reconciliations of segment assets and liabilities:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Assets | | |
| Total assets of reportable segments | 371,069 | 90,494 |
| Corporate assets | 157,313 | 140,632 |
| Elimination of intersegment assets | <u>(75,062)</u> | <u>(78,833)</u> |
| Consolidated total assets | <u><u>453,320</u></u> | <u><u>152,293</u></u> |
| Liabilities | | |
| Total liabilities of reportable segments | 357,415 | 109,544 |
| Corporate liabilities | 5,678 | 13,194 |
| Elimination of intersegment liabilities | <u>(351,658)</u> | <u>(102,814)</u> |
| Consolidated total liabilities | <u><u>11,435</u></u> | <u><u>19,924</u></u> |

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

| | Revenue | | Non-current assets | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
| Hong Kong | - | - | 1,915 | 3,449 |
| PRC except Hong Kong | <u>6,013</u> | <u>9,561</u> | <u>6,859</u> | <u>8,911</u> |
| Consolidated total | <u><u>6,013</u></u> | <u><u>9,561</u></u> | <u><u>8,774</u></u> | <u><u>12,360</u></u> |

Revenue from major customers:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-------------|-------------------------|-------------------------|
| ATM segment | | |
| Customer a | 3,671 | 3,903 |
| Customer b | 1,607 | 4,081 |
| Customer c | <u>448</u> | <u>1,090</u> |

11. INTANGIBLE ASSETS

| | Customer contracts <i>HK\$'000</i> |
|---|--|
| Cost: | |
| At 1 January 2013 | 55,962 |
| Exchange adjustments | <u>1,589</u> |
| At 31 December 2013 and 1 January 2014 | 57,551 |
| Exchange adjustments | <u>(1,571)</u> |
| At 31 December 2014 | <u>55,980</u> |
| Accumulated amortisation and impairment: | |
| At 1 January 2013 | 46,567 |
| Amortisation for the year | 2,385 |
| Impairment losses | 1,344 |
| Exchange adjustments | <u>1,371</u> |
| At 31 December 2013 and 1 January 2014 | 51,667 |
| Amortisation for the year | 1,926 |
| Impairment losses | 1,123 |
| Exchange adjustments | <u>(1,438)</u> |
| At 31 December 2014 | <u>53,278</u> |
| Carrying amount: | |
| At 31 December 2014 | <u><u>2,702</u></u> |
| At 31 December 2013 | <u><u>5,884</u></u> |

The Group's intangible assets represent the customer contracts and the remaining amortisation period of the customer contracts is 2 years (2013: 3 years).

The Group carried out reviews of the recoverable amount of its intangible assets in 2014 and 2013 which formed part of the ATM's cash-generating units, having regard to the market conditions and the business strategy of the Group's ATM business. These intangible assets are used in the Group's ATM segment. The reviews led to the recognition of impairment losses of approximately HK\$1,123,000 (2013: HK\$1,344,000) that have been recognised in profit or loss.

The recoverable amount of the ATM's cash-generating units has been determined on the basis of their fair value less costs of disposal which uses cash flow projections based on financial budgets approved by the directors covering a five-year period. The growth rate is based on expected inflation rate of the geographical area in which the business of the ATM's cash-generating units are operated. The cash flows beyond that five-year period have been extrapolated using a steady rate of 2.9% (2013: 2.6%) per annum which is the expected inflation rate of the PRC. Budgeted gross margin and turnover are based on past practices and expectations of the ATM market development. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the ATM's cash-generating units.

The directors estimate the recoverable amount of the customer contracts included in intangible assets as at 31 December 2014 to be approximately HK\$2,702,000 (2013: HK\$5,884,000). The fair value of the ATM's cash-generating units is within level 3 of the fair value hierarchy. The fair value has been calculated by discounting the future cash flows at the pre-tax discount rate of 16% (2013: 16%).

12. BIOLOGICAL ASSETS

The Group's biological assets are tree seedlings.

Reconciliation of carrying amount of tree seedlings:

| | Group | |
|----------------------------|---------------------|-----------------|
| | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1 January | – | – |
| Increases due to purchases | <u>2,182</u> | <u>–</u> |
| At 31 December | <u><u>2,182</u></u> | <u><u>–</u></u> |

The Group is exposed to financial risks arising from changes in tree seedlings prices. The Group does not anticipate that tree seedlings prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in tree seedlings prices. The Group reviews its outlook for tree seedlings prices regularly in considering the need for active financial risk management.

The Group is exposed to a number of risks related to its tree plantation business:

Regulatory and environmental risks

Management performs regular reviews to identify regulatory and environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the prices of trees and the management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market.

Climate and other risks

The Group's trees are exposed to the risk of damage from climatic changes, diseases, plantation fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular tree plantation health inspections and industry pest and disease surveys.

13. DEPOSITS

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Deposits for purchase of tree seedlings | <u>211,413</u> | <u>–</u> |

14. TRADE AND OTHER RECEIVABLES

| | <i>Note</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|-------------------|-------------|-------------------------|-------------------------|
| Trade receivables | (a) | 367 | 955 |
| Prepayments | | 3,654 | 953 |
| Deposits | | 10,770 | 34,758 |
| Other receivables | | <u>1,234</u> | <u>54</u> |
| | (b) | <u>16,025</u> | <u>36,720</u> |

Note:

- (a) 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 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.

The aging analysis of trade receivables, based on invoice date, is as follows:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Current | 303 | 537 |
| 1 to 3 months | – | 185 |
| 3 to 12 months | – | 167 |
| Over 1 year | 64 | 66 |
| | <u>367</u> | <u>955</u> |

As at 31 December 2014 and 2013, no impairment was made for estimated irrecoverable trade receivables.

As at 31 December 2014, trade receivables of approximately HK\$64,000 (2013: HK\$233,000) were past due but not impaired. These related to a few independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| 3 to 12 months | – | 167 |
| Over 1 year | 64 | 66 |
| | <u>64</u> | <u>233</u> |

- (b) Included in trade and other receivables are the following amounts denominated in a currency other than the presentation currency:

| | 2014 <i>'000</i> | 2013 <i>'000</i> |
|------------------|----------------------------|----------------------------|
| Renminbi (“RMB”) | <u>5,698</u> | <u>12,775</u> |

15. TRADE AND OTHER PAYABLES

| | <i>Note</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|------------------|-------------|--------------------------------|--------------------------------|
| Trade payables | (a) | 24 | 1,319 |
| Accrued expenses | | 9,307 | 15,038 |
| Other payables | | 571 | 599 |
| | | <u>9,902</u> | <u>16,956</u> |

Note:

(a) The aging analysis of trade payables, based on the period of services rendered, is as follows:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|----------------|--------------------------------|--------------------------------|
| 1 to 3 months | 24 | 73 |
| 3 to 12 months | – | 656 |
| Over 1 year | – | 590 |
| | <u>24</u> | <u>1,319</u> |

The Group's trade payables as at 31 December 2014 and 2013 are denominated in RMB.

16. FINANCE LEASE PAYABLES

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|--------------------------------|-------------------------|--|-------------------------|
| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
| Within one year | 1,046 | 1,046 | 991 | 934 |
| In the second to fifth years, inclusive | 436 | 1,482 | 430 | 1,421 |
| | <u>1,482</u> | 2,528 | <u>1,421</u> | 2,355 |
| Less: Future finance charges | (61) | (173) | N/A | N/A |
| Present value of lease obligations | <u>1,421</u> | <u>2,355</u> | <u>1,421</u> | 2,355 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | <u>(991)</u> | <u>(934)</u> |
| Amount due for settlement after 12 months | | | <u>430</u> | <u>1,421</u> |

It is the Group's policy to lease its motor vehicles under finance leases. The lease term is 5 years. As at 31 December 2014, the effective borrowing rate was 6.26% (2013: 6.26%). Interest rate is fixed at the contract date and thus exposes the Group to fair value interest rate risk. The lease is on fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of lease term, the Group has the option to purchase the motor vehicles at nominal prices.

The finance lease payables are denominated in Hong Kong dollars.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Landscape Ecological Business

Since the entering into a memorandum of understanding by the Group and Wuxi Municipal Virescence Construction Company Limited through its wholly-owned subsidiary on 4 February 2013, the development of gardening and landscape business is in full swing and the Group has been gradually shifting its business focus to improve revenue structure while taking the initiative to expand businesses guided by the concept of the "Building a Beautiful Country" raised by the Central Government.

During the period under review, the PRC's ecological landscape business embraced a number of favorable conditions. With the frequent launch of policies related to, landscape companies that mainly engage in government-related green projects are expected to operate under a sustainable commercial model. The Central Economic Work Conference convened in December also pointed out in the "New Normal" Policy that the environment has already reached or is approaching saturation of its maximum industrial waste capacity, and included solving environmental and resources problems into the list of the PRC's strategic development priorities, which highlights the demand for deepening the ecological reform of landscape operation.

In response to the market trends and domestic development needs, the Group established "Anhui Beautiful Wuhe Ecological Technologies Development Company Limited" in April 2014 with a registered capital of RMB180 million. The Group has completed the first phase of the turnover of the project's contractual operation rights of a land parcel with a site area of about 7,000 mu during the year. The offices and stationed management base have also commenced offering services. As at December 2014, the Group has completed part of the land consolidation work and has transplanted 20,000 selected North American maple seedlings at its Wuhe base.

ATM Business

During the period under review, affected by the uncertainties in the PRC and the global economic environment, the ATM business has not shown notable improvement. Major ATM operators have decelerated their network expansion, scaled down their ATM deployment and market share. At the same time, competition in ATM operations has become more intense as banks have deployed a large number of their own ATM facilities. To tackle these challenges, the Group has further adjusted the business scale and strategy of its ATM business in order to enhance operational efficiency.

During the year, the Group has reinforced its competitive edge by focusing on the maintenance of devices with high transaction volume, while improving operation of these machines so as to ensure the project income. Meanwhile, the Group is actively negotiating with banks for the permission to shift its ATM network from high rent locations with low transaction volume to those with lower rents and higher transaction volume. In addition, some cooperative agreements with partnering banks regarding ATM operations have expired or will soon expire. This, together with the impact of the intense competition among peers resulting in a drop in revenue, has forced the Group to strategically terminate the ATM cooperation business in Northeastern China, Shandong, Eastern and Central China and selectively maintain the ATM maintenance business in Southern China and Southwestern China.

Prospects

In view of the challenging business environment in the PRC's ATM market, the Group has strategically reduced the scale of its ATM business. We will then focus resources on the eco-environment construction industry and attempt to capture potentially lucrative opportunities available in that industry.

The Group plans to complete the land consolidation and preparation work before commencement of operation of the project areas of its Wuhe base in 2015. The work includes construction of an intelligent greenhouse, an ordinary greenhouse, a nursery and laboratory and related ancillary facilities of the landscaping seedling base, as well as plantation of about 200,000 North American maple seedlings which can grow in the climate. The Group also aims to complete the construction of the ancillary facilities and equipment deployment at the base, cultivate engrafted landscaping seedlings, have processes in place for the prevention of diseases and pests and protection of landscaping seedlings by December 2015. The Group plans to plant about 1 million North American maple seedlings according to its landscaping seedling plantation plan.

With the ongoing economic development of China, coupled with increasing urbanisation, the ecological environment construction industry in the PRC is facing the prospects of an unprecedented huge demand. During the period under review, the Central Government has also issued guideline documents and related policies on facilitating the development of urban landscaping, which has helped stimulate the growth of the ecological landscape industry. In 2015, the Group will seek to realized a mature cooperative approach with governmental organisations while embarking on the expansion of the urban landscaping business. Looking ahead, the Group will develop the

ecological management business, expand its water treatment, land restoration, solid waste treatment and environmental operation businesses while developing its landscape building business. Our commitment is to become a leading eco-environment operator in China with an all-round business structure comprising planning and design, investment and construction and operation services.

Resting on Beautiful China Holdings' strong financial position and long-term business plans, the management will endeavor to expand the gardening and ecological landscape building business, with the ultimate goal of laying a concrete foundation for long-term growth. We will also explore more investment opportunities aimed at delivering more promising returns to our shareholders.

Liquidity and Financial Resources

As at 31 December 2014, the Group had cash and bank balances of HK\$217.1 million (2013: HK\$103.2 million). The Group had no bank and other borrowings but finance lease liabilities of HK\$1.4 million as at 31 December 2014 (2013: HK\$2.4 million). As at 31 December 2014, the total assets value of the Group was HK\$453.3 million (2013: HK\$152.3 million) whereas the total liabilities was HK\$11.4 million (2013: HK\$19.9 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 2.5% (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 48.8% (2013: net cash to equity ratio of 76.1%) as at 31 December 2014. With net cash of HK\$215.7 million (2013: net cash of HK\$100.8 million) as at 31 December 2014, the Directors of the Group believe that the Company has sufficient financial resources to satisfy its commitments and working capital requirements.

Exchange Risk

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in RMB, Hong Kong dollars or United States dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

Employees, Training and Remuneration Policies

As at 31 December 2014, the Group had approximately 62 (2013: 47) employees of which approximately 18 (2013: 9) were technicians and engineers. Employees' costs (including directors' emoluments) amounted to approximately HK\$21.1 million (2013: HK\$17.5 million) for the year. 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 programme is 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 year, no share options were granted to directors, executives and employees to their contribution to the Group.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board intends to put forward a proposal to the shareholders of the Company to increase the authorised share capital of the Company from HK\$600,000,000 to HK\$1,200,000,000 divided into 12,000,000,000 shares of HK\$0.1 each (“**Shares**”) by the creation of an additional 6,000,000,000 Shares (“**Capital Increase**”). The additional ordinary Shares shall rank pari passu in all respects with the existing ordinary Shares.

As at the date of this announcement, the authorised share capital of the Company is HK\$600,000,000 divided into 6,000,000,000 Shares, of which 4,564,084,922 Shares have been allotted and issued as fully paid or credited as fully paid. Only 1,435,915,078 Shares are left unissued and available for further allotment and issue by the Company.

In order to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future, as and when necessary, the Directors will put forward the proposal for the Capital Increase at the forthcoming annual general meeting of the Company (“**AGM**”). The Directors consider that the Capital Increase is in the interests of the Company and the shareholders of the Company as a whole.

The Directors currently have no plans to issue any part of the increased authorised share capital.

The Capital Increase is subject to the approval by the shareholders of the Company by way of ordinary resolution at the AGM. A circular containing details of the Capital Increase and a notice convening the AGM for approving the Capital Increase will be sent to the shareholders of the Company as soon as practicable.

CORPORATE GOVERNANCE PRACTICES

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 applied the principles and complied with the Code Provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited during the year ended 31 December 2014, except for the following deviations:

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 holds both positions during the year. 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.

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, Mr. Liu Liyang, is appointed on 28 May 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 audited consolidated annual results for the year ended 31 December 2014.

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 Independent Non-executive Director, Mr. Liu Liyang, is appointed on 28 May 2014.

MODEL CODE FOR 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 year ended 31 December 2014.

By order of the board
Beautiful China Holdings Company Limited
Sze Wai, Marco
Chairman

Hong Kong, 31 March 2015

As at the date of announcement, the Board of Directors of the Company comprises Sze Wai, Marco, Tan Shu Jiang, Zhou Wei Feng and Pan Tingxuan 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.