



美丽中国
BEAUTIFUL CHINA



Annual Report
2014

BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Sze Wai, Marco (*Chairman*)
Mr. Zhou Wei Feng (*Chief Executive Officer*)
Mr. Tan Shu Jiang
Mr. Pan Tingxuan

Non-executive Director

Mr. Law Fei Shing

Independent Non-executive Directors

Mr. Chong Yiu Kan, Sherman
Mr. Lum Pak Sum
Mr. Liu Liyang

COMPANY SECRETARY

Mr. Chan Ying Kay, *FCCA*

QUALIFIED ACCOUNTANT

Mr. Chan Ying Kay, *FCCA*

LEGAL ADVISERS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre,
Lee Gardens Two,
28 Yun Ping Road,
Hong Kong

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited
www.sprg.com.hk

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Citic Bank International Limited
Bank of Communications

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2003 and 2005, 20th Floor
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House, 2 Church Street
PO Box HM 1022
Hamilton HM DX, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.beautifulchina.com.hk

BUSINESS STRUCTURE

The following chart shows the principal subsidiaries of Beautiful China Holdings Company Limited which are engaged in automatic teller machine ("ATM") business and Eco-environment Construction business as at 31 December 2014:





CHAIRMAN'S STATEMENT

To Our Shareholders

During the year, we have continued to shift our business focus to the eco-environment construction sector in the PRC while also increasing our investment in the ecological landscape business to capture its rapid growth. In view of the increasingly intense market competition and shrinking profits in the ATM market, we have further adjusted the Group's existing ATM business, aiming to build an investment portfolio which is more conducive to the Group's development.

As early as February 2013 the Group entered into a memorandum of understanding with a garden and landscape building business company in the Mainland, making the fullest efforts to develop the ecological environment construction business in China. Adhering to the green concept of "Building a Beautiful Country," we have attached great importance to the development of this business, and have actively advanced our process in managing projects within this business. During the year, policies related to Public-Private Partnership (PPP) model were frequently rolled out by the Government. These policies underscore the importance of incorporating ecologically-friendly civilization that respects, harmonise with and protect the nature into social construction. All of these are favorable factors boosting domestic ecological landscape sector. The Group will seize the unprecedented opportunity in the ecological environment construction industry and strive to achieve win-win results.

Meanwhile, the Group is continuing to prudently develop its ATM operations in the PRC. During the year under review, the operating environment of the ATM market remained challenging due to a number of factors including the shadow cast by unstable economic development both in the PRC and the whole world as well as intensified market competition reinforced by the trend of greater self-deployment of more ATM facilities by banks. Therefore, a number of the ATM operators have decelerated their network expansion. After thoroughly evaluating the business environment, the Group has adopted a carefully conceived strategy of optimally selecting ATM locations and has launched effective cost control measures, in a bid to lower the operating costs for its ATM business.

Looking ahead, the development of the ecological environment construction industry in the PRC is set to become a major industry and economic trend. The management believes that the expansion into the garden and landscape building business can broaden the Group's revenue base and deliver more promising returns to shareholders. Relying on our strong financial position and guided by our long-term business plan, we are committed to achieving growth and progress towards a better future.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to all of our clients, banks, investors and business partners for their continuous support and trust over the years. I would also like to thank the management team and staff for their dedicated commitment and contributions to the Group's business over the past year.

Sze Wai, Marco

Chairman

Hong Kong, 31 March 2015

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sze Wai, Marco, aged 49, is the Chairman and the Chief Executive Officer of the Company. He joined the Group in February 2001. Mr. Sze has over 23 years of experience in investing in Hong Kong and China. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading. He is responsible for formulating the Group's business strategies.

Mr. Mao Zhenhua, aged 51, graduated from Wuhan University with a Doctorate Degree in Economics. Mr. Mao is currently the Board Chairman and Chief Economist of China Chengxin Credit Management Co., Ltd.. He has extensive experience in investment banking and the management of listed companies in Hong Kong. Mr. Mao had carried out economic analysis and policies research for Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council. Mr. Mao was redesignated from an Independent Non-executive Director to an Executive Director and a member of the Executive Committee of the Company; and ceased to be a member of the Audit Committee and the Chairman of the Nomination Committee of the Company with effect from 25 March 2013. He joined the Group in February 2001 and left the group on 28 February 2014.

Mr. Shentu Jun, aged 51, is currently a managing director of China Chengxin Financial Consultancy Co., Ltd.. He completed a bachelor degree in Economics at Renmin University of China, majoring in production distribution, in 1985 and obtained an Executive Master of Business Administration at China Europe International Business School ("CEIBS") in 2001. Mr. Shentu has been engaging in investment business for 20 years, with experience in various IPOs, restructuring for listing, corporate bond issuance, merger and acquisition of listed issuers in the PRC stock markets. Mr. Shentu is also currently the director of CEIBS Finance Club and the vice president of CEIBS Environmental Alumni Association. Mr. Shentu had been appointed as an Executive Director and a member of the Executive Committee of the Company with effect from 25 March 2013 and left the group on 30 January 2014.

Mr. Tan Shu Jiang, aged 46, holds a Bachelor Degree of German Language from Shanghai International Studies University. Mr. Tan has over 18 years of experience in the sales and marketing, technical and general management in the information technology businesses. He was a director of Barwinstart Cultural Communication Co., Limited which is principally engaged in the operation of internet business in the PRC. He joined the Group in January 2007.

Mr. Zhou Wei Feng, aged 45, obtained a bachelor's degree in economics from The Peking University in 1991 and a master's degree in business administration from The University of Fordham in 2003 by way of distanced learning. He was the vice general manager of Shi Jia Zhuang Yin Real Estate Company* (石家莊銀房地產公司) and Qingdao Yin Du Real Estate Company* (青島銀都房地產公司), and the general manager of Qingdao Yin Du Property Management Company* (青島銀都物業管理公司) respectively between 1991 and 1997. Between 1997 and 1999, he was the general manager of Qingdao Wei Xin Home Company Limited* (青島偉信置業有限公司). Between 1999 and 2005, he was the vice general manager of Beijing Sheng Shi Zhao Ye Real Estate Development Company Limited* (北京盛世兆業房地產開發有限公司). From 2005 to 2009, he was the president of AXA Investment Group Company Limited. Since 2009, he has been the vice president of the Company. Mr. Zhou has been appointed as an Executive Director on 11 April 2014 and has also been appointed as a Chief Executive Officer on 18 July 2014.

Mr. Pan Tinguxan, aged 41, obtained a diploma of computer science and application from Hohai University in Nanjing, the PRC, in 1992. Mr. Pan has over 7 years of experience in project management and strategic planning in investment and asset management. He was appointed as an executive president of Beijing Ju Zhen Investment Management Company Limited between December 2005 and November 2014. Since April 2012, Mr. Pan has been a non-executive director of CECEP COSTIN New Materials Group Limited (stock code: 2228), a company listed on the Main Board of the Stock Exchange. Mr. Pan has been appointed as an Executive Director with effect from 2 January 2015.

NON-EXECUTIVE DIRECTOR

Mr. Law Fei Shing, aged 55, is a member of American Institute of Certified Public Accountants (AICPA), USA and an associate member of Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Law has over 24 years of experience in the audit and accounting services.

Currently, Mr. Law is an Executive Director and the Company Secretary of Anxian Yuan China Holdings Limited (stock code: 922) and an executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) and Pak Tak International Limited (stock code: 2668), those shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). He is also a Company Secretary of Orient Securities International Holdings Limited (stock code: 8001), the shares of which are listed the GEM Board of the Stock Exchange.

Mr. Law was an Executive Director (from August 2004 to December 2011), the Company Secretary (from August 2004 to May 2011) and the Chief Executive Officer (from November 2007 to December 2011) of Energy International Investments Holdings Limited (stock code: 353), the shares of which are listed on the Main Board of the Stock Exchange. He was also an executive director (from January 2009 to May 2013) and the Company Secretary (from January 2009 to January 2013) of Bestway International Holdings Limited (stock code: 718), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Law resigned as Company Secretary and re-designated from executive director to non-executive director of Pak Tak International Limited (stock code: 2668) on 16 December 2014. Mr. Law has been appointed as a Non-executive Director and a member of Nomination Committee of the Company with effect from 30 January 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ming Sun, Jonathan, aged 42, graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Computer Information Systems. Mr. Chan is both member of the Hong Kong Institute of Certified Public Accountants and Certified Practising Accountants, Australia. He has extensive working experience in accounting, investment and corporate finance. Mr. Chan worked in an international accounting firm for about five years and currently, he is an associate director of Go-To-Asia Investment Limited.

Mr. Chan is also an independent non-executive director of Xiang Yu Dredging Holdings Limited (Stock code: 871), Hao Tin Resources Group Limited (Stock code: 474), whose securities are listed on the main board of The Stock Exchange of Hong Kong Limited (The “**Stock Exchange**”), and of the China Data Broadcasting Holdings Limited (Stock code: 8016), whose securities are listed on the growth enterprise market of the Stock Exchange. He was also an independent non-executive director of Capital VC Limited (Stock code: 2324), a company whose securities are listed on the main board of The Stock Exchange, between August 2004 and April 2012. Mr. Chan had been appointed as an Independent Non-executive Director, a member of the Audit Committee and Nomination Committee and the Chairman of the Remuneration Committee of the Company with effect from 25 March 2013 and left the group on 28 February 2014.

Mr. Lai Yip Wing, aged 61, an Associate member of The Chartered Institute of Bankers, holds a master degree in History from the Chinese University of Hong Kong. He is renowned as an experienced banker in the Asia-Pacific capital market. Mr. Lai was previously a managing director of Calyon, an executive director of Manufacturers Hanover Asia and head of Hong Kong Bond Business of BNP Paribas. He is also the co-founder of Oakreed Financial Services Limited. Mr. Lai had been appointed as an Independent Non-executive Director, a member of the Audit Committee and Remuneration Committee and the Chairman of the Nomination Committee of the Company with effect from 25 March 2013 and left the group on 30 January 2014.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chong Yiu Kan, Sherman, aged 51, is an Independent Non-executive Director. He joined the Group in September 2004. Mr. Chong obtained a Master Degree in Business Administration from the University of Hong Kong. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. Mr. Chong is currently an independent non-executive director of China Solar Energy Holdings Limited (Stock code: 155), whose securities are listed on the main board of The Stock Exchange of Hong Kong Limited since 21 October 2014 and an independent non-executive director of Zhi Cheng Holdings Limited (Stock Code: 8130) listed in the GEM Board of the Stock Exchange of Hong Kong Limited since 1 December 2011. He has over 27 years of working experience in auditing, accounting, taxation and management consultancy. He is the sole proprietor of Sherman Chong & Co. (CPA).

Mr. Lum Pak Sum, aged 53, obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002 by way of distanced learning. He has been currently a non-practicing fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. U.K. since 1996 and 1993 respectively.

Mr. Lum has been a non-executive director of Orient Securities International Holdings Limited (stock code: 8001), listed on the GEM Board of the Stock Exchange, since April 2011. He has also been an independent non-executive director of Energy International Investments Holdings Limited (stock code: 353), Bestway International Holdings Limited (stock code: 718) and Radford Capital Investments Limited (stock code: 901), Karce International Holdings Company Limited (stock code: 1159), Pak Tak International Limited (stock code: 2668) and Asia Resources Holdings Limited (stock code: 899), listed on the Main Board of the Stock Exchange, for the period from September 2005 to July 2011, from March 2010 to May 2013, from May 2010 to November 2013, from April 2009 to November 2014, from June 2014 to November 2014, from November 2010 to January 2015, respectively. Since August 2007 and December 2014, Mr. Lum has been an independent non-executive director of Great China Properties Holdings Limited (formerly known as Waytung Global Group Limited) (stock code: 21), and Shinhint Acoustic Link Holdings Limited (stock code: 2728) listed on the Main Board of the Stock Exchange, respectively. He has also been an independent director of Asia Green Agriculture Corporation, a company trading on the Over-the-Counter Bulletin Board in the United States of America, since September 2011 and privatized in November 2014. Mr. Lum has been appointed as an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee and the Chairman of the Nomination Committee of the Company with effect from 30 January 2014.

Mr. Liu Liyang, aged 54, holds an MBA degree from Columbia University. He has been appointed as an executive director, deputy chairman of the board and chief executive officer, and a member of the remuneration committee of Eforce Holdings limited (stock code: 943) ("Eforce"), listed on the Main Board of the Stock Exchange, since August 2010. Mr Liu was further appointed as a member of the nomination committee of Eforce in March 2012. He has 16 years of experience in the investment banking industry. Before joining Eforce, Mr. Liu was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc.. Mr. Liu has been appointed as an Independent Non-executive Director, a member of Audit Committee and Nomination Committee and the Chairman of the Remuneration Committee of the Company with effect from 28 May 2014.

SENIOR MANAGEMENT

Mr. Chan Ying Kay, aged 51, Company Secretary and Qualified Accountant of the Company. Mr. Chan is also the Chief Financial Officer of the Company. Mr. Chan is responsible for the financial management, corporate finance and company secretarial matters of the Group. Mr. Chan joined the Group in April 2003 and has over 26 years of experience in accounting and finance. Mr. Chan is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

The Directors hereby present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 34 to the consolidated financial statements.

The analysis of the segment information is set out in note 15 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 and the state of the Group's affairs as at that date are set out in the consolidated financial statements on pages 40 to 95.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 96.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	60	Nil
Five largest customers in aggregate	100	Nil
The largest supplier	Nil	Nil
Five largest suppliers in aggregate	Nil	Nil

None of the Directors, their associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.



REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2014 are set out in note 17 to the consolidated financial statements.

OTHER BORROWINGS

Particulars of other borrowings of the Group as at 31 December 2014 are set out in note 24 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company has no reserve available for cash distribution (2013: Nil) as computed in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account of approximately HK\$610,917,000 as at 31 December 2014 may be distributed in the form of fully paid bonus shares.

EMOLUMENT POLICY

A remuneration committee has been set up for reviewing the Group's emolument policy and structure for all remuneration of directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Executive Directors

Mr. Sze Wai, Marco, *Chairman* (resigned as Chief Executive Officer on 18 July 2014)

Mr. Tan Shu Jiang

Mr. Shentu Jun (appointed on 25 March 2013 and resigned on 30 January 2014)

Mr. Mao Zhenhua (resigned on 28 February 2014)

Mr. Zhou Wei Feng (appointed as Executive Director on 11 April 2014 and as Chief Executive Officer on 18 July 2014)

Mr. Pan Tingxuan (appointed on 2 January 2015)

Non-executive Director

Mr. Law Fei Shing (appointed on 30 January 2014)

Independent Non-executive Directors

Mr. Chong Yiu Kan, Sherman

Mr. Lum Pak Sum (appointed on 30 January 2014)

Mr. Chan Ming Sun Jonathan (appointed on 25 March 2013 and resigned on 28 February 2014)

Mr. Lai Yip Wing (appointed on 25 March 2013 and resigned on 30 January 2014)

Mr. Liu Liyang (appointed on 28 May 2014)

Non-executive Director and Independent Non-executive Directors are not appointed for a specific term. All the Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

In accordance with Bye-law 111(A), Mr. Sze Wai, Marco and Mr. Tan Shu Jiang will retire by rotation at the forthcoming annual general meeting. Further, pursuant to Bye-law 115 of the Bye-laws, the office of Mr. Pan Tingxuan will end at the annual general meeting. Mr. Pan Tingxuan will be eligible, offer himself for re-election at the annual general meeting.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board still considers each of the Independent Non-executive Directors to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Brief biographical details of directors and senior management are set out on pages 8 to 10 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.



REPORT OF THE DIRECTORS

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

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the share 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 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 provision 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 Companies contained in the 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 (note 1)
Sze Wai, Marco	The Company	Interest of controlled corporation (note 2)	2,427,809,906 ordinary shares (L) 43,563,829 ordinary shares (S)
	The Company	Beneficial owner	2,500,000 ordinary shares (L) (note 3)
Chong Yiu Kan, Sherman	The Company	Beneficial owner	2,650,000 ordinary shares (L) (note 4)
Tan Shu Jiang	The Company	Beneficial owner	4,000,000 ordinary shares (L) (note 3)

Notes:

- The letter "L" represents a long position in the Director's interests in the Shares and underlying shares of the Company and "S" represents a short position in the Director's interests in the Shares and underlying shares of the Company.
- These shares were held by Leading Value Industrial Limited and Global Prize Limited, companies wholly owned by Sze Wai, Marco.
- These shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director 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.

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

Save as disclosed above, as at 31 December 2014, none of the Directors and the 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 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 which he was 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 Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 May 2002, a share option scheme of the Company (the "**Old Scheme**") was adopted by the Company. The Old Scheme had remained in force for 10 years from that date and expired on 22 May 2012. No further share options can be granted under the Old Scheme.

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 13 June 2014, a new share option scheme of the Company (the "**New Scheme**") was adopted by the Company. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include directors, employees of the Company or any of its subsidiaries and any officers or consultants who will provide or have provided services to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company may not exceed 30% of the relevant class of shares in issue from time to time. No options may be granted under the New Scheme or any other share option scheme of the Company if it will result in this limit being exceeded. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each selected eligible participant in any 12-month period and up to the date of grant shall not exceed 1% of the shares of the Company in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the New Scheme must be approved by the independent non-executive directors of the Company (excluding an independent non-executive director who is the proposed grantee of the Company). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing an aggregate value of over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of each grant, in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.



REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The period within which the options must be exercised will be determined by the board of directors of the Company at its absolute discretion. This period will expire no later than 10 years from the date on which the New Scheme is conditionally adopted by an ordinary resolution of the shareholders. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer and a non-refundable nominal consideration of HK\$1 is payable upon acceptance of an option.

The subscription price for the shares of the Company under the New Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company as shown in the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant.

The unexercised outstanding share options under the Old Scheme as at 31 December 2014 are as follows:

Grantee	Date granted	Exercisable period	Number of share options					
			Exercise price of options HK\$	Outstanding at 1.1.2014	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014	
Directors								
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)	–	
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	

SHARE OPTION SCHEME (Continued)

Grantee	Date granted	Exercisable period	Number of share options				
			Exercise price of options HK\$	Outstanding at 1.1.2014	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014
Independent non-executive directors							
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	–	–	1,500,000
Employees							
	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



REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

The share options under the Old Scheme are exercisable for a period of ten years commencing from the date of grant and subject to the vesting provisions are 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
	01.05.2007 – 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%

There was no share options exercised under the New and Old Schemes during the year (2013: Nil). The options outstanding under the Old Scheme at the end of the year have a weighted average remaining contractual life of 4.07 years (2013: 6.02 years) and the exercise prices range from HK\$0.122 to HK\$0.270 (2013: HK\$0.122 to HK\$0.270).

There was no share-based compensation costs recognised during the year (2013: Nil).

Apart from the foregoing, at no time during the year 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 31 December 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 <i>(Note 1)</i>	Capacity	Approximate percentage of interest
Leading Value Industrial Limited <i>(Note 2)</i>	2,425,769,906 (L) 43,563,829 (S)	Beneficial owner Beneficial owner	53.15 0.95
Global Prize Limited <i>(Note 2)</i>	2,040,000 (L)	Beneficial owner	0.04
Central Huijin Investment Ltd. <i>(Note 3)</i>	43,284,574 (L) 2,110,500,000 (L)	Interest in controlled corporation Having a security interest in shares	0.94 46.24
China Construction Bank Corporation <i>(Note 3)</i>	43,284,574 (L) 2,110,500,000 (L)	Interest in controlled corporation Having a security interest in shares	0.94 46.24
CCB International Group Holdings Limited <i>(Note 3)</i>	43,284,574 (L) 2,110,500,000 (L)	Interest in controlled corporation Having a security interest in shares	0.94 46.24
CCB Financial Holdings Limited <i>(Note 3)</i>	43,284,574 (L) 2,110,500,000 (L)	Interest in controlled corporation Having a security interest in shares	0.94 46.24
CCB International (Holdings) Limited <i>(Note 3)</i>	43,284,574 (L) 2,110,500,000 (L)	Interest in controlled corporation Having a security interest in shares	0.94 46.24
CCBI Investments Limited <i>(Note 3)</i>	43,284,574 (L) 2,110,500,000 (L)	Interest in controlled corporation Having a security interest in shares	0.94 46.24
Chance Talent Management Limited	43,284,574 (L) 2,110,500,000 (L)	Beneficial owner Having a security interest in shares	0.94 46.24



REPORT OF THE DIRECTORS

Notes:

1. The letter “L” represents a long position in the entity’s interests in the Shares and “S” represents a short position in entity’s interests in the Shares.
2. Leading Value Industrial Limited and Global Prize Limited are companies wholly owned by Sze Wai, Marco, who is an executive Director.
3. China Construction Bank Corporation is owned by Central Huijin Investment Ltd. as to approximately 57.26%. CCB International Group Holdings Limited is wholly owned by China Construction Bank Corporation. CCB Financial Holdings Limited is wholly owned by CCB International Group Holdings Limited. CCB International (Holdings) Limited is wholly owned by CCB Financial Holdings Limited. CCBI Investments Limited is wholly owned by CCB International (Holdings) Limited. Chance Talent Management Limited is wholly owned by CCBI Investments Limited. Each of Central Huijin Investment Ltd., China Construction Bank Corporation, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited is deemed to be interested in the 2,153,784,574 Shares which Chance Talent Management Limited is interested in.

Save as disclosed above, as at 31 December 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.

DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the section headed “Share Option Schemes” above, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 report, 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.

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RETIREMENT SCHEME

The Company and its Hong Kong subsidiaries operate Mandatory Provident Fund Schemes (the “MPF schemes”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employers and employees are each required to make contributions to the MPF schemes at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000 with effect from 1 June 2014 (before 1 June 2014: HK\$25,000). Contributions to the MPF schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the profit or loss amounted to HK\$129,000 (2013: HK\$184,000) during the year.

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 25% to 46% (2013: 25% to 45%) of the standard wages determined by the relevant authorities in the PRC.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.



REPORT OF THE DIRECTORS

The aggregate employers' contributions by the Group under the PRC pension schemes amounted to HK\$1,979,000 (2013: HK\$1,493,000) during the year.

The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its holding company or its subsidiaries was a party, subsisted at the end of the year or at any time during the year in which a director of the Company had a material interest.

CONNECTED TRANSACTIONS

During the year, there were no transactions which are required to be disclosed in accordance with announcement and reporting requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this report.

AUDITOR

The consolidated financial statements have been audited by RSM Nelson Wheeler, who will retire and a resolution for their reappointment as the auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Beautiful China Holdings Company Limited

Sze Wai, Marco

Chairman

Hong Kong, 31 March 2015

CORPORATE GOVERNANCE REPORT



The board (the “Board”) of directors (the “Directors”) of the Company is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance practices to be essential to the promotion of shareholder value and investor confidence.

The Board has adopted all the code provisions (the “Code Provisions”) as 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 (the “Listing Rules”) as the code of the Company (the “Company Code”). The Board consistently monitors and reviews the Company’s corporate governance practices to ensure compliance.

During the year ended 31 December 2014, the Company has complied with all the Code Provisions with certain deviations mentioned below. The Company has committed to maintain high corporate governance standards. The Company devotes considerable efforts to identifying and formalizing the best corporate governance practices suitable to the Company’s needs. In addition, the Company reviews regularly its organizational structure to ensure operations are corresponding with good corporate governance practices as set out in the Code Provisions.

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 Company, the Company has only two Independent Non-executive Directors and two audit committee members, the number which falls below the minimum number required under rule 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.

The key corporate governance principles and practices of the Company are summarized as follows:



CORPORATE GOVERNANCE REPORT

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has also established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserves for its decisions all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors are committed to carry out their duties in good faith and in compliance with the applicable laws and regulations and in the best interests of the Company and its shareholders at all times.

The Board delegates day-to-day management, administration and operations of the Company to Executive Directors and senior management under the leadership of the Chief Executive Officer while reserving certain major matters for its approval. These major matters include, but are not limited to strategic policies, funding and capital investment decisions. The Board delegates certain functions and matters as set out in the terms of reference of the Board committees.

All Directors have full and timely access to all the relevant information as well as advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. All Directors of the Company take decisions objectively in the interests of the Company.

THE BOARD *(Continued)*

Board Composition

The Board comprises seven members, consisting of three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules.

The Board of the Company comprises the following Directors:

Executive Directors

Mr. Sze Wai, Marco
Mr. Tan Shu Jiang
Mr. Zhou Wei Feng

Non-executive Director

Mr. Law Fei Shing

Independent Non-executive Directors

Mr. Chong Yiu Kan, Sherman
Mr. Lum Pak Sum
Mr. Liu Liyang

The list of Directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules and is available on the websites of the Company and the Stock Exchange.

The biographical information of the Directors, and the relationships amongst them, if any, are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 8 to 10 of this annual report.

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the composition and number of Independent Non-executive Directors in the Board by appointing at least three Independent Non-executive Directors except for the period from 28 February 2014 to 28 May 2014 due to the resignation of Mr. Chan Ming Sun, Jonathan as an Independent Non-executive Director. A new Independent Non-executive Director, Mr. Liu Liyang, is appointed on 28 May 2014. The Company has at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise at all times. The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Board, on the recommendation of the Nomination Committee, considers all Independent Non-executive Directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent Non-executive Directors have been appointed to serve on the Audit Committee, Remuneration Committee and Nomination Committee of the Company.



CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Appointment, Re-election and Succession Planning of Directors

The Company adopted the procedures for shareholders of the Company (the “Shareholders”) to propose a person for election as a Director. These procedures are available and accessible on the Company’s website at <http://www.beautifulchina.com.hk>.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company’s Bye-Laws. The Board established a Nomination Committee to review the structure, size and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board’s approval.

The Nomination Committee ensures that the Board comprises members with a diverse range of skills, knowledge, experience and the diversity necessary to oversee the Group’s business development, strategies, operations, challenges and opportunities. The Nomination Committee takes into account of that person’s skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board. Mr. Chong Yiu Kan, Sherman has served the Company as Independent Non-executive Directors of the Company for more than nine years and do not have any management role in the Company. The Board considers that he has made considerable contributions to the Company with his relevant experience and knowledge throughout his years of service and he has maintained an independent view in relation to the Company’s affairs.

Where vacancies on the Board exist, the Board will carry out the selection process, with the advice provided by the Nomination Committee, by making reference to the skills, experience, professional knowledge, diversity, personal integrity and time commitments of the proposed candidates, the Company’s needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Pursuant to Article 115 of the Company’s Bye-Laws, any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in case of filling of casual vacancy) or the next following annual general meeting of the Company (in case of appointment of additional Director), and shall then be eligible for re-election.

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 of the Company are not appointed for a 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. Pursuant to Article 111(A) of the Company’s Bye-Laws, Mr. Sze Wai, Marco and Mr. Tan Shu Jiang shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

THE BOARD *(Continued)*

Training for Directors

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his first appointment in order to enable him to have appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments of the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuing briefing and professional development for Directors are arranged where necessary.

Insurance Cover for Directors

During the year ended 31 December 2014, the Company has arranged appropriate insurance cover in respect of legal action against its Directors to comply with the requirement of the Code Provisions.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer 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 Chief Executive Officer 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.



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, Audit Committee and Nomination Committee as required by the Listing Rules, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website at <http://www.beautifulchina.com.hk> and the Stock Exchange's website at <http://www.hkexnews.hk> and are available to Shareholders upon request. Board committees report to the Board on their work, findings, recommendations and decisions pursuant to their terms of reference.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Remuneration Committee

The Remuneration Committee comprises four members, namely, Mr. Liu Liyang (Chairman), Mr. Lum Pak Sum, Mr. Chong Yiu Kan, Sherman and Mr. Sze Wai, Marco. The majority of the members of the Remuneration Committee are Independent Non-executive Directors.

The main duties and responsibilities of the Remuneration Committee are to (i) make recommendations on the establishment of procedures for developing remuneration policy and structure of the Executive Directors and management, such policy shall ensure that no Director or any of his associates will participate in deciding his own remuneration; (ii) determine with delegated responsibility the remuneration packages of the Executive Directors and management; and (iii) review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives.

Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

During the year ended 31 December 2014, the Remuneration Committee met once and reviewed and discussed the remuneration policy and structure of the Group, the current remuneration packages of the Directors and the management of the group for the year under review.

Attendance of each members at Remuneration Committee Meeting held during the year is set out as follows:

	Attendance	Percentage
Independent Non-executive Directors		
Mr. Liu Liyang (<i>Chairman</i>)	1/1	100%
Mr. Lum Pak Sum	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
Executive Director		
Mr. Sze Wai, Marco	1/1	100%

BOARD COMMITTEES *(Continued)*

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.

The Company adopted a whistleblowing policy for promoting high corporate governance standards and deterring wrongdoings. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the management or the external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their independence, fees and terms of engagement, and make recommendations to the Board on the appointment, reappointment and removal of external auditor.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.
- To review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company and its subsidiaries (the "Arrangements"), and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Audit Committee held three meetings during the year ended 31 December 2014 to review the Listing Rules amendments relating to corporate governance, the interim and annual financial results and reports, financial reporting and compliance procedures, financial control system, internal control system, risk management system, the adequacy of resources, accounting staff qualifications and experience, training programmes, budget of the Company's accounting, financial reporting function and the re-appointment of the external auditor.



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The Audit Committee meets the external auditor, twice times in the absence of management, to discuss issues regarding audit or any matters that the external auditor may wish to raise to the Audit Committee.

The Audit Committee regularly reviews the internal control system and the risk management system of the Company and reports to the Board on any variance or risks identified by the management and makes recommendations to the Board in respect of any actions, as appropriate.

The Company's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Attendance of each members at Audit Committee Meeting held during the year is set out as follows:

	Attendance	Percentage
Mr. Chong Yiu Kan, Sherman <i>(Chairman)</i>	3/3	100%
Mr. Lum Pak Sum	3/3	100%
Mr. Liu Liyang	2/2	100%

Nomination Committee

The Nomination Committee comprises five members namely, Mr. Lum Pak Sum (Chairman), Mr. Law Fei Shing, Mr. Liu Liyang, Mr. Chong Yiu Kan, Sherman and Mr. Sze Wai, Marco. The majority of the members of the Nomination Committee are Independent Non-executive Directors.

The primary functions of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- To assess the independence of the Independent Non-executive Directors.
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer.

BOARD COMMITTEES *(Continued)***Nomination Committee** *(Continued)*

One nomination committee meeting was held during the year ended 31 December 2014 to inter alia, review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors. Attendance of each members at Nomination Committee Meeting held during the year is set out as follows:

	Attendance	Percentage
Independent Non-executive Directors		
Mr. Lum Pak Sum	2/2	100%
Mr. Liu Liyang	0/0	–
Mr. Chong Yiu Kan, Sherman	2/2	100%
Non-executive Director		
Mr. Law Fei Shing	2/2	100%
Executive Director		
Mr. Sze Wai, Marco	2/2	100%

Number of Meetings and Directors' Attendance

During the year ended 31 December 2014, the Board held four regular meetings. During these meetings, Directors discussed and approved overall strategies and policies of the Group, reviewed and monitored financial and operational performance, approved the annual and interim results of the Group and discussed the business development of the Group.

Attendance of individual Directors at Board Meetings held during the year:-

	Attendance	Percentage
Executive Directors		
Mr. Sze Wai, Marco	11/11	100%
Mr. Tan Shu Jiang	11/11	100%
Mr. Zhou Wei Feng	7/7	100%
Non-executive Director		
Mr. Law Fei Shing	11/11	100%
Independent Non-executive Directors		
Mr. Lum Pak Sum	11/11	100%
Mr. Liu Liyang	6/6	100%
Mr. Chong Yiu Kan, Sherman	11/11	100%



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Number of Meetings and Directors' Attendance *(Continued)*

Apart from the above-mentioned Board meetings, the Chairman of the Board held a meeting with all the Independent Non-executive Directors without the presence of the Executive Directors during the year ended 31 December 2014 for discussing, inter alia, Directors' time commitments and contribution in performing their responsibilities to the Company, and the Group's strategy.

Practices and Conduct of Meetings

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

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

Board papers are sent to all Directors to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions in accordance with the Code Provisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The management has provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

The senior management are invited to attend Board and committee meetings to give advice on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-Laws also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

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.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the management explanation and relevant information which enable the Board to make an informed assessment for approving the financial statements.

AUDITOR’S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the “Independent Auditor’s Report” on pages 38 to 39.

The Audit Committee reviews the appointment of external auditor on an annual basis including a review of the audit scope and audit fee and makes the recommendation to the Board for approval. During the year, the fee payable to the external auditor for the annual audit amounted to HK\$1,070,000 and fee for non-audit related activities amounted to HK\$50,000.



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board is responsible for maintaining an adequate internal control system to safeguard Shareholders' investments and the Company's assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee.

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The review covered relevant financial, operational and compliance controls as well as risk management functions. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board as appropriate. The Board has concluded that the internal control system of the Group is adequate and operating effectively.

The management also conducts periodic reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks and to report to the Audit Committee on any key findings.

COMMUNICATION WITH SHAREHOLDERS

The Company uses two-way communication channels to account to Shareholders for the performance of the Company. All the Shareholders have at least 20 clear business days' notice of annual general meeting at which directors are available to answer questions on the business. In an effort to enhance the communication, the Company provides information relating to the Company and its business in its annual report and interim report and also disseminates such information electronically through its website at www.beautifulchina.com.hk. Specific enquiries from Shareholders can be sent in writing to the Company at our head office in Hong Kong or by email or through the Company's Investor Relations Adviser.

In order to provide effective disclosure to Shareholders and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

The Board has adopted a Shareholders' communication policy setting out the Company's procedures in providing the Shareholders with prompt and equal access to information about the Company, in order to enable the Shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The 2014 Annual General Meeting ("AGM") was held on 27 June 2014. The notice of 2014 AGM was sent to Shareholders at least 20 Clear business days before the AGM.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

The Company regards the AGM as an important event as it provides an opportunity for direct communication between the Board and its Shareholders. 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 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.

The Company continues to enhance communication and relationships with its Shareholders. The Company's senior management has undertaken the role of establishing an effective communication system. They are responsible for responding to the enquiries from Shareholders or the media from time to time.

During the year under review, the Company has not made any changes to its Bye-Laws. An updated version of the Company's Bye-Laws is available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholder meetings, including the election of individual Directors. Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll and poll results will be posted on the websites of the Company and the Stock Exchange after the Shareholders' meetings.

Set out below are procedures by which Shareholders may: (1) convene an extraordinary general meeting; (2) put forward proposals at general meetings; (3) put forward enquiries to the Board. These procedures are generally governed by the provisions of the Company's Bye-Laws and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies.

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meetings may be convened by the Directors on requisition of Shareholder(s) holding not less than one-tenth of the paid up capital of the Company. The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in the Company's Bye-Laws convening an extraordinary general meeting.



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Continued)*

Putting Forward Proposals at General Meetings

Pursuant to the Company's Bye-Laws, Shareholders representing not less than one-twentieth of the total voting rights of all Shareholders; or not less than 100 Shareholders may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in the Company's Bye-Laws for putting forward a proposal at a general meeting.

Putting Forward Enquiries to the Board

Shareholders who have enquiries about the procedures for convening an extraordinary general meeting or putting forward proposals at general meetings may write to the Company Secretary.

Shareholders may send written enquiries to the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

Contact Details

The Company Secretary
Beautiful China Holdings Company Limited
Units 2003 and 2005, 20th Floor,
Great Eagle Centre,
23 Harbour Road,
Wanchai,
Hong Kong
Email: enquiry@beautifulchina.com.hk
Tel No.: (852) 2234-9723
Fax No.: (852) 2234-9738

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE FUNCTIONS

In order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board has adopted a corporate governance charter which sets out the corporate governance functions of the Board. The Board is responsible for the corporate governance functions with the following duties:

- To develop, review and update the Company's policies and practices on corporate governance.
- To review and monitor the training and continuous professional development of Directors and senior management.
- To review and monitor the Company's policies and practices in compliance with legal and regulatory requirements.
- To develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors.
- To review the Company's compliance with the Revised Code and disclosure in the corporate governance report.
- To perform such other corporate governance duties and functions set out in the Revised Code for which the Board is responsible.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable law, rules and regulations are followed.

During the year ended 31 December 2014, Mr. Chan Ying Kay, the Company Secretary has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.



INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Beautiful China Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 95, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

31 March 2015



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Turnover	7	6,013	9,561
Other income and gains	8	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	9	(113)	(170)
Impairment losses on intangible assets	18	(1,123)	(1,344)
Impairment losses on property, plant and equipment	17	(237)	(539)
Loss before tax		(51,620)	(44,242)
Income tax credit	10	503	616
Loss for the year attributable to the owners of the Company	11	(51,117)	(43,626)
Loss per share			
Basic	14(a)	(1.22) cents	(2.04) cents
Diluted	14(b)	(1.22) cents	(2.04) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Loss for the year attributable to the owners of the Company		(51,117)	(43,626)
Other comprehensive income for the year, net of tax	16		
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		(3,803)	4,377
Total comprehensive income for the year attributable to the owners of the Company		(54,920)	(39,249)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	17	3,890	6,476
Intangible assets	18	2,702	5,884
Biological assets	19	2,182	–
Deposits	20	211,413	–
		220,187	12,360
Current assets			
Trade and other receivables	21	16,025	36,720
Bank and cash balances	22	217,108	103,213
		233,133	139,933
Current liabilities			
Trade and other payables	23	9,902	16,956
Finance lease payables	24	991	934
		10,893	17,890
Net current assets		222,240	122,043

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Note</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Total assets less current liabilities		442,427	134,403
Non-current liabilities			
Finance lease payables	<i>24</i>	430	1,421
Deferred tax liabilities	<i>27</i>	112	613
		542	2,034
Net assets		441,885	132,369
Capital and reserves			
Share capital	<i>28</i>	456,408	213,808
Reserves	<i>30</i>	(14,523)	(81,439)
Total equity		441,885	132,369

Approved and authorised for issue by the Board of Directors on 31 March 2015.

Sze Wai, Marco
Director

Tan Shu Jiang
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2013	213,808	489,081	7,498	41,727	(580,496)	171,618
Total comprehensive income for the year	-	-	-	4,377	(43,626)	(39,249)
Share options lapsed	-	-	(1,065)	-	1,065	-
Changes in equity for the year	-	-	(1,065)	4,377	(42,561)	(39,249)
At 31 December 2013	213,808	489,081	6,433	46,104	(623,057)	132,369
At 1 January 2014	213,808	489,081	6,433	46,104	(623,057)	132,369
Total comprehensive income for the year	-	-	-	(3,803)	(51,117)	(54,920)
Subscription of shares	200,000	-	-	-	-	200,000
Placing of shares	42,600	121,836	-	-	-	164,436
Share options lapsed	-	-	(455)	-	455	-
Changes in equity for the year	242,600	121,836	(455)	(3,803)	(50,662)	309,516
At 31 December 2014	456,408	610,917	5,978	42,301	(673,719)	441,885

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Loss before tax		(51,620)	(44,242)
Adjustments for:			
Amortisation of intangible assets	18	1,926	2,385
Depreciation	17	3,808	7,787
Finance lease charges		113	170
Interest income	8	(3,878)	(2,271)
Impairment losses on intangible assets	18	1,123	1,344
Impairment losses on property, plant and equipment	17	237	539
Loss on disposals of property, plant and equipment	11	–	2
Property, plant and equipment written off	11	7	2,388
Operating loss before changes in working capital		(48,284)	(31,898)
Increase in biological assets		(2,182)	–
Decrease in trade receivables		588	1,139
Increase in prepayments, deposits and other receivables		(191,306)	(9,248)
(Decrease)/increase in trade payables		(1,295)	171
(Decrease)/increase in other payables and accrued expenses		(5,759)	7,261
Net cash flows used in operating activities		(248,238)	(32,575)



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(1,575)	(215)
Proceeds from disposals of property, plant and equipment		26	303
Interest received	8	3,878	2,271
Net cash flows generated from investing activities		2,329	2,359
Cash flows from financing activities			
Proceeds from issue of shares		364,436	–
Repayment of financial lease payables		(934)	(876)
Finance lease charges paid		(113)	(170)
Net cash flows generated from/(used in) financing activities		363,389	(1,046)
Net increase/(decrease) in cash and cash equivalents		117,480	(31,262)
Effect of foreign exchange rates changes, net		(3,585)	3,367
Cash and cash equivalents at 1 January		103,213	131,108
Cash and cash equivalents at 31 December		217,108	103,213
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		217,108	103,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

Beautiful China Holdings Company Limited (the “Company”) was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The address of its principal place of business is Units 2003 and 2005, 20/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

In the opinion of the directors of the Company, Mr. Sze Wai, Marco is the ultimate controlling party of the Company.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (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 notes 17 and 18.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(Continued)*

(a) Application of new and revised HKFRSs *(Continued)*

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.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(Continued)*

(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. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure 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), “Accounts 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 Stock Exchange.

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. biological assets that are measured at fair value less costs to sell).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity’s returns.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Business combination

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in the consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

– Leasehold improvements	5 years
– Plant and machinery	5-10 years
– Furniture, fixtures and office equipment	3-5 years
– Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Intangible assets

Customer contracts acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair value can be measured reliably. The cost of such customer contracts is their fair value at the acquisition date. Customer contracts are amortised on a straight line basis over their contractual duration of ten years.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Biological assets

The tree seedlings are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of the tree seedlings is determined based on market prices in the People's Republic of China (the "PRC") local area. Gain or loss on initial recognition and from subsequent changes in fair value less costs to sell is included in profit or loss for the period in which it arises.

(g) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Recognition and derecognition of financial instruments *(Continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment. An impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the impairment is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the provision of automatic teller machine ("ATM") services is recognised when the related services are rendered to customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Share based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Taxation *(Continued)*

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if 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 Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets – except receivables, of which the impairment policy is set out in note 3(i) –, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. KEY ESTIMATES

Key sources of 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 discussed below.

(a) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2014 was HK\$3,890,000 (2013: HK\$6,476,000).

(b) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

As at 31 December 2014, the accumulated impairment loss for bad and doubtful debts amounted to HK\$3,500,000 (2013: HK\$3,500,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(c) Impairment of property, plant and equipment and intangible assets

Determining whether ATM machines in property, plant and equipment and intangible assets (collectively referred to as the "ATM cash-generating units") are impaired requires an estimation of the recoverable amount of the ATM cash-generating units to which these assets have been allocated. The fair value less costs of disposal calculation requires the Group to estimate the future cash flows expected to arise from the ATM cash-generating units and a suitable discount rate in order to calculate the present value. In arriving at the future cash flows of the ATM cash-generating units, the directors have to make reasonable estimates and assumptions of the future deployment of the ATMs based on existing and future customers contracts and business operational plan.

The carrying amounts of the ATM machines in property, plant and equipment and intangible assets at the end of the reporting period were approximately HK\$568,000 and HK\$2,702,000 respectively (2013: HK\$2,359,000 and HK\$5,884,000) after impairment losses of approximately HK\$237,000 and HK\$1,123,000 respectively were recognised during the year ended 31 December 2014 (2013: HK\$539,000 and HK\$1,344,000). Details of the impairment losses calculation are provided in notes 17 and 18 to the consolidated financial statements.

(d) Fair value of biological assets

Management estimates at the end of the reporting period the fair value less costs to sell of biological assets with reference to market prices and professional valuations. Unanticipated volatile changes in market prices of the underlying tree seedlings could significantly affect the fair value of these biological assets and result in fair value re-measurement in future accounting periods.

The Group's tree plantation business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect their growth. Management considers adequate preventive measures are in place to assist in minimising exposure. Nevertheless, unanticipated factors affecting the tree seedlings may result in re-measurement in future accounting periods.

4. KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(d) Fair value of biological assets (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonable possible change in tree seedlings price with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of biological assets).

Change in tree seedlings price	Increase/ (decrease) in tree seedlings price %	(Increase)/ decrease in loss before tax HK\$'000
If the tree seedlings price increases	5	109
If the tree seedlings price decreases	(5)	(109)

The carrying amount of biological assets as at 31 December 2014 was approximately HK\$2,182,000 (2013: Nil).

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK\$503,000 (2013: HK\$616,000) of deferred tax was credited to profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi ("RMB") i.e. the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2014, if the Hong Kong dollar had weakened 5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$15,000 higher (2013: HK\$706,000 higher), arising mainly as a result of the foreign exchange losses on trade and other receivables (2013: trade and other receivables) denominated in RMB. If the Hong Kong dollar had strengthened 5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$15,000 lower (2013: HK\$706,000 lower), arising mainly as a result of the foreign exchange gains on trade and other receivables (2013: trade and other receivables) denominated in RMB.

(b) Credit risk

The carrying amount of bank and cash balances and trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

It has policies in place to ensure that services are rendered to customers with an appropriate credit history.

The credit quality of the counterparties in respect of trade and other receivables is assessed by taking into account their financial position, credit history and other factors. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and large state controlled banks in the PRC.

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Less than 1 year or on demand <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>
At 31 December 2014			
Finance lease payables	1,046	436	–
Other payables and accrued expenses	9,878	–	–
Trade payables	24	–	–
At 31 December 2013			
Finance lease payables	1,046	1,046	436
Other payables and accrued expenses	15,637	–	–
Trade payables	1,319	–	–

(d) Interest rate risk

The Group's bank deposits and financial lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities. The Group's operating cash flows are substantially independent of changes in market interest rates.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Categories of financial instruments at 31 December

	2014 HK\$'000	2013 HK\$'000
Financial assets:		
Loans and receivables		
Trade and other receivables	9,577	35,767
Bank and cash balances	217,108	103,213
	226,685	138,980
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	9,902	16,956

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

6. FAIR VALUE MEASUREMENTS (Continued)**(a) Disclosures of level in fair value hierarchy at 31 December 2014:**

Description	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements:				
Biological assets				
Tree seedlings	–	–	2,182	2,182

(b) Reconciliation of assets measured at fair value based on level 3:

Description	2014 Biological assets HK\$'000
At 1 January	–
Purchases	2,182
At 31 December	2,182



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2014:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Key unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2014 HK\$'000
					Assets
Tree seedlings	The fair value of tree seedlings is determined by referring to the market price of the traded market in the PRC.	Average market price of tree seedlings	RMB75 – RMB95 per tree seedling	Increase	2,182

7. TURNOVER

The Group's turnover is as follows:

	2014 HK\$'000	2013 HK\$'000
Provision of ATM services	6,013	9,561

8. OTHER INCOME AND GAINS

	2014 HK\$'000	2013 HK\$'000
Interest income	3,878	2,271
Others	42	3
	3,920	2,274

9. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Finance lease charges	113	170

10. INCOME TAX CREDIT

	2014 HK\$'000	2013 HK\$'000
Deferred tax		
Origination and reversal of temporary differences (note 27)	503	616

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 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. INCOME TAX CREDIT (Continued)

The reconciliation between the income tax credit and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2014 HK\$'000	2013 HK\$'000
Loss before tax	(51,620)	(44,242)
Tax at Hong Kong Profits Tax rate of 16.5%	(8,517)	(7,300)
Tax effect of expenses that are not deductible	7,134	6,424
Tax effect of income that is not taxable	(125)	(106)
Tax effect of temporary differences not recognised	(858)	(1,032)
Tax effect of tax losses not recognised	3,842	2,458
Effect of different tax rates of subsidiaries operating in other jurisdiction	(1,979)	(1,060)
Income tax credit	(503)	(616)

11. 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 HK\$'000	2013 HK\$'000
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 benefit scheme contributions	2,107	1,677
	21,106	17,549

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors				
Mao Zhenhua (Note a)	–	120	3	123
Shentu Jun (Note b)	–	60	1	61
Sze Wai, Marco	–	3,058	15	3,073
Tan Shu Jiang	–	1,219	15	1,234
Zhou Wei Feng (Note c)	–	1,039	12	1,051
Non-executive director				
Law Fei Shing (Note d)	121	–	–	121
Independent non-executive directors				
Chan Ming Sun, Jonathan (Note e)	20	–	–	20
Chong Yiu Kan, Sherman	130	–	–	130
Lai Yip Wing (Note b)	10	–	–	10
Liu Liyang (Note f)	81	–	–	81
Lum Pak Sum (Note d)	121	–	–	121
Total for 2014	483	5,496	46	6,025

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors				
Mao Zhenhua (Note a)	–	550	11	561
Shentu Jun	–	550	11	561
Song Jing Sheng (Note g)	–	170	4	174
Sze Wai, Marco	–	2,700	15	2,715
Tan Shu Jiang	–	713	8	721
Independent non-executive directors				
Chan Ming Sun, Jonathan (Note e)	92	–	–	92
Chong Yiu Kan, Sherman	120	–	–	120
Lai Yip Wing	92	–	–	92
Mao Zhenhua (Note a)	28	–	–	28
Wong Po Yan (Note g)	28	–	–	28
Total for 2013	360	4,683	49	5,092



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

- Notes: (a) Redesignated from independent non-executive director to an executive director with effect from 25 March 2013 and resigned on 28 February 2014.
- (b) Resigned on 30 January 2014.
- (c) Appointed on 11 April 2014.
- (d) Appointed on 30 January 2014.
- (e) Appointed on 25 March 2013 and resigned on 28 February 2014.
- (f) Appointed on 28 May 2014.
- (g) Resigned on 25 March 2013.

The five highest paid individuals in the Group during the year included three (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2013: three) individuals are set out below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries and other benefits	1,950	2,520
Retirement benefit scheme contributions	30	41
	1,980	2,561

The emoluments of the remaining two (2013: three) individuals (including a senior management of the Company) fell within the following bands:

	Number of individuals	
	2014	2013
Nil – HK\$1,000,000	1	2
HK\$1,000,001 – HK\$1,500,000	1	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group. The Group paid no compensation for loss of office to the directors or the five highest paid individuals for the years ended 31 December 2014 and 2013. Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the years ended 31 December 2014 and 2013.

13. DIVIDENDS

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

14. 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.

15. 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.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. SEGMENT INFORMATION (Continued)

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

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

15. SEGMENT INFORMATION (Continued)**Information about operating segment profit or loss, assets and liabilities:** (Continued)

	ATM HK\$'000	Tree plantation HK\$'000	Total HK\$'000
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 loss on property, plant and equipment	539	–	539
Impairment loss 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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. SEGMENT INFORMATION (Continued)

Reconciliations of segment revenue and profit or loss:

	2014 HK\$'000	2013 HK\$'000
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 HK\$'000	2013 HK\$'000
Assets		
Total assets of reportable segments	371,069	90,494
Corporate assets	157,313	140,632
Elimination of intersegment assets	(75,062)	(78,833)
Consolidated total assets	453,320	152,293

15. SEGMENT INFORMATION (Continued)

Reconciliations of segment assets and liabilities: (Continued)

	2014	2013
	HK\$'000	HK\$'000
Liabilities		
Total liabilities of reportable segments	357,415	109,544
Corporate liabilities	5,678	13,194
Elimination of intersegment liabilities	(351,658)	(102,814)
Consolidated total liabilities	11,435	19,924

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	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	–	–	1,915	3,449
PRC except Hong Kong	6,013	9,561	6,859	8,911
Consolidated total	6,013	9,561	8,774	12,360

Revenue from major customers:

	2014	2013
	HK\$'000	HK\$'000
ATM segment		
Customer a	3,671	3,903
Customer b	1,607	4,081
Customer c	448	1,090



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For the year ended 31 December 2014

16. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income for the year:

	2014			2013		
	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(3,803)	–	(3,803)	4,377	–	4,377
Other comprehensive income	(3,803)	–	(3,803)	4,377	–	4,377

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2013	4,013	85,367	7,128	12,735	109,243
Exchange adjustments	57	2,362	117	139	2,675
Additions	180	25	10	–	215
Disposals	–	(4,198)	–	–	(4,198)
Written off	(149)	(16,830)	–	–	(16,979)
At 31 December 2013	4,101	66,726	7,255	12,874	90,956
At 1 January 2014	4,101	66,726	7,255	12,874	90,956
Exchange adjustments	(62)	(1,174)	(118)	(141)	(1,495)
Additions	557	154	350	514	1,575
Disposals	–	(3,694)	–	–	(3,694)
Written off	(85)	(52,351)	–	–	(52,436)
At 31 December 2014	4,511	9,661	7,487	13,247	34,906

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accumulated depreciation and impairment:					
At 1 January 2013	3,508	74,521	6,364	8,359	92,752
Exchange adjustments	51	1,594	121	120	1,886
Charge for the year	389	5,706	235	1,457	7,787
Impairment losses	–	539	–	–	539
Disposals	–	(3,893)	–	–	(3,893)
Written off	(145)	(14,446)	–	–	(14,591)
At 31 December 2013	3,803	64,021	6,720	9,936	84,480
At 1 January 2014	3,803	64,021	6,720	9,936	84,480
Exchange adjustments	(49)	(1,118)	(190)	(55)	(1,412)
Charge for the year	401	1,832	227	1,348	3,808
Impairment losses	–	237	–	–	237
Disposals	–	(3,668)	–	–	(3,668)
Written off	(78)	(52,351)	–	–	(52,429)
At 31 December 2014	4,077	8,953	6,757	11,229	31,016
Carrying amount:					
At 31 December 2014	434	708	730	2,018	3,890
At 31 December 2013	298	2,705	535	2,938	6,476



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For the year ended 31 December 2014

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group carried out reviews of the recoverable amount of its ATM machines in plant and machinery in 2014 and 2013 which formed part of the ATM cash-generating units, having regard to the market conditions and the business strategy of the Group's ATM business. These assets are used in the Group's ATM services segment. The reviews led to the recognition of impairment losses of approximately HK\$237,000 (2013: HK\$539,000), that have been recognised in profit or loss.

The recoverable amount of the ATM 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 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 cash-generating units.

The directors estimate the recoverable amount of the ATM machines in plant and machinery as at 31 December 2014 to be approximately HK\$568,000 (2013: HK\$2,359,000). The fair value of the ATM 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%).

As at 31 December 2014, the carrying amount of motor vehicles held by the Group under finance leases amounted to HK\$1,531,000 (2013: HK\$2,679,000).

18. INTANGIBLE ASSETS

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



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For the year ended 31 December 2014

18. INTANGIBLE ASSETS (Continued)

The Group's intangible assets represent the customer contracts and the remaining amortisation period of the customer contracts is 2 years (2013: average 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 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 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 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 cash-generating units.

The directors estimate the recoverable amount of the 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 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%).

19. BIOLOGICAL ASSETS

The Group's biological assets are tree seedlings.

Reconciliation of carrying amount of tree seedlings:

	Group	
	2014	2013
	HK\$'000	HK\$'000
At 1 January	–	–
Increases due to purchases	2,182	–
At 31 December	2,182	–

19. BIOLOGICAL ASSETS (Continued)

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.

20. DEPOSITS

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21. TRADE AND OTHER RECEIVABLES

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

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 HK\$'000	2013 HK\$'000
Current	303	537
1 to 3 months	–	185
3 to 12 months	–	167
Over 1 year	64	66
	367	955

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 HK\$'000	2013 HK\$'000
3 to 12 months	–	167
Over 1 year	64	66
	64	233

21. TRADE AND OTHER RECEIVABLES (Continued)

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

	2014	2013
	'000	'000
RMB	5,698	12,775

22. BANK AND CASH BALANCES

As at 31 December 2014, the bank and cash balances of the Group denominated in RMB amounted to approximately of HK\$171,832,000 (2013: HK\$103,004,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. TRADE AND OTHER PAYABLES

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

Note:

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

	2014	2013
	HK\$'000	HK\$'000
1 to 3 months	24	73
3 to 12 months	–	656
Over 1 year	–	590
	24	1,319

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



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For the year ended 31 December 2014

24. FINANCE LEASE PAYABLES

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

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.

25. EMPLOYEE RETIREMENT BENEFITS

The Company and its Hong Kong subsidiaries operate Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employers and employees are each required to make contributions to the MPF schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 with effect from 1 June 2014 (before 1 June 2014: HK\$25,000). Contributions to the MPF schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the profit or loss during the year amounted to HK\$129,000 (2013: HK\$184,000).

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 25% to 46% (2013: 25% to 45%) of the standard wages determined by the relevant authorities in the PRC.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.

The aggregate employers' contributions by the Group under the PRC pension schemes during the year amounted to HK\$1,979,000 (2013: HK\$1,493,000).

The Group does not operate any other schemes for retirement benefits provided to the Group's employees.

26. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 May 2002, a share option scheme of the Company (the "**Old Scheme**") was adopted by the Company. The Old Scheme will remain in force for 10 years from that date and expired on 22 May 2012. No further share options can be granted under the Old Scheme.

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 13 June 2014, a new share option scheme of the Company (the "**New Scheme**") was adopted by the Company. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include directors, employees of the Company or any of its subsidiaries and any officers who will provide or have provided services to the Group.



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26. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company may not exceed 30% of the relevant class of shares in issue from time to time. No options may be granted under the New Scheme or any other share option scheme of the Company if it will result in this limit being exceeded. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each selected eligible participant in any 12-month period and up to the date of grant shall not exceed 1% of the shares of the Company in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the New Scheme must be approved by the independent non-executive directors of the Company (excluding an independent non-executive director who is the proposed grantee of the Company). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing an aggregate value of over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of each grant, in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.

The period within which the options must be exercised will be determined by the board of directors of the Company at its absolute discretion. This period will expire no later than 10 years from the date on which the New Scheme is conditionally adopted by an ordinary resolution of the shareholders. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer and a non-refundable nominal consideration of HK\$1 is payable upon acceptance of an option.

The subscription price for the shares of the Company under the New Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company as shown in the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant.

26. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

Grantee	Date granted	Exercisable period	Note	Exercise price of options (note a) HK\$	Number of share options			
					Outstanding at 1.1.2014	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014
Directors								
Mao Zhenhua (Note f)	31 Oct 2006	1 May 2007 – 30 Oct 2016	(d)	0.250	1,000,000	–	(1,000,000)	–
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(e)	0.270	1,500,000	–	(1,500,000)	–
Sze Wai, Marco	31 Oct 2006	1 May 2007 – 30 Oct 2016	(d)	0.250	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(e)	0.270	1,500,000	–	–	1,500,000
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(e)	0.270	4,000,000	–	–	4,000,000
Independent non-executive directors								
Chong Yiu Kan, Sherman	31 Oct 2006	1 May 2007 – 30 Oct 2016	(d)	0.250	500,000	–	–	500,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(e)	0.270	1,500,000	–	–	1,500,000
Employees								
	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	(b)	0.122	2,000,000	–	–	2,000,000
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	(c)	0.213	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(e)	0.270	20,700,000	–	–	20,700,000
					34,700,000	–	(2,500,000)	32,200,000



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26. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Notes:

- (a) The exercise price of the share options is subject to adjustment in the case of a rights or bonus issue, or other similar changes in the Company's share capital.
- (b) All of these options have duration of 10 years from the date of grant and the options can be exercised from the date of grant.
- (c) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 4 April 2007 and that the options may not be exercised in respect of more than 50% prior to 4 October 2007 respectively.
- (d) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 1 May 2007 and that the options may not be exercised in respect of more than 50% prior to 1 November 2007 respectively.
- (e) All of these options have duration of 10 years from the date of grant, provided that the options can only be exercised from the date of 24 December 2009.
- (f) Mr. Mao Zhenhua was redesignated from an independent non-executive director to an executive director with effect from 25 March 2013 and resigned on 28 February 2014.

The number and weighted average exercise price of the share options under the Old Scheme are as follows:

	2014		2013	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	34,700,000	0.258	40,700,000	0.259
Lapsed during the year	(2,500,000)	0.262	(6,000,000)	0.26
Outstanding at the end of the year	32,200,000	0.258	34,700,000	0.258
Exercisable at the end of the year	32,200,000	0.258	34,700,000	0.258

There were no share options granted and exercised under the New and Old Schemes during the year (2013: Nil). The options outstanding under the Old Scheme at the end of the year have a weighted average remaining contractual life of 4.07 years (2013: 6.02 years) and the exercise prices range from HK\$0.122 to HK\$0.270 (2013: HK\$0.122 to HK\$0.270).

There was no share-based compensation costs recognised during the year (2013: Nil).

27. DEFERRED TAX

The following are the deferred tax liabilities recognised by the Group.

	Intangible assets <i>HK\$'000</i>
At 1 January 2013	1,232
Credit to profit or loss for the year (<i>note 10</i>)	(616)
Exchange adjustments	(3)
At 31 December 2013	613
At 1 January 2014	613
Credit to profit or loss for the year (<i>note 10</i>)	(503)
Exchange adjustments	2
At 31 December 2014	112

As at 31 December 2014, the Group has not recognised deferred tax assets in respect of cumulative tax losses and cumulative impairment losses of its ATM plant and machinery included in property, plant and equipment of approximately HK\$61,571,000 and HK\$18,510,000 respectively (2013: HK\$50,123,000 and HK\$17,779,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of which approximately HK\$54,764,000 (2013: HK\$43,316,000) will expire within 5 years and the remaining cumulative tax losses of approximately HK\$6,807,000 (2013: HK\$6,807,000) do not expire under current tax legislation.



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28. SHARE CAPITAL

	Note	2014		2013	
		No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:					
Ordinary shares of HK\$0.1 each		6,000,000	600,000	6,000,000	600,000
Issued and fully paid:					
At 1 January		2,138,085	213,808	2,138,085	213,808
Subscription of shares	(a)	2,000,000	200,000	–	–
Placing of shares	(b)	426,000	42,600	–	–
At 31 December		4,564,085	456,408	2,138,085	213,808

Notes:

- (a) 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, a company wholly owned by a director, Mr. Sze Wai, Marco. Total proceeds amounted to HK\$200,000,000.
- (b) On 20 June 2014, the Company and CNI Securities Group Limited entered into a placing agreement in respect of the placement of 426,000,000 ordinary shares of HK\$0.1 each to independent investors at a price of HK\$0.4 per share. The placement was completed on 8 July 2014 and the premium on the issue of shares, amounting to approximately HK\$121,836,000, net of share issue expenses of HK\$5,964,000, was credited to the Company's share premium account.

All the shares issued by the Company rank *pari passu* and do not carry pre-emptive right.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

28. SHARE CAPITAL *(Continued)*

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

The Group reviews the capital structure on an annual basis by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2014, 46.81% (2013: 77.69%) of shares were in public hands.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014	2013
	HK\$'000	HK\$'000
Property, plant and equipment	321	708
Investments in subsidiaries	–	–
Amounts due from subsidiaries	626,274	313,049
Impairment losses on amounts due from subsidiaries	(282,997)	(273,568)
Other receivables	11,521	35,103
Bank and cash balances	44,097	42
Other payables	(4,159)	(10,766)
Net assets	395,057	64,568
Share capital	456,408	213,808
Reserves	(61,351)	(149,240)
Total equity	395,057	64,568



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2013	489,081	7,498	(610,488)	(113,909)
Total comprehensive income for the year	–	–	(35,331)	(35,331)
Share options lapsed	–	(1,065)	1,065	–
Changes in equity for the year	–	(1,065)	(34,266)	(35,331)
At 31 December 2013	489,081	6,433	(644,754)	(149,240)
At 1 January 2014	489,081	6,433	(644,754)	(149,240)
Total comprehensive income for the year	–	–	(33,947)	(33,947)
Placing of shares	121,836	–	–	121,836
Share options lapsed	–	(455)	455	–
Changes in equity for the year	121,836	(455)	(33,492)	87,889
At 31 December 2014	610,917	5,978	(678,246)	(61,351)

(c) Nature and purposes of reserves

(i) Share premium

Under the Companies Act 1981 of Bermuda (as amended), the funds in the share premium account of the Company are distributable in the form of fully paid bonus shares.

(ii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to executive directors, employees and non-executive directors of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(p) to the consolidated financial statements.

30. RESERVES *(Continued)***(c) Nature and purposes of reserves** *(Continued)**(iii) Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(c) to the consolidated financial statements.

31. COMMITMENTS**(a) Lease commitments**

As at 31 December 2014, the total future minimum lease payments under operating leases are payable as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	12,488	8,492
In the second to fifth years inclusive	23,600	1,488
After five years	35,260	–
	71,348	9,980

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

(b) Capital commitments

As at 31 December 2014 and 2013, the Group did not have any significant capital commitments.

32. CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, the Group did not have any significant contingent liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. MATERIAL RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	7,491	6,483
Retirement benefit scheme contributions	31	79
	7,522	6,562

34. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2014 are as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage		Issued and paid up/ registered capital	Principal activities
		Direct	Indirect		
Win Perfect Limited	British Virgin Islands ("BVI")	100	–	US\$11,000	Investment holding
Maxing Investment Limited	BVI	100	–	US\$1	Dormant
Concept Wonderful Limited	BVI	100	–	US\$1	Investment holding
Stepping Stones Limited	BVI	–	100	US\$11,000	Investment holding
Kayford Investment Limited	BVI	–	100	US\$1	Investment holding
Emperor Dragon International Limited	BVI	–	100	US\$500	Investment holding
China Star Group (Hong Kong) Corporation Limited	Hong Kong	–	100	HK\$100,000	Inactive
Fortune Jet International Limited	Hong Kong	–	100	HK\$10,000,000	Investment holding
Smart Goal Development Limited	Hong Kong	–	100	HK\$1	Inactive
Beauty China Investment Company Limited	Hong Kong	–	100	HK\$1	Dormant
Start Technology (Beijing) Co., Ltd. (note a)	PRC	–	100	RMB10,000,000	Dormant

34. SUBSIDIARIES (Continued)

Details of the Company's subsidiaries as at 31 December 2014 are as follows: (Continued)

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage		Issued and paid up/ registered capital	Principal activities
		Direct	Indirect		
Beijing Sun Leader Technology Co., Ltd. (note a)	PRC	-	100	RMB60,000,000	Provision of ATMs services
Loten Technology Co., Ltd. (note a)	PRC	-	100	RMB50,000,000	Inactive
Shenzhen FinTronics Information Services Ltd. (note b)	PRC	-	100	RMB5,000,000	Provision of ATMs services
Anhui Beautiful Wuhe Ecological Technologies Development Co. Ltd. (note a)	PRC	-	100	RMB180,000,000	Provision of Eco-environment Construction Services
Yunnan Vogage Environmental Engineering Consultants Co. Ltd. (note b)	PRC	-	100	RMB1,000,000	Provision of Eco-environment Construction Services
Kunming Beautiful National Ecological Technologies Co. Ltd. (note a)	PRC	-	85	USD60,000,000	Provision of Eco-environment Construction Services

Notes:

- (a) These are wholly foreign-owned companies established in the PRC.
- (b) This is a domestic limited liability company established in the PRC.

35. EVENTS AFTER THE REPORTING PERIOD

On 17 March 2015, the Board of Directors announced that the Company entered into a conditional placing agreement with an appointed placing agent to procure placees to subscribe for convertible bonds of up to the aggregate principal amount of HK\$164,000,000. The maximum net proceeds amounted to approximately HK\$162,000,000.

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2015.



FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Results					
Turnover	6,013	9,561	12,463	13,519	12,028
Loss from ordinary activities before tax	(51,620)	(44,242)	(41,068)	(48,214)	(70,297)
Income tax credit	503	616	665	1,406	1,306
Loss from ordinary activities after tax and loss attributable to equity holders	(51,117)	(43,626)	(40,403)	(46,808)	(68,991)
Assets and liabilities					
Property, plant and equipment	3,890	6,476	16,491	24,402	30,302
Intangible assets	2,702	5,884	9,395	13,364	20,935
Biological assets	2,182	–	–	–	–
Deposits	211,413	–	–	–	–
Pledged bank deposits	–	–	–	5,000	5,000
Net current assets	222,240	122,043	149,319	173,052	193,096
Total assets less current liabilities	442,427	134,403	175,205	215,818	249,333
Non-current liabilities	(542)	(2,034)	(3,587)	(5,131)	(3,324)
	441,885	132,369	171,618	210,687	246,009
Share capital	456,408	213,808	213,808	213,808	213,808
Reserves	(14,523)	(81,439)	(42,190)	(3,121)	32,201
	441,885	132,369	171,618	210,687	246,009
Loss per share (cents)					
Basic	(1.22)	(2.04)	(1.89)	(2.19)	(3.45)
Diluted	(1.22)	(2.04)	(1.89)	(2.19)	(3.45)