



美丽中国  
BEAUTIFUL CHINA



Annual Report 2015

**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 Hong Kong  
*Certified Public Accountants*  
29th Floor, Lee Garden Two,  
28 Yun Ping Road,  
Hong Kong

## INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited  
[www.sprg.com.hk](http://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

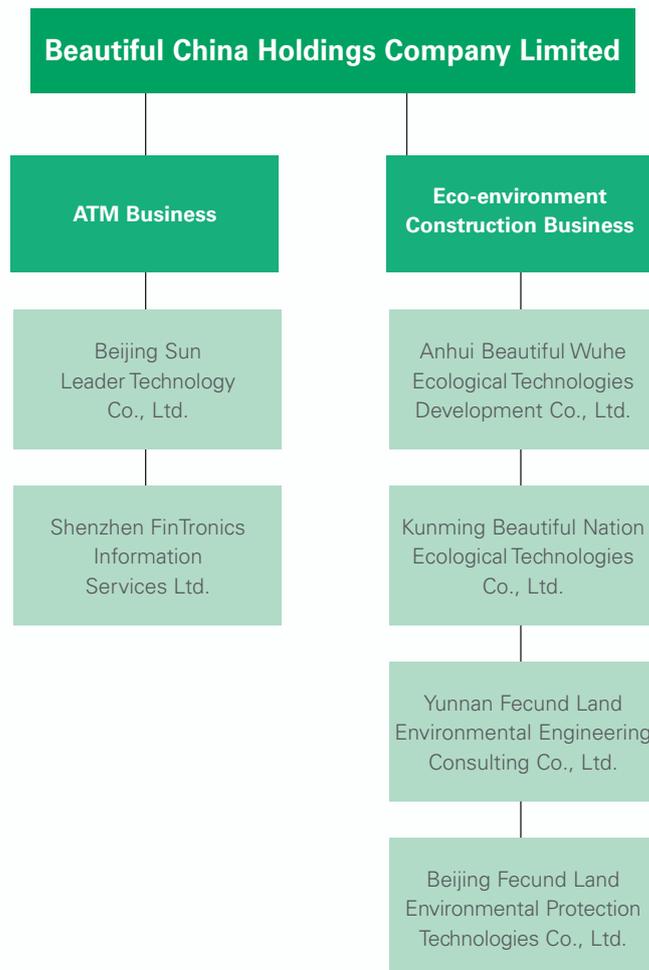
Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY WEBSITE

[www.beautifulchina.com.hk](http://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 2015:





# CHAIRMAN'S STATEMENT

## To Our Shareholders

Looking back 2015, global macroeconomic still did not pick up, together with the PRC's economic growth showing a slower pace, leading to increasingly difficult business environment for various industries. Facing great challenges, Beautiful China is able to endure and rise to the occasion, as it has done in the past, by adhering to the practical spirit of pursuing innovation and making progress, while adjusting strategic deploy and promoting business transformation in accordance with the market situation timely, which enabled the Group achieve sustained and stable development in the fierce competition in the industry.

For the previous year, the PRC government implemented a number of support policies and measures for industries related to environmental protection. We seized this opportunity to step up its efforts to expand the ecological garden and landscape business and made development focus on three aspect: ecological landscape construction, environmental pollution treatment and environmental protection facilities operation. Directed by an all-new development strategy, we, leveraging on our unique expertise and abundant financial resources, continued to stand on our edges, further enhance our market position and make breakthrough in various ecological businesses. While advancing existing projects, we are taking an initiative to explore potential opportunities in the market, aiming to seek projects with distinctive potential in the fields of solid waste treatment, renewable energy, garden construction and pollution treatment, and we are joining hands with a number of institutions specialized in environmental protection services to expand environmental protection business, in the hope of introducing more engines for overall business growth and fulfilling the commitment of creating more values for shareholders.

In the meanwhile, considering that the ATM equipment industry is on a declining trend and showing limited development, we officially terminated the ATM business in Northeastern China, Shandong province, Eastern China and Central China, so as to set aside adequate financial and management resources to support our utmost efforts made in developing ecological garden and landscape business that promises juicy profits and huge potential. Such an action helped cut down operating costs and facilitated the overall business transformation, which is conducive for us to capture incoming opportunities against the context that there is growing awareness about environmental protection.

Looking ahead, we will ride on the domestic economic development and industry trends and keep identifying appropriate opportunities for acquisition and cooperation on basis of enhancing existing business advantages. We will accelerate the Group's development, marching closer to the ambitious goal of becoming a top-notch international provider of ecological and environmental protection services.

## 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, 29 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Against the backdrop of global stagnation and continued slowdown of the Chinese economic growth, the business environment in 2015 was ever grimmer, and businesses also suffered from fizzled market demand and more fierce industry competition. Nevertheless, despite various uncertainties in the market, the Group carefully considered the situation, and took advantage of the government policies which greatly supported the development of environmental protection industry by flexibly adjusting its development strategy and expediting business upgrading based on its existing strengths, thus insulating itself from the shocks from the economic downturn, and at the same time, promoting the rapid development in its core landscape ecological business.

### Landscape ecological business

During the year under review, the overall landscape ecological industry showed steady development, with mixed performances in few markets. With the slowdown of Chinese economic growth and the promotion of structural reform by the government, developers slowed down development plans, leading to a drop in large-scale landscape projects and intensifying competitions in the ecological construction industry. However, a continued explosive growth has been observed in the ecological and environmental protection industry thanks to the rising environmental protection awareness and supportive policies of the state, with flourishing market segments such as water conservancy, air and soil pollution treatment which brought enormous business opportunities for the Group.

In addition to the enactment of environmental protection laws and provisions including “Ten Measures to Improve Water Quality”, “Opinions on Accelerating the Ecological Civilization Construction”, and the revised “Law on Prevention and Control of Air Pollution”, China officially launched the “Thirteenth Five-year Plan”, setting out number of environmental protection measures and policies which are especially beneficially to emerging industries such as water ecological conservation, soil remediation as well as waste disposal. The Group made good use of these favourable conditions, furthered existing projects, and made sound progress in its core environmental protection and ecological businesses development. Take the seedling business as an example. Last year, the seedling nursery base successfully cultivated 250,000 rare *Acer rubrums*. The base achieved excellent sales revenues in less than two years after establishment, which can help the Group consolidate its leading market position.

In solid waste management and renewable energy businesses, the Group established cooperative partnership with a number of large companies in the industry during the past year, so as to expand its business reach and to promote advances in both technology and services. In April 2015, the Group signed a strategic cooperation agreement with the best waste sorting and management service provider Baoding Zhengzhou Machinery Factory and set up a joint venture to expand its integrated domestic waste treatment and landfill management businesses. In the same month, the Group also reached consensus with China Environmental Protection Company, a subsidiary of the state-controlled China Energy-Saving Group to work together to explore the solid waste management markets both home and abroad. Besides, the Group signed letters of content for cooperation with Beijing Enchanting Environmental Protection Science and Technology Limited and Jinan Shijiazhuang Science and Technology Limited respectively in the next half of the year, to promote the waste oilation technology together and step up cooperation in designing, procurement and maintenance of plastic oilation projects so as to lay a solid foundation for the future development in solid waste management and energy conversion businesses.



# MANAGEMENT DISCUSSION AND ANALYSIS

In ecological landscape designing and construction businesses, despite the plummet in large-scale landscape projects numbers last year, the Group did not slow down related development plan, but rather actively looked for potential acquisition opportunities to further expand the business scale and consolidate the competitive edges. In November 2015, the Group signed letter of intent for acquisition with a renowned domestic landscape projects service provider to enhance its landscape projects contracting capacity and its overall service quality. The company has Grade A design and construction qualifications, and is specialized in professional technologies including nursery planting, landscape designing, project construction and green conservation, which can help the Group to build up one-stop landscape construction businesses and to seize more potential opportunities.

## **ATM Business**

As internet financial services continue to mature and e-transactions gain popularity, demands for cash payment weakened, resulting in a shrinking development space for the ATM industry. In addition, the Group continued to increase ATM numbers in its key regions of operation, leading to a decline in the average transaction volume per ATM and severely damaging its business revenues. Considering the shrinking market demand which resulted in intensified competitions, the management of the Group thinks that the ATM business of the Company has deviated from the core business principle of “cost reduction and revenue enhancement”. Therefore, the Group gradually ended all the jointly-operated ATM businesses in different cities to retain more resources for further expansion on landscape ecological and environmental protection related businesses, so as to save operations cost and boost the management revenues.

## **PROSPECTS**

In the coming years, the Chinese government is expected to expedite the structural reform and put quality development as a key point in the economic restructuring to promote a steady economic growth. On the other hand, the COP21 of the UN climate change conference was held in the end of last year. China, as one of the state parties, has set high standard emission cuts goals, and promised to steer the economic restructuring towards low carbon development. To this end, the Chinese government will continue to introduce more environmental protection policies and measures to support the development of environmental protection related industries, which will bring about favourable conditions for the Group to expand its businesses.

With full support from the government, the environmental protection industries gained momentum and the Group will actively upgrade its technologies to prepare itself for the future opportunities so as to stand out amongst all its competitors and make proactive moves in the market. Therefore, in the coming year, the Group will make a comprehensive strategic plan for cities with major business focuses, and adhere to the double track development mode of promoting environmental protection and ecological treatment at the same time. The Group will start various large-scale projects gradually, including the long-prepared Chongqing landfill treatment project in Qiqihar, Heilongjiang, the Dian Lake West Bank ecological wetland project in Kunming which costs as high as RMB 1 billion, and the comprehensive demonstration plot project for colorful landscapes located at Wuhe, Bengbu, Anhui, to add momentum to the overall business development.

In the seedling segment which showed rapid development in the past year, the Group will expand colour seedling nursery base according to the business plan, and introduce foreign agricultural practices while researching and developing its own cultivation techniques, to finish the cultivation of 1 million Acer rubrums and other rare colour plants as early as possible and become the largest colour seedling supplier in Asia. In the meantime, in order to enhance the synergy effect among various segments, the Group plans to synchronize its expansion in landscape construction, solid waste treatment, and renewable energy businesses in major provinces such as Hebei, Henan, and Inner Mongolia to ensure a balanced development of the overall environmental protection and ecological construction businesses.

The next year will be the first year that the “Thirteenth Five-year Plan” is implemented. The Group will fully comply with environmental protection policies of the state, practice the diversified development principle, expand business areas through mergers, acquisitions and partnerships, and at the same time actively expanding its client base, striving to become the first choice for comprehensive environmental protection services.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Sze Wai, Marco**, aged 50, is the Chairman of the Company. He joined the Group in February 2001. Mr. Sze has over 24 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. Zhou Wei Feng**, aged 46, 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 and the Chief Executive Officer on 11 April 2014 and 18 July 2014 respectively.

**Mr. Tan Shu Jiang**, aged 47, holds a Bachelor Degree of German Language from Shanghai International Studies University. Mr. Tan is the Executive Director of the Company. He joined the Group in January 2007. Mr. Tan has over 19 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.

**Mr. Pan Tinguxan**, aged 42, obtained a diploma of computer science and application from Hohai University in Nanjing, the PRC, in 1992. Mr. Pan has over 8 years of experience in project management and strategic planning in investment and asset management. Mr. Pan is an Executive Director of the Company and he joined the Group in January 2015. 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.

## NON-EXECUTIVE DIRECTOR

**Mr. Law Fei Shing**, aged 56, 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 26 years of experience in the audit and accounting services.

Mr. Law is a Non-executive Director and a member of Nomination Committee of the Company. He joined the Group in January 2014. Mr. Law is also an executive director, deputy chief executive officer 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 a non-executive director of 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 an executive director of China Assurance Finance Group Limited (stock code: 8090) and a company secretary of Orient Securities International Holdings Limited (stock code: 8001), those shares are listed on 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.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chong Yiu Kan, Sherman**, aged 52, is an Independent Non-executive Director of the Company. 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 had been an independent non-executive director of China Solar Energy Holdings Limited (Stock code: 155), and he retired on 15 May 2015. He was also 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 28 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 54, 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. He has been currently a non-practising 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 is an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee and the Chairman of the Nomination Committee of the Company. He joined the Group in January 2014. 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, December 2014 and May 2015, 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), Yu Hua Energy Holdings Limited (stock code: 2728) and i-Control Holdings Limited (stock code: 8355) 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. Liu Liyang**, aged 55, holds an MBA degree from Columbia University. Mr. Liu is an Independent Non-executive Director, a member of each of the Audit Committee and the Nomination Committee and Chairman of the Remuneration Committee of the Company. He joined the Group in May 2014. He was appointed as executive Director, Deputy Chairman of the Board and the Chief Executive Officer and a member of the remuneration committee of eForce Holdings Limited (stock code: 943) ("eForce") on 19 August 2010. He was further appointed as a member of the nomination committee of eForce on 29 March 2012. Mr. Liu has 17 years of experience in the investment banking industry. He 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. Furthermore, Mr. Liu was appointed as the Executive Director of China Precious Metal Resources Holdings Co., Ltd. (stock code: 1194) on 13 October 2015.

### SENIOR MANAGEMENT

**Mr. Chan Ying Kay**, aged 52, 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 27 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 2015.

## 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 37 to the consolidated financial statements.

The analysis of the segment information is set out in note 16 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 45 to 46.

## 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 108.

## 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	72%	Nil
Five largest customers in aggregate	100%	Nil
The largest supplier	Nil	100%
Five largest suppliers in aggregate	Nil	100%

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.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 18 to the consolidated financial statements.

## OTHER BORROWINGS

Particulars of other borrowings of the Group as at 31 December 2015 are set out in note 26 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 31 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 2015, the Company has no reserve available for cash distribution (2014: Nil) as computed in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account of approximately HK\$680,157,000 as at 31 December 2015 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.



# REPORT OF THE DIRECTORS

## DIRECTORS

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

### Executive Directors

Mr. Sze Wai, Marco, *Chairman*  
Mr. Zhou Wei Feng, *Chief Executive Officer*  
Mr. Tan Shu Jiang  
Mr. Pan Tingxuan (appointed on 2 January 2015)

### Non-executive Director

Mr. Law Fei Shing

### Independent Non-executive Directors

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

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. Law Fei Shing, Mr. Lum Pak Sum and Mr. Liu Liyang will retire by rotation at the forthcoming annual general meeting. Each of Mr. Law Fei Shing, Mr. Lum Pak Sum and Mr. Liu Liyang will be eligible, offer themselves 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 9 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.

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

As at 31 December 2015, 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.



# REPORT OF THE DIRECTORS

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

Save as disclosed above, as at 31 December 2015, 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, which will expire on 12 June 2024. 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.

**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 2015 are as follows:

Grantee	Date granted	Exercisable period	Number of share options					
			Exercise price of options	Outstanding at 1.1.2015	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015	
<b>Directors</b>								
Sze Wai, Marco	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	–	–	1,000,000	
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000	
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	4,000,000	–	–	4,000,000	



# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

Grantee	Date granted	Exercisable period	Number of share options				
			Exercise price of options <i>HK\$</i>	Outstanding at 1.1.2015	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015
<b>Independent non-executive directors</b>							
Chong Yiu Kan,	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	500,000	–	–	500,000
Sherman	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
<b>Employees</b>							
	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	0.122	2,000,000	–	–	2,000,000
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	0.213	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	20,700,000	(2,000,000)	–	18,700,000
				32,200,000	(2,000,000)	–	30,200,000

**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:

<b>Date granted</b>	<b>Vesting period</b>	<b>Percentage of options vested</b>
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%

The average share price at the exercise date of the share options under the Old Scheme during the year was HK\$0.345. The options outstanding under the Old Scheme at the end of the year have a weighted average remaining contractual life of 3.04 years (2014: 4.07 years) and the exercise prices range from HK\$0.122 to HK\$0.270 (2014: HK\$0.122 to HK\$0.270). The total number of shares available for issue under the Scheme was 413,808,492 shares, representing 7.88% of the issued shares of the Company as at the date of the Annual Report.

There was no share-based compensation costs recognised during the year (2014: 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.



# REPORT OF THE DIRECTORS

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

As at 31 December 2015, 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	46.20 0.83
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) 2,362,930,000 (L)	Interest in controlled corporation Having a security interest in shares	0.82 45.00
China Construction Bank Corporation <i>(Note 3)</i>	43,284,574 (L) 2,362,930,000 (L)	Interest in controlled corporation Having a security interest in shares	0.82 45.00
CCB International Group Holdings Limited <i>(Note 3)</i>	43,284,574 (L) 2,362,930,000 (L)	Interest in controlled corporation Having a security interest in shares	0.82 45.00
CCB Financial Holdings Limited <i>(Note 3)</i>	43,284,574 (L) 2,362,930,000 (L)	Interest in controlled corporation Having a security interest in shares	0.82 45.00
CCB International (Holdings) Limited <i>(Note 3)</i>	43,284,574 (L) 2,362,930,000 (L)	Interest in controlled corporation Having a security interest in shares	0.82 45.00
CCBI Investments Limited <i>(Note 3)</i>	43,284,574 (L) 2,362,930,000 (L)	Interest in controlled corporation Having a security interest in shares	0.82 45.00
Chance Talent Management Limited	43,284,574 (L) 2,362,930,000 (L)	Beneficial owner Having a security interest in shares	0.82 45.00

*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 2,406,214,574 Shares which Chance Talent Management Limited is interested in.

Save as disclosed above, as at 31 December 2015, 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 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.



# REPORT OF THE DIRECTORS

## 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. Contributions to the MPF schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the profit or loss amounted to HK\$142,000 (2014: HK\$129,000) 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 27% to 44% (2014: 25% to 46%) 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 amounted to HK\$2,627,000 (2014: HK\$1,979,000) 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

At the Company's last Annual General Meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015, our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

RSM Hong Kong retires, and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of RSM Hong Kong will be put at the forthcoming Annual General Meeting.

By order of the Board

**Beautiful China Holdings Company Limited**

**Sze Wai, Marco**

*Chairman*

Hong Kong, 29 March 2016



# 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 2015.

## 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 2015, 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.

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

## 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.



# CORPORATE GOVERNANCE REPORT

## THE BOARD *(Continued)*

### Board Composition

The Board comprises eight members, consisting of four 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. Zhou Wei Feng  
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

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 9 of this annual report.

During the year ended 31 December 2015, 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 with 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.

## 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. Law Fei Shing, Mr. Lum Pak Sum and Mr. Liu Liyang shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.



# CORPORATE GOVERNANCE REPORT

## **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 2015, the Company has arranged appropriate insurance cover in respect of legal action against its Directors to comply with the requirement of the Code Provisions.

## **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.

**BOARD COMMITTEES** *(Continued)***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 2015, 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:

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



# CORPORATE GOVERNANCE REPORT

## **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, internal control and risk management systems of the Group. The audit committee has reviewed the audited consolidated annual results for the year ended 31 December 2015.

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 2015 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.

## 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 2015 have been reviewed by the Audit Committee.

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

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



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES *(Continued)*

### Nomination Committee *(Continued)*

One nomination committee meeting was held during the year ended 31 December 2015 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
<b>Independent Non-executive Directors</b>		
Mr. Lum Pak Sum (Chairman)	1/1	100%
Mr. Liu Liyang	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
<b>Non-executive Director</b>		
Mr. Law Fei Shing	1/1	100%
<b>Executive Director</b>		
Mr. Sze Wai, Marco	1/1	100%

### Number of Meetings and Directors' Attendance

During the year ended 31 December 2015, 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
<b>Executive Directors</b>		
Mr. Sze Wai, Marco	4/4	100%
Mr. Zhou Wei Feng	3/4	75%
Mr. Tan Shu Jiang	4/4	100%
Mr. Pan Tingxuan	3/4	75%
<b>Non-executive Director</b>		
Mr. Law Fei Shing	4/4	100%
<b>Independent Non-executive Directors</b>		
Mr. Chong Yiu Kan, Sherman	4/4	100%
Mr. Lum Pak Sum	4/4	100%
Mr. Liu Liyang	4/4	100%

## **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 2015 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.



# CORPORATE GOVERNANCE REPORT

## **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 2015.

## **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 2015.

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 43 to 44.

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\$1,080,000 and fee for non-audit related activities amounted to HK\$50,000.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate internal control and risk management systems to safeguard Shareholders' investments and the Company's assets, and reviewing the effectiveness of systems 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 and risk management systems 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 and risk management systems 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](http://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 2015 Annual General Meeting ("AGM") was held on 8 June 2015. The notice of 2015 AGM was sent to Shareholders at least 20 clear business days before the AGM.



# CORPORATE GOVERNANCE REPORT

## 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 and A.6.7 stipulates that the Chairman of the Board and the Non-executive Directors should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai and two Independent Non-executive Directors, Mr. Chong Yiu Kan, Sherman and Mr. Liu Liyang, were unable to attend the Company's annual general meeting which was held on 8 June 2015 as Mr. Sze and Mr. Liu were on other business engagements while Mr. Chong was not in Hong Kong. Although they were unable to attend, they had arranged Mr. Zhou Wei Feng, an Executive Director and Chief Executive Officer 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 their 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.

## 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 REPORT

## 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 2015, 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Beautiful China Holdings Company Limited (“Beautiful China”) is committed to becoming one of the leading eco-environment protection service providers in China in ecological landscape construction, pollution control, and environmental protection facilities operations with a full business scope including planning and design, investment and construction, as well as operation and services. Based on the “Thirteenth Five-year Development Plan”, the Company will focus on ecological landscape construction, pollution control, and environmental protection facilities operations to proactively grasp development opportunities of the ecological construction in China, while laying emphasis on striking a balance between attainment of development goals and fulfilment of our responsibilities towards shareholders, business partners, employees and the community, in order to promote the sustainable development of the corporation.

## WORKPLACE

Beautiful China has always regarded employees as the Company’s most valuable assets, and the Company understands the vital importance of talents in its long-term development. Accordingly, the Company attaches great importance to the protection of employees’ rights, including providing internal promotion opportunities, building a merit-based rank mechanism, ensuring equal pay for men and women and setting up a communication platform between the staff and the management, to ensure that employees work in a fair and open environment and advance together with the Company so as to improve the sense of belonging of the employees.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## WORKPLACE *(Continued)*

### Working Conditions

As at 31 December 2015, the Group had a total of 57 employees. Basic information on employees by age, major, education and region is as follows:

<b>Total Number of Employees</b>	57
<i>By Age</i>	
Below 30	13%
30 – below 40	54%
40 – below 50	32%
50 or above	1%
<i>By Major</i>	
Business Management	25%
Landscape Design	5%
Engineering Management	35%
Environmental Technology	28%
Others	7%
<i>By Education</i>	
Associate	9%
Bachelor	53%
Master or above	38%
<i>By Region</i>	
Hong Kong	27%
Beijing	47%
Shandong	8%
Anhui	15%
Yunnan, Inner Mongolia and other regions	3%

In order to stand out in this highly competitive industry, the Company lays stress on the recruitment of talents. The Group developed clear personnel recruitment procedures, giving a priority to current staff in time of job vacancies, sourcing talents through various channels such as referrals from current employees, recruitment advertisements, and headhunters, and conducting careful selection according to work experience, academic background and professional skills to ensure that the candidates can meet the needs of the Company.

## **WORKPLACE** *(Continued)*

### **Working Conditions** *(Continued)*

As for remuneration and promotion, the Company set up annual appraisal mechanisms for various departments based on both quantitative and qualitative indicators to recognise the contribution of employees and to encourage them to further boost their performance. The Company links the annual appraisal results to the year-end bonus, and uses them as important references for the next year's rank evaluation. Those with excellent performance in the appraisal can become candidates for the next year's rank promotion exercise. Employees can obtain promotion opportunities from the annual appraisal and evaluation in January; those with outstanding performance or significant contributions to the Company can be promoted directly by the CEO without going through the regular examination and evaluation procedures, underlining the talent-oriented personnel management philosophy of the Company through which the employees can grasp every opportunity to develop their career paths.

We are keenly aware that a comprehensive training system will not only enhance the performance of the staff, but also steer the continuous development of the Company's business. To this end, the Company organised learning-oriented activities, encouraged various departments to hold regular business trainings, arranged professional skills trainings for employees based on their ranks and positions, and updated the training content from time to time to familiarise the staff with the latest industry developments. In addition, heads of departments of the Company will conduct special pre-employment trainings for newly recruited staff to help them master the required skills for work quickly.

### **Observing Labour Standards**

Whether it is the recruiting system or remuneration and benefits policies, the Company always adheres to the principle of "fairness, reasonableness and lawfulness", and pursues a philosophy of equity and justice in its operations. In this regard, the Company enters into employment contracts in line with the "Labour Law", "Labour Contract Law", "Law on the Protection of Rights and Interests of Women", "Special Rules on the Labour Protection of Female Employees" and other national regulations to eliminate gender discrimination and other unfair treatment so as to ensure that female workers can enjoy their statutory rights. Besides, the Company complies with relevant state regulations, and grants holiday leave (such as on International Women's Day), maternity leave, and breast-feeding leave according to internal rules and regulations.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **WORKPLACE** *(Continued)*

### **Employee Communication Platform**

The Company understands that it is essential to maintain good communications among the employees in order to create a harmonious working environment. We have set up a sound internal communication mechanism to facilitate exchanges among employees of different ranks. For example, regular meetings are held with representatives from the management participating in the meetings of different departments and heads of departments participating in management meetings, formulating effective interactive communication channels. In addition, the Company holds special meetings or panels when necessary, where the management calls on the staff to engage in discussions and put their heads together to discuss specific projects, businesses, or the daily management. Good suggestions will be considered or even adopted regardless of the rank of the employee. The management even sets up mailboxes that are open to all employees, so that the whole company can communicate with the management in a timely manner. The above measures have enhanced the transparency of internal communications, and in the meantime, effectively promoted understanding between management and staff and helped build positive and harmonious labour relations.

## **ENVIRONMENTAL PROTECTION**

### **Emission Reduction and Renewable Energy Development**

Under the new business plan, the Company's core businesses are closely related to environmental protection. Beautiful China regards urban landscape building and ecological environment improvement as our mission, and lays more emphasis on environmental benefits in the corporate transformation process, in the hope that we can start from landscape construction, waste processing and disposal, and renewable energy technologies to improve people's living environment, thereby raising public awareness of environmental protection.

To reduce pollutants and greenhouse gas emissions, the Company will appoint professional third party consultants to conduct environmental impact assessment ("EIA") prior to project construction and then formulate comprehensive environmental protection measures in accordance with the EIA results. Each phase of the construction process will be closely monitored to ensure that emissions of waste gas and water are in line with national and industry standards. At the same time, the Company will also collect all kinds of solid waste generated in the construction projects, and after screening and classification, the waste will be properly handled or disposed of according to their types and properties, thus reducing environmental impact.

In addition, to respond to national environmental and development policies, the Company has implemented a landfill expansion and recycling plan and an incinerator emission reduction and efficiency enhancement plan, under which recyclable materials from landfills and incinerators will be screened out and turned into renewable resources. This will not only help free up space in the landfills, but also avoid burning useful materials such as plastics and metal, hence reducing toxic emissions by incinerators. In the future, the Company will continue to develop new energy technologies and projects to generate more environmental benefits, and further promote a green living culture in the hope that we can help different sectors enhance their efficiency in environmental protection.

## ENVIRONMENTAL PROTECTION *(Continued)*

### Smarter Use of Resources and Energy-saving

Apart from including environmental and ecological projects as our core business, the Company also actively responds to the call of the country on environmental protection by implementing energy saving measures in all office areas. For example, all offices are installed with energy-efficient lighting; staff members are reminded to shut down computers and turn off lighting facilities when they finish work; all kinds of recreational activities on office computers are prohibited; room temperature is under central control; staff members are encouraged to use both sides of the paper when copying or printing and re-use recyclable document envelopes; an electronic office environment is established to encourage the use of internal emails, electronic fax and other electronic communication tools instead of using paper. Besides, the Company will monitor power consumption regularly and evaluate our energy saving measures to make improvements where necessary to enhance energy efficiency.

## OPERATIONS GOVERNANCE

The Group understands that good operations governance is critical to maintain the confidence of shareholders and stakeholders. To this end, Beautiful China has been committed to sustain top-notch corporate governance and has set up a corporate governance structure as well as a checks and balances mechanism so as to ensure that shareholders and stakeholders fully understand the business decisions and risk management measures of the Company. The Company selects members of the Board based on indicators including a balanced composition, diversity, professionalism and experience, so as to achieve multiplicity in its membership composition and to make sure that the decisions of the Board comply with the interests of the majority of the shareholders and investors.

### Risk Management

The Company has established risk assessment guidelines according to business development requirements to effectively control daily operational risks through operations procedures and regulatory and functional frameworks. In the coming year, the Company will set up the Internal Audit Department to run audit regularly for ongoing projects and businesses, so as to fully identify, evaluate, and control various kinds of risks in a comprehensive manner, and to take the initiative to inform shareholders and relevant stakeholders of the audit results and accept public supervision in order to take appropriate precautions.

### Internal Control

Through standardising management processes, clarifying operating structure, and setting up dedicated units, the Company has established an internal control system featuring segregated duties, authorisation and approval, and operations with mutual restraint and supervision. According to the strategic plan, the Company has established and strictly followed standardised management processes and methods centred on ecological landscape construction, environmental management operations, investment and financing management, financial management, personnel management as well as administrative management, etc. The Company conducts periodic reviews on these management processes and methods, to ensure continuous enhancement and improvement.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OPERATIONS GOVERNANCE *(Continued)*

### **Anti-corruption**

The Company strictly complies with relevant national laws and regulations, and has formulated feasible internal rules and regulations in line with the corporate conditions in its strive to inculcate integrity and self-discipline into the corporate culture and to raise the Company's overall anti-corruption awareness, so that every employee can act in accordance with the code of integrity. In addition, the Company has established and operated in strict compliance with the internal control system featuring segregated duties, authorisation and approval, and operations with mutual restraint and supervision to eliminate illegal activities such as money laundering, bribery, extortion and fraud.

### **Supply Chain Management**

Apart from imposing strict monitoring on the Company's business processes, the Company also attaches great importance to supply chain management. According to the requirements of different eco-friendly projects, the Company currently procures services, materials and equipment in the place where these projects are based. With continuous business coverage expansion, we have established cooperative relationships with an increasing number of suppliers of various types. Therefore, the Company is planning and initiating supplier management provisions according to various business models, types and requirements of specific projects. For example, we require our suppliers to comply with all local laws and regulations during their daily operation and effectively fulfil corporate social responsibility, so as to lay a solid base for a sustainable partnership.

### **Investor Interests**

The Company believes that the key to win investor confidence and to protect the interests of investors lies in actively improving operational transparency, accountability and credibility. The Company will continue to strengthen the quality of information disclosure, and spare no efforts in enhancing transparency and standardisation in its operations. Through publishing regular reports and other measures, information on significant business, management and capital matters will enjoy timely and comprehensive disclosure. The Investors section of the Company's website has a full coverage of the relevant information, including the latest announcements, performance reports and financial documents to keep investors updated with the news of the Company.

## CONTRIBUTION TO SOCIETY

Upholding the philosophy of "giving back to society where we take from", the Company has been looking for different opportunities to take concrete actions to give back to society and to care for the community. If job vacancies come up or there is a need to expand our workforce when we roll out business plans in different regions, the Company always gives priority to local residents to boost the local employment rate. In the future, the Company will continue to carry forward the caring corporate spirit, and make utmost efforts to promote philanthropy and enhance harmony in communities.

# 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 set out on pages 45 to 107, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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.



# INDEPENDENT AUDITOR'S REPORT

## **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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RSM Hong Kong**

*Certified Public Accountants*

Hong Kong, 29 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Turnover</b>	8	<b>22,073</b>	6,013
Cost of sales		<b>(20,524)</b>	–
<b>Gross profit</b>		<b>1,549</b>	6,013
Other income and gains	9	<b>3,983</b>	3,920
Administrative expenses		<b>(62,298)</b>	(58,153)
Other operating expenses		<b>(1,064)</b>	(1,927)
Impairment losses on intangible assets	19	<b>(408)</b>	(1,123)
Impairment losses on property, plant and equipment	18	<b>(104)</b>	(237)
Loss from changes in fair value less costs to sell of biological assets		<b>(1,044)</b>	–
<b>Loss from operations</b>		<b>(59,386)</b>	(51,507)
Finance costs	10	<b>(2,180)</b>	(113)
<b>Loss before tax</b>		<b>(61,566)</b>	(51,620)
Income tax credit	11	<b>65</b>	503
<b>Loss for the year</b>	12	<b>(61,501)</b>	(51,117)
<b>Attributable to:</b>			
Owners of the Company		<b>(61,490)</b>	(51,117)
Non-controlling interests		<b>(11)</b>	–
		<b>(61,501)</b>	(51,117)
<b>Loss per share</b>			
Basic	15(a)	<b>(1.22) cents</b>	(1.22) cents
Diluted	15(b)	<b>(1.22) cents</b>	(1.22) cents



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Loss for the year</b>		<b>(61,501)</b>	(51,117)
<b>Other comprehensive income for the year, net of tax</b>	17		
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		<b>(21,792)</b>	(3,803)
<b>Total comprehensive income for the year</b>		<b>(83,293)</b>	(54,920)
<b>Attributable to:</b>			
Owners of the Company		<b>(83,283)</b>	(54,920)
Non-controlling interests		<b>(10)</b>	–
		<b>(83,293)</b>	(54,920)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	6,017	3,890
Intangible assets	19	888	2,702
Biological assets	20	160,177	2,182
Prepayments	21	167,252	–
Deposits	22	30,086	211,413
		<b>364,420</b>	220,187
<b>Current assets</b>			
Trade and other receivables	23	17,175	16,025
Bank and cash balances	24	143,037	217,108
		<b>160,212</b>	233,133
<b>Current liabilities</b>			
Trade and other payables	25	12,417	9,902
Finance lease payables	26	430	991
		<b>12,847</b>	10,893
<b>Net current assets</b>		<b>147,365</b>	222,240



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Total assets less current liabilities</b>		<b>511,785</b>	442,427
<b>Non-current liabilities</b>			
Finance lease payables	26	–	430
Convertible bonds	28	<b>14,079</b>	–
Deferred tax liabilities	30	<b>48</b>	112
		<b>14,127</b>	542
<b>Net assets</b>		<b>497,658</b>	441,885
<b>Capital and reserves</b>			
Share capital	31	<b>525,108</b>	456,408
Reserves	33	<b>(27,440)</b>	(14,523)
<b>Equity attributable to the owners of the Company</b>		<b>497,668</b>	441,885
Non-controlling interests		<b>(10)</b>	–
<b>Total equity</b>		<b>497,658</b>	441,885

Approved by the Board of Directors on 29 March 2016 and are signed on its behalf by:

**Sze Wai, Marco**  
Director

**Tan Shu Jiang**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital	Share premium	Share option reserve	Translation reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014	213,808	489,081	6,433	46,104	-	(623,057)	132,369	-	132,369
Total comprehensive income for the year	-	-	-	(3,803)	-	(51,117)	(54,920)	-	(54,920)
Subscription of shares	200,000	-	-	-	-	-	200,000	-	200,000
Placing of shares	42,600	121,836	-	-	-	-	164,436	-	164,436
Share options lapsed	-	-	(455)	-	-	455	-	-	-
Changes in equity for the year	242,600	121,836	(455)	(3,803)	-	(50,662)	309,516	-	309,516
At 31 December 2014	456,408	610,917	5,978	42,301	-	(673,719)	441,885	-	441,885
At 1 January 2015	456,408	610,917	5,978	42,301	-	(673,719)	441,885	-	441,885
Total comprehensive income for the year	-	-	-	(21,793)	-	(61,490)	(83,283)	(10)	(83,293)
Shares issued under share options	200	740	(400)	-	-	-	540	-	540
Issue of convertible bonds	-	-	-	-	20,783	-	20,783	-	20,783
Shares issued upon conversion of convertible bonds	68,500	68,500	-	-	(19,257)	-	117,743	-	117,743
Changes in equity for the year	68,700	69,240	(400)	(21,793)	1,526	(61,490)	55,783	(10)	55,773
At 31 December 2015	525,108	680,157	5,578	20,508	1,526	(735,209)	497,668	(10)	497,658



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before tax		<b>(61,566)</b>	(51,620)
Adjustments for:			
Amortisation of intangible assets	19	<b>1,333</b>	1,926
Depreciation	12	<b>2,463</b>	3,808
Finance costs	10	<b>2,180</b>	113
Interest income	9	<b>(3,610)</b>	(3,878)
Impairment losses on intangible assets	19	<b>408</b>	1,123
Impairment losses on property, plant and equipment	18	<b>104</b>	237
Loss from changes in fair value less costs to sell of biological assets	20	<b>1,044</b>	–
Property, plant and equipment written off	12	<b>9</b>	7
<b>Operating loss before changes in working capital</b>		<b>(57,635)</b>	(48,284)
(Increase)/decrease in trade receivables		<b>(5,643)</b>	588
Decrease in prepayments, deposits and other receivables		<b>4,493</b>	20,107
Increase/(decrease) in trade payables		<b>229</b>	(1,295)
Increase/(decrease) in other payables and accrued expenses		<b>2,286</b>	(5,759)
<b>Net cash flows used in operating activities</b>		<b>(56,270)</b>	(34,643)

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2015*

	Note	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from investing activities</b>			
Increase in biological assets		(158,993)	(2,182)
Increase in prepayments		(167,252)	–
Decrease/(increase) in deposits		181,327	(211,413)
Payments for purchases of property, plant and equipment		(5,166)	(1,575)
Proceeds from disposals of property, plant and equipment		–	26
Interest received	9	3,610	3,878
<b>Net cash flows used in investing activities</b>		<b>(146,474)</b>	<b>(211,266)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		540	364,436
Proceeds from issue of convertible bonds		150,480	–
Repayment of financial lease payables		(991)	(934)
Finance lease charges paid		(55)	(113)
<b>Net cash flows generated from financing activities</b>		<b>149,974</b>	<b>363,389</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(52,770)</b>	<b>117,480</b>
Effect of foreign exchange rates changes, net		(21,301)	(3,585)
<b>Cash and cash equivalents at 1 January</b>		<b>217,108</b>	<b>103,213</b>
<b>Cash and cash equivalents at 31 December</b>		<b>143,037</b>	<b>217,108</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		143,037	217,108



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 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 37 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. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

### (a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

#### *Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)*

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments’ assets to the entity’s assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group’s consolidated financial statements.

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

#### (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 on 1 January 2015. 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 process 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 <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

#### (d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES

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 5.

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.

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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (a) Consolidation *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

##### (b) 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.

###### (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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Foreign currency translation *(Continued)*

#### (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 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.

### (c) 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 accumulated 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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (c) Property, plant and equipment *(Continued)*

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.

##### (d) 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.

##### (e) Biological assets

Biological assets represent tree seedlings which 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 with reference to recent market prices in similar locations and conditions in the People's Republic of China (the "PRC"). 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.

The plantation costs comprise staff costs, depreciation, rental expenses of nurseries and other incidental costs and are capitalised in biological assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) 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.

### (g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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.

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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### (h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

##### (i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

##### (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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible bonds. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

### (m) Trade and other payables

Trade and other payables are recognised 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.

### (n) Equity instruments

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

### (o) 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 trading of tree seedlings is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the tree seedlings are delivered and the title has passed to the customers.

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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **(p) 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 operates a mandatory provident fund scheme in Hong Kong for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. This scheme is a defined contribution retirement scheme administered by independent trustee and contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. In addition, the subsidiaries in the PRC are required to participate in the defined contribution retirement schemes operated by the relevant government authorities for employees in the PRC and make contributions to the retirement schemes at certain rates of the basic salary of its employees in the PRC. Contributions to all these schemes are charged to profit or loss when incurred.

###### *(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.

##### **(q) 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) 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 consolidated 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.

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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### **(s) Impairment of non-financial assets**

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

##### **(t) Impairment of financial assets**

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

### (u) 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.

### (v) 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.

## 5. 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 2015 was HK\$6,017,000 (2014: HK\$3,890,000).

(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 the 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, in particular of a loss event, 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 2015, the accumulated impairment loss for bad and doubtful debts for other receivables amounted to HK\$3,500,000 (2014: HK\$3,500,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 5. 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\$224,000 and HK\$888,000 respectively (2014: HK\$568,000 and HK\$2,702,000) after impairment losses of approximately HK\$104,000 and HK\$408,000 respectively were recognised during the year ended 31 December 2015 (2014: HK\$237,000 and HK\$1,123,000). Details of the impairment losses calculation are provided in notes 18 and 19 to the consolidated financial statements.

#### (d) Fair value of biological assets

Management estimates the fair value less costs to sell of biological assets at the end of the reporting period with reference to the recent market prices of the tree seedlings in similar locations and conditions in the PRC and professional valuations from independent appraiser. Unanticipated volatile changes in market prices of the 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.

## 5. 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 2015	(Increase)/ decrease in loss before tax 2014
		HK\$'000	HK\$'000
If the tree seedlings price increases	5	8,009	109
If the tree seedlings price decreases	(5)	(8,009)	(109)

The carrying amount of biological assets as at 31 December 2015 was approximately HK\$160,177,000 (2014: HK\$2,182,000).

(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\$65,000 (2014: HK\$503,000) of deferred tax income was credited to profit or loss.

(f) *Fair value of the liability component of convertible bonds*

A suitable discount rate is determined by the directors in order to calculate the fair value of the liability component of convertible bonds. The directors have exercised their judgements and estimates with reference to the current market conditions. If different discount rate is adopted, the fair value of liability component of convertible bonds will change.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 6. 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's PRC subsidiaries. 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 2015, 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 lower (2014: HK\$15,000 higher), arising mainly as a result of the foreign exchange losses on trade and other receivables (2014: 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 higher (2014: HK\$15,000 lower), arising mainly as a result of the foreign exchange gains on trade and other receivables (2014: trade and other receivables) denominated in RMB.

### (b) Credit risk

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 sales are made to/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.

## 6. 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 non-derivative 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>	Total <i>HK\$'000</i>
<b>At 31 December 2015</b>			
Finance lease payables	436	–	436
Other payables and accrued expenses	12,164	–	12,164
Trade payables	253	–	253
Convertible bonds	750	15,750	16,500
<b>At 31 December 2014</b>			
Finance lease payables	1,046	436	1,482
Other payables and accrued expenses	9,878	–	9,878
Trade payables	24	–	24
Convertible bonds	–	–	–

### (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 2015

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Categories of financial instruments at 31 December

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets:</b>		
Loans and receivables		
Trade and other receivables	12,940	12,371
Bank and cash balances	143,037	217,108
	<b>155,977</b>	229,479
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost		
Trade and other payables	12,417	9,902
Convertible bonds-liability component	14,079	–

## 7. 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.

## 7. FAIR VALUE MEASUREMENTS (Continued)

### (a) Assets and liabilities measured at fair value:

Disclosures of level in fair value hierarchy, at 31 December 2015:

Description	Fair value measurements using:			Total 2015 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
<b>Consumable biological assets</b>				
Tree seedlings	–	–	160,177	<b>160,177</b>

Description	Fair value measurements using:			Total 2014 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
<b>Consumable biological assets</b>				
Tree seedlings	–	–	2,182	2,182

The reconciliations from the beginning balances to the ending balances for fair value measurements of the above assets are disclosed in note 20.

The Group appointed the independent valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”) to value its biological assets at 31 December 2015 and 2014. The valuation report on biological assets is reviewed and acknowledged by management of the Group. JLL and its professional valuers in-charge of this valuation have appropriate qualifications and relevant experiences in various valuation assignments involving biological assets and agricultural produce. The professional valuers of JLL involved in this valuation possess qualifications of the FCPA(HK), the FCPA(Aust), MRICS, CVA and IACVA Member. They have extensive experiences in valuing different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets and have previously performed valuations of biological assets and agricultural produce such as tree plantation, fruit plantation and livestock, etc.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 7. FAIR VALUE MEASUREMENTS (Continued)

### (a) Assets and liabilities measured at fair value: (Continued)

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors is a member organization of the International Valuation Standards Council (“IVSC”) which encourages their respective members to adopt and use the International Valuation Standards laid down by the IVSC. JLL has assessed and declared its independence based on the requirements of the International Valuation Standards.

Based on the above qualifications and various experiences of JLL and/or its members, the directors are of view that JLL is competent to determine the fair value of the tree seedlings.

### (b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

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	
					2015 HK\$'000	2014 HK\$'000
					Assets	
Tree seedlings	The fair value of tree seedlings is determined with reference to the market price of the traded market in the PRC.	Average market price of tree seedlings	RMB48 – RMB325 per tree seedling	Increase	160,177	2,182

## 7. FAIR VALUE MEASUREMENTS (Continued)

### (c) Assets and liabilities carried at other than fair value:

The carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

## 8. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2015 HK\$'000	2014 HK\$'000
Provision of ATM services	2,983	6,013
Sales of tree seedlings	19,090	–
	<b>22,073</b>	6,013

## 9. OTHER INCOME AND GAINS

	2015 HK\$'000	2014 HK\$'000
Interest income	3,610	3,878
Others	373	42
	<b>3,983</b>	3,920

## 10. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Finance lease charges	55	113
Interest on convertible bonds (note 28)	2,125	–
	<b>2,180</b>	113



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 11. INCOME TAX CREDIT

	2015 HK\$'000	2014 HK\$'000
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 30)	<b>65</b>	503

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 2015 and 2014.

The PRC Enterprise Income Tax rate for the PRC subsidiaries is 25% (2014: 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 2015 and 2014 as the PRC subsidiaries have either no assessable profits or sufficient tax losses brought forward to set off against assessable profits for the years.

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:

	2015 HK\$'000	2014 HK\$'000
Loss before tax	<b>(61,566)</b>	(51,620)
Tax at Hong Kong Profits Tax rate of 16.5%	<b>(10,158)</b>	(8,517)
Tax effect of expenses that are not deductible	<b>18,145</b>	7,134
Tax effect of income that is not taxable	<b>(10,689)</b>	(125)
Tax effect of temporary differences not recognised	<b>404</b>	(858)
Tax effect of tax losses not recognised	<b>2,565</b>	3,842
Effect of different tax rates of subsidiaries operating in other jurisdiction	<b>(332)</b>	(1,979)
Income tax credit	<b>(65)</b>	(503)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Amortisation of intangible assets	<b>1,333</b>	1,926
Auditor's remuneration	<b>1,138</b>	1,120
Depreciation		
Charge to profit or loss	<b>2,463</b>	3,808
Capitalised in biological assets	<b>47</b>	–
	<b>2,510</b>	3,808
Net foreign exchange losses	<b>172</b>	1,754
Operating lease charges in respect of land and buildings and ATM deployment	<b>8,906</b>	11,275
Property, plant and equipment written off	<b>9</b>	7
Staff costs including directors' emoluments		
Salaries and other benefits	<b>22,605</b>	18,999
Retirement benefit scheme contributions	<b>2,768</b>	2,107
	<b>25,373</b>	21,106



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS AND INTERESTS

### (a) 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
<b>Executive directors</b>				
Sze Wai, Marco	–	3,399	18	3,417
Zhou Wei Feng	–	1,920	18	1,938
Tan Shu Jiang	–	1,920	18	1,938
Pan Tingxuan (Note f)	–	1,913	8	1,921
<b>Non-executive director</b>				
Law Fei Shing	144	–	–	144
<b>Independent non-executive directors</b>				
Chong Yiu Kan, Sherman	144	–	–	144
Lum Pak Sum	144	–	–	144
Liu Liyang	144	–	–	144
<b>Total for 2015</b>	<b>576</b>	<b>9,152</b>	<b>62</b>	<b>9,790</b>

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

- Notes: (a) 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 28 May 2014.  
 (f) Appointed on 2 January 2015.

### 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS AND INTERESTS

(Continued)

#### (a) Directors' and employees' emoluments (Continued)

The five highest paid individuals in the Group during the year included four (2014: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2014: two) individuals are set out below:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,200	1,950
Retirement benefit scheme contributions	18	30
	<b>1,218</b>	<b>1,980</b>

The emoluments of the remaining one (2014: two) individuals (including a senior management of the Company) fell within the following bands:

	Number of individuals	
	2015	2014
Nil – HK\$1,000,000	–	1
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 2015 and 2014. Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

#### (b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### 14. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2015 and 2014.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 15. 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\$61,490,000 (2014: HK\$51,117,000) and the weighted average number of ordinary shares of approximately 5,029,572,594 (2014: 4,196,721,000) in issue during the year.

### (b) Diluted loss per share

For the years ended 31 December 2015 and 2014, the effects of all potential ordinary shares are anti-dilutive.

## 16. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies as those described in note 4 to the consolidated financial statements which conform with the generally accepted accounting principles in the Hong Kong, that are regularly reviewed by the chief operating decision-maker (the "CODM") to allocate resources to the segments and to assess their performance focuses on type of goods delivered and services rendered.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

During the year ended 31 December 2015, the CODM has identified the following two reportable segments under HKFRS 8 "Operating Segments". No operating segments have been aggregated to form the following reportable segments.

The Group has two reporting segments as follows:

- ATM
- Tree plantation

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

Segment profit or loss represents the profit earned by each segment without allocation of corporate income and expense and central administration costs. Segment assets exclude corporate assets. Segment liabilities exclude corporate liabilities. Unallocated corporate income included foreign exchange gains and interest income. Unallocated corporate expenses included staff costs, professional fees and foreign exchange losses. Corporate assets included bank and cash balances, deposits paid and amounts due from group companies. Corporate liabilities included liability portion of convertible bonds.

**16. SEGMENT INFORMATION** (Continued)

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

	ATM HK\$'000	Tree plantation HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>			
Revenue from external customers	2,983	19,090	22,073
Segment loss	(7,262)	(6,332)	(13,594)
Interest income	166	1	167
Depreciation and amortisation	(1,810)	(261)	(2,071)
Property, plant and equipment written off	(9)	–	(9)
Prepaid consultancy and maintenance service costs written off	–	(5,158)	(5,158)
Impairment loss on property, plant and equipment	(104)	–	(104)
Impairment loss on intangible assets	(408)	–	(408)
Loss from changes in fair value less costs to sell of biological assets	–	(1,044)	(1,044)
Capital expenditure	92	170,918	171,010
<b>As at 31 December 2015</b>			
Segment assets	97,796	490,206	588,002
Segment liabilities	269,524	308,946	578,470



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 16. SEGMENT INFORMATION (Continued)

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

	ATM HK\$'000	Tree plantation HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>			
Revenue from external customers	6,013	–	6,013
Segment loss	(9,023)	(8,320)	(17,343)
Interest income	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)
Loss from changes in fair value less costs to sell of biological assets	–	–	–
Capital expenditure	134	3,516	3,650
<b>As at 31 December 2014</b>			
Segment assets	151,136	219,933	371,069
Segment liabilities	178,625	178,790	357,415

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2015*

### 16. SEGMENT INFORMATION *(Continued)*

#### Reconciliations of segment revenue and profit or loss:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	<b>22,073</b>	6,013
<b>Profit or loss</b>		
Total loss of reportable segments	<b>(13,594)</b>	(17,343)
Unallocated corporate income	<b>22,968</b>	12,985
Unallocated corporate expenses	<b>(70,875)</b>	(46,759)
Consolidated loss for the year	<b>(61,501)</b>	(51,117)

#### Reconciliations of segment assets and liabilities:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Assets</b>		
Total assets of reportable segments	<b>588,002</b>	371,069
Corporate assets	<b>149,683</b>	157,313
Elimination of intersegment assets	<b>(213,053)</b>	(75,062)
Consolidated total assets	<b>524,632</b>	453,320



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 16. SEGMENT INFORMATION (Continued)

### Reconciliations of segment assets and liabilities: (Continued)

	2015 HK\$'000	2014 HK\$'000
<b>Liabilities</b>		
Total liabilities of reportable segments	578,470	357,415
Corporate liabilities	19,910	5,678
Elimination of intersegment liabilities	(571,406)	(351,658)
Consolidated total liabilities	<b>26,974</b>	11,435

### 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	–	–	19,935	1,915
PRC except Hong Kong	22,073	6,013	344,485	218,272
Consolidated total	<b>22,073</b>	6,013	<b>364,420</b>	220,187

### Revenue from major customers:

	2015 HK\$'000	2014 HK\$'000
ATM segment		
Customer a	2,983	3,671
Customer b	–	1,607
Tree plantation segment		
Customer a	15,804	–
Customer b	3,286	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2015*

### 17. OTHER COMPREHENSIVE INCOME

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

	2015			2014		
	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	(21,792)	–	(21,792)	(3,803)	–	(3,803)
Other comprehensive income	(21,792)	–	(21,792)	(3,803)	–	(3,803)

### 18. 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
<b>Cost</b>					
At 1 January 2014	4,101	66,726	7,255	12,874	90,956
Additions	557	154	350	514	1,575
Disposals	–	(3,694)	–	–	(3,694)
Written off	(85)	(52,351)	–	–	(52,436)
Exchange adjustments	(62)	(1,174)	(118)	(141)	(1,495)
At 31 December 2014	4,511	9,661	7,487	13,247	34,906
At 1 January 2015	4,511	9,661	7,487	13,247	34,906
Additions	3,398	159	1,293	316	5,166
Written off	(45)	–	(149)	–	(194)
Exchange adjustments	(113)	(502)	(217)	(269)	(1,101)
At 31 December 2015	7,751	9,318	8,414	13,294	38,777



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 18. 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>
<b>Accumulated depreciation and impairment:</b>					
At 1 January 2014	3,803	64,021	6,720	9,936	84,480
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)
Exchange adjustments	(49)	(1,118)	(190)	(55)	(1,412)
At 31 December 2014	4,077	8,953	6,757	11,229	31,016
At 1 January 2015	<b>4,077</b>	<b>8,953</b>	<b>6,757</b>	<b>11,229</b>	<b>31,016</b>
Charge for the year	<b>549</b>	<b>254</b>	<b>268</b>	<b>1,439</b>	<b>2,510</b>
Impairment losses	–	<b>104</b>	–	–	<b>104</b>
Written off	<b>(36)</b>	–	<b>(149)</b>	–	<b>(185)</b>
Exchange adjustments	<b>(100)</b>	<b>(267)</b>	<b>(54)</b>	<b>(264)</b>	<b>(685)</b>
At 31 December 2015	<b>4,490</b>	<b>9,044</b>	<b>6,822</b>	<b>12,404</b>	<b>32,760</b>
<b>Carrying amount:</b>					
At 31 December 2015	<b>3,261</b>	<b>274</b>	<b>1,592</b>	<b>890</b>	<b>6,017</b>
At 31 December 2014	434	708	730	2,018	3,890

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

The Group carried out reviews of the recoverable amount of its ATM machines in plant and machinery in 2015 and 2014 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. Based on the review of the Group's management, internet financial services continue to mature and e-transactions gain popularity, demands for cash payment weakened, resulting in a shrinking development space for the ATM industry. In addition, the Group continued to increase ATM numbers in its key regions of operation, leading to a decline in the average transaction volume per ATM and severely damaging its business revenues. Considering the shrinking market demand which resulted in intensified competitions, the Group's management considered that the ATM business of the Company has deviated from the core business principle of "cost reduction and revenue enhancement". This led to a decrease in its recoverable amount and a recognition of impairment losses of approximately HK\$104,000 (2014: HK\$237,000) for the year ended 31 December 2015, 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 three-year (2014: 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 in 2014 had been extrapolated using a steady rate of 2.9% per annum which was 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 ATM cash-generating units to exceed its aggregate recoverable amount. There is no change in valuation technique between 2015 and 2014.

The directors estimate the recoverable amount of the ATM machines in plant and machinery as at 31 December 2015 to be approximately HK\$224,000 (2014: HK\$568,000). 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 post-tax discount rate of 14.4% (2014: 15.5%).

As at 31 December 2015, the carrying amount of motor vehicles held by the Group under finance leases amounted to HK\$383,000 (2014: HK\$1,531,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 19. INTANGIBLE ASSETS

	<b>Customer contracts</b> <i>HK\$'000</i>
<b>Cost:</b>	
At 1 January 2014	57,551
Exchange adjustments	(1,571)
At 31 December 2014 and 1 January 2015	55,980
Exchange adjustments	(2,952)
<b>At 31 December 2015</b>	<b>53,028</b>
<b>Accumulated amortisation and impairment:</b>	
At 1 January 2014	51,667
Amortisation for the year	1,926
Impairment losses	1,123
Exchange adjustments	(1,438)
At 31 December 2014 and 1 January 2015	53,278
Amortisation for the year	1,333
Impairment losses	408
Exchange adjustments	(2,879)
<b>At 31 December 2015</b>	<b>52,140</b>
<b>Carrying amount:</b>	
<b>At 31 December 2015</b>	<b>888</b>
At 31 December 2014	2,702

## 19. INTANGIBLE ASSETS (Continued)

The Group's intangible assets represent the customer contracts and the remaining amortisation period of the customer contracts is 1 year (2014: 2 years).

The Group carried out reviews of the recoverable amount of its intangible assets in 2015 and 2014 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. Based on the review of the Group's management, internet financial services continue to mature and e-transactions gain popularity, demands for cash payment weakened, resulting in a shrinking development space for the ATM industry. In addition, the Group continued to increase ATM numbers in its key regions of operation, leading to a decline in the average transaction volume per ATM and severely damaging its business revenues. Considering the shrinking market demand which resulted in intensified competitions, the Group's management considered that the ATM business of the Company has deviated from the core business principle of "cost reduction and revenue enhancement". This led to a decrease in its recoverable amount and a recognition of impairment losses of approximately HK\$408,000 (2014: HK\$1,123,000) for the year ended 31 December 2015, 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 three-year (2014: 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 in 2014 had been extrapolated using a steady rate of 2.9% per annum which was 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 ATM cash-generating units to exceed its aggregate recoverable amount. There is no change in valuation technique between 2015 and 2014.

The directors estimate the recoverable amount of the intangible assets as at 31 December 2015 to be approximately HK\$888,000 (2014: HK\$2,702,000). 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 post-tax discount rate of 14.4% (2014: 15.5%).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 20. BIOLOGICAL ASSETS

### (a) Nature of the Group's agricultural activities

The biological assets of the Group are North American red maple tree seedlings (the "Seedlings") which are held for sale and for garden and landscape construction projects. The Seedlings are categorised as consumable biological assets.

The quantities of the Seedlings owned by the Group as at 31 December 2015 and 2014 are listed below:

	2015 <i>Unit '000</i>	2014 <i>Unit '000</i>
The Seedlings:	1,208	20

The Group is exposed to a number of risks related to its biological assets.

#### *Financial risks*

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

#### *Regulatory and environmental risks*

The Group is subject to laws and regulations in the location in which it operate plantations. Management performs regular reviews to identify regulatory and environmental risks and to ensure that the systems in place are adequate to manage those risks.

#### *Climate, disease and other natural risks*

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

**20. BIOLOGICAL ASSETS** *(Continued)***(b) Value of the Group's biological assets**

The amounts of the Seedlings are as follow:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>2,182</b>	–
Increase due to purchases	<b>170,408</b>	2,182
Increase due to plantation costs <i>(note)</i>	<b>10,633</b>	–
Decrease due to sales	<b>(15,366)</b>	–
Changes in fair value less costs to sell of biological assets	<b>(1,044)</b>	–
Exchange adjustments	<b>(6,636)</b>	–
At 31 December	<b>160,177</b>	2,182

*Note:* The plantation costs comprise staff costs, depreciation, rental expenses of nurseries and other incidental costs.

The Group's biological assets were independently valued by the independent valuers, JLL. The valuation techniques used in the determination of fair values as well as inputs used in the valuation models are disclosed in note 7(b).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 21. PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Prepaid consulting and maintenance service cost ( <i>note</i> )	164,896	–
Prepaid property, plant and equipment cost	2,356	–
	<b>167,252</b>	–

*Note:* Pursuant to several sales and purchase agreements entered into between the Group and a supplier during the year ended 31 December 2014, the supplier agreed to sell a total of 1.25 million units of the Seedlings at total consideration of approximately RMB284 million (equivalent to approximately HK\$335 million); and to provide 5 years consultancy and maintenance services on the growth of the Seedlings in order to ensure that the survival rate of the Seedlings is not less than 95%. The excess of the total consideration over the fair value of the Seedlings at initial recognition is recognised as prepaid consultancy and maintenance service costs and amortised over 5 years on a straight-line basis. The amortised consultancy and maintenance service costs are capitalised in the plantation costs of biological assets.

## 22. DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Deposits paid for purchase of the Seedlings	–	211,413
Deposits paid for purchase of other tree seedlings	14,730	–
Deposits paid for potential projects	15,356	–
	<b>30,086</b>	211,413

## 23. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables ( <i>note</i> )	6,010	367
Prepayments	4,235	3,654
Deposits	2,705	10,770
Other receivables	4,225	1,234
	<b>17,175</b>	16,025

## 23. TRADE AND OTHER RECEIVABLES (Continued)

Note: The Group's trading terms with all customers are mainly on credit. The credit period is ranging from 30 days to 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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current	<b>6,010</b>	303
Over 1 year	–	64
	<b>6,010</b>	367

As at 31 December 2015 and 2014, no allowance was made for estimated irrecoverable trade receivables.

As at 31 December 2015, there were no past due trade receivables. As at 31 December 2014, trade receivables of approximately HK\$64,000 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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Over 1 year	–	64

The Group's trade receivables as at 31 December 2015 and 2014 are denominated in RMB.

## 24. BANK AND CASH BALANCES

As at 31 December 2015, the bank and cash balances of the Group denominated in RMB amounted to approximately of HK\$140,119,000 (2014: HK\$171,832,000). 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 25. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables ( <i>note</i> )	253	24
Accrued expenses	11,624	9,307
Other payables	540	571
	<b>12,417</b>	9,902

*Note:* The aging analysis of trade payables, based on the period of services rendered, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
1 to 3 months	188	24
3 to 12 months	62	–
Over 1 year	3	–
	<b>253</b>	24

The Group's trade payables as at 31 December 2015 and 2014 are denominated in RMB.

## 26. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within one year	436	1,046	430	991
In the second to fifth years, inclusive	-	436	-	430
	436	1,482	430	1,421
Less: Future finance charges	(6)	(61)	N/A	N/A
Present value of lease obligations	430	1,421	430	1,421
Less: Amount due for settlement within 12 months (shown under current liabilities)			(430)	(991)
Amount due for settlement after 12 months			-	430

It is the Group's policy to lease its motor vehicles under finance leases. The lease term is 5 years. As at 31 December 2015, the effective borrowing rate was 6.26% (2014: 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 Group's 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.

## 27. 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 27. EMPLOYEE RETIREMENT BENEFITS *(Continued)*

The retirement benefits costs under the MPF schemes charged to the profit or loss during the year amounted to HK\$142,000 (2014: HK\$129,000).

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 27% to 44% (2014: 25% to 46%) 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\$2,627,000 (2014: HK\$1,979,000).

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

## 28. CONVERTIBLE BONDS

The convertible bonds were issued on 9 April 2015. The bonds are convertible into ordinary shares of the Company at any time within 24 months after the date of issue. The bonds are convertible at 760,000,000 shares with conversion price of HK\$0.2 per share.

If the bonds are not converted, they will be redeemed at par on 9 April 2017. Interest of 5% will be paid/payable annually up until that settlement date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 28. CONVERTIBLE BONDS (Continued)

The net proceeds received from the issue of the convertible bonds have been split between the liability element and an equity component, as follows:

	2015 HK\$'000
Nominal value of convertible bonds issued	152,000
Transaction cost related to liability component	(1,310)
Equity component	(20,993)
Liability component at date of issue	129,697
Interest charged (note 10)	2,125
Converted during the year	(117,743)
Liability component at 31 December 2015	14,079

The interest charged for the year is calculated by applying an effective interest rate of 13.4% to the liability component for the period from the date of issue.

The directors estimate the fair value of the liability component of the convertible bonds at 31 December 2015 to be approximately HK\$13,269,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

### 29. 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, which will expire on 12 June 2024. 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 29. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2015*

### 29. 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 31.12.2015
					Outstanding at 1.1.2015	Exercised during the year	Lapsed during the year	
<b>Directors</b>								
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
<b>Independent non-executive directors</b>								
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
<b>Employees</b>								
	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	(2,000,000)	–	18,700,000
					32,200,000	(2,000,000)	–	30,200,000



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 29. 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.

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

	2015		2014	
	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	32,200,000	0.258	34,700,000	0.258
Exercised during the year	(2,000,000)	0.270	–	–
Lapsed during the year	–	–	(2,500,000)	0.262
Outstanding at the end of the year	30,200,000	0.257	32,200,000	0.258
Exercisable at the end of the year	30,200,000	0.257	32,200,000	0.258

The average share price at the exercise date of the share options under the Old Scheme during the year was HK\$0.345. The options outstanding under the Old Scheme at the end of the year have a weighted average remaining contractual life of 3.04 years (2014: 4.07 years) and the exercise prices range from HK\$0.122 to HK\$0.270 (2014: HK\$0.122 to HK\$0.270). The total number of shares available for issue under the Scheme was 413,808,492 shares, representing 7.88% of the issued shares of the Company as at the date of the Annual Report.

There was no share-based compensation costs recognised during the year (2014: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 30. DEFERRED TAX LIABILITIES

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

	<b>Intangible assets</b>
	<i>HK\$'000</i>
At 1 January 2014	613
Credit to profit or loss for the year ( <i>note 11</i> )	(503)
Exchange adjustments	2
At 31 December 2014	112
At 1 January 2015	<b>112</b>
Credit to profit or loss for the year ( <i>note 11</i> )	<b>(65)</b>
Exchange adjustments	<b>1</b>
At 31 December 2015	<b>48</b>

As at 31 December 2015, 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\$51,849,000 and HK\$18,114,000 respectively (2014: HK\$61,571,000 and HK\$18,014,000) 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 approximately HK\$45,042,000 (2014: HK\$54,764,000) will expire within 5 years and the remaining cumulative tax losses of approximately HK\$6,807,000 (2014: HK\$6,807,000) do not expire under current tax legislation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 31. SHARE CAPITAL

	Note	2015		2014	
		No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:					
Ordinary shares of HK\$0.1 each	(a)	12,000,000	1,200,000	6,000,000	600,000
Issued and fully paid:					
At 1 January		4,564,085	456,408	2,138,085	213,808
Subscription of shares		–	–	2,000,000	200,000
Shares issued under share option	(b)	2,000	200	–	–
Shares issued upon conversion of convertible bonds	(c)	685,000	68,500	–	–
Placing of shares		–	–	426,000	42,600
At 31 December		5,251,085	525,108	4,564,085	456,408

### Notes:

- (a) On 8 June 2015, an increase in authorised share capital of the Company from HK\$600,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.1 each to HK\$1,200,000,000 divided into 12,000,000,000 shares by the creation of an additional 6,000,000,000 new shares has been approved in the Annual General Meeting.
- (b) On 29 May 2015, options to subscribe for 2,000,000 ordinary shares were exercised. The consideration received was HK\$540,000 of which HK\$200,000 was credited to share capital account and the balance of HK\$340,000 was credited to the share premium account.
- (c) During the year, the holders of Company's convertible bonds exercised partially their conversion rights and converted the convertible bonds of HK\$137,000,000 into 685,000,000 new ordinary shares with nominal value HK\$0.1 each in the share capital of the Company at a conversion price of HK\$0.2 per conversion share.

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.

### **31. SHARE CAPITAL** *(Continued)*

Total debts comprise convertible bonds and finance lease payables in 2015 (2014: finance lease payables). At 31 December 2015 and 2014, there is no net debt.

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 2015, 53.77% (2014: 46.81%) of shares were in public hands.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	4,133	321
Investments in subsidiaries	–	–
	<b>4,133</b>	321
<b>Current assets</b>		
Amounts due from subsidiaries	462,413	343,277
Other receivables	21,309	11,521
Bank and cash balances	2,082	44,097
	<b>485,804</b>	398,895
<b>Current liabilities</b>		
Other payables	4,993	4,159
<b>Net current assets</b>	<b>480,811</b>	394,736
<b>Total assets less current liabilities</b>	<b>484,944</b>	395,057
<b>Non-current liabilities</b>		
Convertible bonds	14,079	–
<b>Net assets</b>	<b>470,865</b>	395,057
<b>Capital and reserves</b>		
Share capital	525,108	456,408
Reserves	(54,243)	(61,351)
<b>Total equity</b>	<b>470,865</b>	395,057

Approved by the Board of Directors on 29 March 2016 and are signed on its behalf by:

**Sze Wai, Marco**  
Director

**Tan Shu Jiang**  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 33. 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>	Convertible bonds reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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)
At 1 January 2015	<b>610,917</b>	<b>5,978</b>	<b>–</b>	<b>(678,246)</b>	<b>(61,351)</b>
Total comprehensive income for the year	–	–	–	(63,258)	(63,258)
Shares issued under share options	740	(400)	–	–	340
Issue of convertible bonds	–	–	20,783	–	20,783
Shares issued upon conversion of convertible bonds	68,500	–	(19,257)	–	49,243
Changes in equity for the year	<b>69,240</b>	<b>(400)</b>	<b>1,526</b>	<b>(63,258)</b>	<b>7,108</b>
At 31 December 2015	<b>680,157</b>	<b>5,578</b>	<b>1,526</b>	<b>(741,504)</b>	<b>(54,243)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 33. RESERVES (Continued)

### (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 4(q).

(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 4(b).

(iv) *Convertible bonds reserve*

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4(l).

### 34. COMMITMENTS

#### (a) Lease commitments

As at 31 December 2015, the total future minimum lease payments under operating leases are payable as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	13,793	12,488
In the second to fifth years inclusive	29,314	23,600
After five years	17,488	35,260
	<b>60,595</b>	71,348

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 2015 and 2014, the Group did not have any significant capital commitments.

### 35. CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group did not have any significant contingent liabilities.

### 36. MATERIAL RELATED PARTY TRANSACTIONS

#### Compensation of key management personnel of the Group:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	11,373	7,491
Retirement benefit scheme contributions	36	31
	<b>11,409</b>	7,522



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 37. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2015 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	Inactive
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	Investment holding
Beijing Dragon Rising Environmental Protection Technologies Co. Ltd.	PRC	–	100	RMB10,000,000	Inactive
Beijing Sun Leader Technology Co., Ltd. (note a)	PRC	–	100	RMB60,000,000	Investment holding
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 37. SUBSIDIARIES (Continued)

Details of the Company's subsidiaries as at 31 December 2015 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		
Anhui Beautiful Wuhe Ecological Technologies Development Co. Ltd. (note a)	PRC	–	100	RMB180,000,000	Trading of tree seedlings
Yunnan Fecund Land Environmental Engineering Consulting Co. Ltd. (note b)	PRC	–	100	RMB1,000,000	Inactive
Kunming Beautiful National Ecological Technologies Co. Ltd. (note a)	PRC	–	85	USD60,000,000	Inactive
Beijing Fecund Land Environmental Protection Technologies Co. Ltd. (note b)	PRC	–	70	RMB10,000,000	Inactive

Notes:

(a) These are wholly foreign-owned companies established in the PRC.

(b) This is a domestic limited liability company established in the PRC.

### 38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2016.



# FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Results</b>					
Turnover	22,073	6,013	9,561	12,463	13,519
Loss from ordinary activities before tax	(61,566)	(51,620)	(44,242)	(41,068)	(48,214)
Income tax credit	65	503	616	665	1,406
Loss from ordinary activities after tax	(61,501)	(51,117)	(43,626)	(40,403)	(46,808)
Attributable to:					
Owners of the Company	(61,490)	(51,117)	(43,626)	(40,403)	(46,808)
Non-controlling interests	(11)	–	–	–	–
	(61,501)	(51,117)	(43,626)	(40,403)	(46,808)
<b>Assets and liabilities</b>					
Property, plant and equipment	6,017	3,890	6,476	16,491	24,402
Intangible assets	888	2,702	5,884	9,395	13,364
Biological assets	160,177	2,182	–	–	–
Prepayments	167,252	–	–	–	–
Deposits	30,086	211,413	–	–	–
Pledged bank deposits	–	–	–	–	5,000
Net current assets	147,365	222,240	122,043	149,319	173,052
Total assets less current liabilities	511,785	442,427	134,403	175,205	215,818
Non-current liabilities	(14,127)	(542)	(2,034)	(3,587)	(5,131)
<b>Net assets</b>	<b>497,658</b>	<b>441,885</b>	<b>132,369</b>	<b>171,618</b>	<b>210,687</b>
<b>Capital and reserves</b>					
Share capital	525,108	456,408	213,808	213,808	213,808
Reserves	(27,440)	(14,523)	(81,439)	(42,190)	(3,121)
<b>Equity attributable to the owners of the Company</b>	<b>497,668</b>	<b>441,885</b>	<b>132,369</b>	<b>171,618</b>	<b>210,687</b>
Non-controlling interests	(10)	–	–	–	–
<b>Total equity</b>	<b>497,658</b>	<b>441,885</b>	<b>132,369</b>	<b>171,618</b>	<b>210,687</b>
<b>Loss per share (cents)</b>					
Basic	(1.22)	(1.22)	(2.04)	(1.89)	(2.19)
Diluted	(1.22)	(1.22)	(2.04)	(1.89)	(2.19)