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

(incorporated in Bermuda with limited liability)

(Stock code: 706)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of Beautiful China Holdings Company Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Note	**Six months ended 30 June 2016 (Unaudited) *HK$'000***	2015 (Unaudited) *HK$'000*
Turnover	*3*	**814**	1,572
Cost of sales		**–**	–
Gross profit		**814**	1,572
Other income and gains	*4*	**1,276**	1,376
Administrative expenses		**(28,203)**	(32,218)
Biological assets written off	*10*	**(4,900)**	–
Prepaid consulting and maintenance service cost written off	*11*	**(4,747)**	–
Loss from operations		**(35,760)**	(29,270)
Finance costs	*5*	**(1,065)**	(522)
Loss before tax		**(36,825)**	(29,792)
Income tax expense	*6*	**–**	–
Loss for the period	*7*	**(36,825)**	(29,792)
Attributable to:			
Owners of the Company		**(36,805)**	(29,792)
Non-controlling interests		**(20)**	–
		(36,825)	(29,792)
Loss per share	*9*		
Basic		**(0.70) cents**	(0.62) cents
Diluted		**(0.70) cents**	(0.62) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(36,825)**	(29,792)
Other comprehensive income for the period, net of tax		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(5,360)**	903
Total comprehensive income for the period	**(42,185)**	(28,889)
Attributable to:		
Owners of the Company	**(42,165)**	(28,889)
Non-controlling interests	**(20)**	–
	(42,185)	(28,889)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**4,553**	6,017
Intangible assets		**438**	888
Biological assets	*10*	**173,422**	160,177
Prepayments	*11*	**144,253**	167,252
Deposits	*12*	**48,127**	30,086
		370,793	364,420
Current assets			
Trade and other receivables	*13*	**11,126**	17,175
Bank and cash balances		**129,011**	143,037
		140,137	160,212
Current liabilities			
Trade and other payables	*14*	**12,933**	12,417
Finance lease payables		**–**	430
Other borrowing	*15*	**30,269**	–
Convertible bonds		**12,361**	–
		55,563	12,847
Net current assets		**84,574**	147,365
Total assets less current liabilities		**455,367**	511,785
Non-current liabilities			
Convertible bonds		**–**	14,079
Deferred tax liabilities		**48**	48
		48	14,127
Net assets		**455,319**	497,658
Capital and reserves			
Share capital	*16*	**525,108**	525,108
Reserves		**(69,759)**	(27,440)
Equity attributable to the owners of the Company		**455,349**	497,668
Non-controlling interests		**(30)**	(10)
Total equity		**455,319**	497,658

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	(Unaudited) Attributable to owners of the Company								
	Share capital	Share premium	Share option reserve	Translation reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	456,408	610,917	5,978	42,301	–	(673,719)	441,885	–	441,885
Total comprehensive income for the period	–	–	–	903	–	(29,792)	(28,889)	–	(28,889)
Shares issued under share option scheme	200	340	–	–	–	–	540	–	540
Issue of convertible bonds	–	–	–	–	23,542	–	23,542	–	23,542
Shares issued upon conversion of convertible bonds	68,500	68,500	–	–	(21,219)	–	115,781	–	115,781
At 30 June 2015	525,108	679,757	5,978	43,204	2,323	(703,511)	552,859	–	552,859
At 1 January 2016	**525,108**	**680,157**	**5,578**	**20,508**	**1,526**	**(735,209)**	**497,668**	**(10)**	**497,658**
Total comprehensive income for the period	**–**	**–**	**–**	**(5,360)**	**–**	**(36,805)**	**(42,165)**	**(20)**	**(42,185)**
Redemption of convertible bonds	**–**	**–**	**–**	**–**	**(154)**	**–**	**(154)**	**–**	**(154)**
Share options lapsed	**–**	**–**	**(1,325)**	**–**	**–**	**1,325**	**–**	**–**	**–**
At 30 June 2016	**525,108**	**680,157**	**4,253**	**15,148**	**1,372**	**(770,689)**	**455,349**	**(30)**	**455,319**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(39,801)**	(45,779)
Net cash generated from investing activities	**1,008**	844
Net cash generated from financing activities	**26,922**	152,017
Net (decrease)/increase in cash and cash equivalents	**(11,871)**	107,082
Effect of foreign exchange rates changes, net	**(2,155)**	912
Cash and cash equivalents at 1 January	**143,037**	217,108
Cash and cash equivalents at 30 June	**129,011**	325,102

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1 BASIS OF PREPARATION

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

These unaudited condensed consolidated interim financial statements have been prepared under the historic cost convention, except for the biological assets that are measured at fair value less costs to sell.

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2015, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual period beginning 1 January 2016. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group.

The Group has not early applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

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 or loss 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 and other borrowing.

All operating assets and operations of the Group during the periods ended 30 June 2016 and 2015 were substantially located and carried out in the People's Republic of China (the "PRC").

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

		(Unaudited)	
	ATM	**Tree plantation**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
For the six months ended 30 June 2016			
Revenue from external customers	**814**	**–**	**814**
Segment loss	**(2,426)**	**(10,319)**	**(12,745)**
Interest income	**20**	**–**	**20**
Depreciation and amortisation	**(10)**	**(126)**	**(136)**
Biological assets written off	**–**	**(4,900)**	**(4,900)**
Prepaid consulting and maintenance service cost written off	**–**	**(4,747)**	**(4,747)**
Capital expenditure	**46**	**41**	**87**
As at 30 June 2016			
Segment assets	**70,545**	**513,428**	**583,973**
Segment liabilities	**231,679**	**291,189**	**522,868**

		(Unaudited)	
	ATM	Tree plantation	Total
	HK$'000	*HK$'000*	*HK$'000*
For the six months ended 30 June 2015			
Revenue from external customers	1,572	–	1,572
Segment loss	(3,619)	(4,585)	(8,204)
Interest income	155	–	155
Depreciation and amortisation	(1,287)	(135)	(1,422)
Capital expenditure	93	368	461
As at 31 December 2015			
Segment assets (audited)	97,796	490,206	588,002
Segment liabilities (audited)	269,524	308,946	578,470

4 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016	**2015**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Interest income	**1,095**	1,349
Others	**181**	27
	1,276	1,376

5 FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance lease charges	**26**	35
Interest on convertible bonds	**878**	487
Interest on other borrowing	**161**	–
	1,065	522

6 INCOME TAX EXPENSE

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 periods ended 30 June 2016 and 2015.

The PRC Enterprise Income Tax rate for the PRC subsidiaries is 25% (2015: 25%) during the periods. No provision for the PRC Enterprise Income Tax has been made in the condensed consolidated financial statements for the periods ended 30 June 2016 and 2015 as the PRC subsidiaries have either no assessable profits or sufficient tax losses brought forward to set off against assessable profits for the periods.

7 LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging the following:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of intangible assets	**446**	676
Depreciation:		
– Owned assets	**1,089**	956
– Leased asset	**383**	574
Staff costs including directors' emoluments	**10,231**	10,960

8 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 and 2015.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to the owners of the Company for the six months ended 30 June 2016 is based on the loss for the period attributable to owners of the Company of approximately HK$36,805,000 (six months ended 30 June 2015: loss of approximately HK$29,792,000) and the weighted average number of ordinary shares of approximately 5,251,085,000 (six months ended 30 June 2015: approximately 4,804,389,000) in issue during the period.

(b) Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the periods ended 30 June 2016 and 2015.

10. 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 30 June 2016 and 31 December 2015 are listed below:

	At 30 June 2016 (Unaudited) ***Unit'000***	At 31 December 2015 (Audited) *Unit'000*
The Seedlings:	**1,176**	1,208

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.

(b) Value of the Group's biological assets

The amounts of the Seedlings are as follows:

	At 30 June 2016 (Unaudited) ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
At beginning of the reporting period	**160,177**	2,182
Increase due to purchases	**–**	170,408
Increase due to plantation costs *(note 1)*	**20,415**	10,633
Decrease due to sales	**–**	(15,366)
Changes in fair value less costs to sell of biological assets	**–**	(1,044)
Written off of the Seedlings *(note 2)*	**(4,900)**	–
Exchange adjustments	**(2,270)**	(6,636)
At end of the reporting period	**173,422**	160,177

Note 1: The plantation costs comprise consulting and maintenance service costs, staff costs, depreciation, rental expenses of nurseries and other incidental costs.

Note 2: Approximately 32,000 units of the Seedlings with the carrying amount of approximately HK$4,900,000 were removed and written off due to mortality.

The directors estimate the fair values of the Group's biological assets are not materially different from their carrying values as at 30 June 2016.

11. PREPAYMENTS

	At 30 June 2016 (Unaudited) *HK$'000*	At 31 December 2015 (Audited) *HK$'000*
Prepaid consulting and maintenance service costs *(note)*	**141,930**	164,896
Prepaid property, plant and equipment	**2,323**	2,356
	144,253	167,252

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 consulting 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 consulting and maintenance service costs and amortised over 5 years on a straight-line basis. The amortised consulting and maintenance service costs are capitalised in the plantation costs of biological assets.

During the six months ended 30 June 2016, approximately 32,000 units of the Seedlings were removed and written off due to mortality and the related prepaid consulting and maintenance service costs of approximately HK$4,747,000 was written off accordingly.

12 DEPOSITS

	At 30 June 2016 (Unaudited) *HK$'000*	At 31 December 2015 (Audited) *HK$'000*
Deposits paid for potential projects	**48,127**	15,356
Deposits paid for purchase of tree seedlings	**–**	14,730
	48,127	30,086

13 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2016 (Unaudited) *HK$'000*	At 31 December 2015 (Audited) *HK$'000*
Total trade receivables – current	**5,692**	6,010
Prepayments, deposits and other receivables	**5,434**	11,165
Total trade and other receivables	**11,126**	17,175

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 a good relationship. Trade receivables with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

14 TRADE AND OTHER PAYABLES

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

	At 30 June 2016 (Unaudited) *HK$'000*	At 31 December 2015 (Audited) *HK$'000*
1 to 3 months	**22**	188
3 to 12 months	**136**	62
Over 1 year	**–**	3
Total trade payables	**158**	253
Other payables and accrued expenses	**12,775**	12,164
Total trade and other payables	**12,933**	12,417

15 OTHER BORROWING

	At 30 June 2016 (Unaudited) ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
Other loan – unsecured	**30,269**	–

The other loan is denominated in USD, unsecured, interest-bearing at 8% per annum and repayable on or before 31 August 2016. The other loan was fully repaid in August 2016.

16 SHARE CAPITAL

	At 30 June 2016 (Unaudited)		At 31 December 2015 (Audited)	
	No. of shares ***'000***	**Amount** ***HK$'000***	No. of shares *'000*	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**12,000,000**	**1,200,000**	12,000,000	1,200,000
Issued and fully paid:				
At beginning of the reporting period	**5,251,085**	**525,108**	4,564,085	456,408
Shares issued under share option scheme	**–**	**–**	2,000	200
Shares issued upon conversion of convertible bonds	**–**	**–**	685,000	68,500
At end of the reporting period	**5,251,085**	**525,108**	5,251,085	525,108

17 COMMITMENTS

(a) Lease commitments

As at 30 June 2016, the total future minimum lease payments under operating leases are payable as follows:

	At 30 June 2016 (Unaudited) ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
Within one year	**8,247**	13,793
In the second to fifth years inclusive	**21,326**	29,314
After five years	**22,166**	17,488
	51,739	60,595

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

Capital commitments at the end of each reporting period are as follows:

	At 30 June 2016 (Unaudited) ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
Contracted but not provided for:		
Purchases of property, plant and equipment	**127,787**	–

18 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

19 RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group during the periods end 30 June 2016 and 2015.

20 EVENTS AFTER THE REPORTING PERIOD

On 21 June 2016 and 5 July 2016, the Company entered into a subscription agreement and an amended and restated subscription agreement with a subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue convertible bonds in an aggregate principal amount of HK$118,000,000 (the "**Subscription**"). On 21 June 2016, the Company also entered into a placing agreement with a placing agent, pursuant to which the placing agent has conditionally agreed to procure, on a best effort basis, placees to subscribe in cash for convertible bonds of up to an aggregate principal amount of HK$50,000,000 (the "**Placing**"). Based on the initial conversion price of HK$0.16 per ordinary share, a maximum number of 1,050,000,000 ordinary share in aggregate will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full under the Subscription and Placing. The convertible bonds under the Subscription and the Placing are interest-bearing at 8.5% and will be matured at the date falling on the third anniversary of the date of issue of the convertible bonds. The maximum net proceeds from the Subscription and the Placing are estimated to be approximately HK$163,000,000 after deducting of related expenses and the Company intends to use such proceeds as to (i) approximately 80% for funding the capital expenditure on environment projects of the Group in the PRC; and (ii) approximately 20% as general working capital of the Group.

On 12 July 2016, a side agreement to the subscription agreement was further entered into between the Company and the subscriber whereby the parties agreed, among others, that the convertible bonds of the Subscription would be issued in two tranches, the first tranche being in the aggregate principal amount of HK$60,000,000 and has been completed on 17 August 2016 and net proceeds of approximately HK$57,000,000 were received. Completion of the Subscription of the remaining amount of HK$58,000,000 of the convertible bonds has also been completed on 26 August 2016 and net proceeds of approximately HK$57,000,000 were received.

For the Placing, as certain conditions precedent under the placing agreement has not been fulfilled, the placing agreement has been lapsed on 12 July 2016.

BUSINESS REVIEW

Entering the first year of the "13th Five Year Plan" implemented by the PRC government, Beautiful China continued to follow the environmental protection policy of the government, and adjusted its business strategy in a timely manner to align with the focus and trend of macro national development, with an aim to achieving best performance and developing into a leading integrated enterprise engaged in both ecological landscape construction and environmental management services. The domestic landscape business was, in general, affected by economic slowdown with decrease in new large-scale landscape projects, while the eco-environmental protection industry was still undergoing an explosive growth. The Company seized this great opportunity to undergo business transformation, which provided a buffer against impact of the economic cycle. On the other hand, the Company planned to terminate its ATM business in the second half of the year, so as to concentrate its resources to explore the ecological garden and landscape and environmental protection businesses that possess greater potential.

In recent years, the Chinese Government proposed several development goals such as "Ecological Civilization Construction", "Beautiful China" and "China Dream", with a commitment to improving environmental protection, ecological environment and living quality of the people. In addition to the huge amounts of investments made for the implementation of environmental policies such as "Ten Measures to Improve Air Quality", "Ten Measures to Improve Water Quality" and "Ten Measures to Improve Soil Quality", the government spared no effort in promoting the Public-Private Partnership (PPP) policy, for which the ecological environmental protection sector also presents one of the key areas. These macro-factors will bring enormous development opportunities for the ecological environmental protection sector.

However, given that the garden and landscape market was affected by economic slowdown, some related enterprises have shifted their focus to the ecological environmental protection business. The participation of other leading companies including state-owned enterprises, attracted by the rapid growth of the sector in recent years, has fueled competition in the industry. In spite of all these, as one of the pioneers in the industry engaged in ecological environmental protection business, the Group enjoys first-mover advantage in business transformation. Moreover, the Group embraces business innovation, such as a dual business structure comprising ecological landscape and environmental protection services and an integrated operation model combining investment and construction to provide customers with an integrated solution covering investment and construction leveraging on its financing strength. Moreover, the Company abides by the principle of prudence and selection, focusing on projects that are in great need, have matured conditions and a clearly plausible ecological environmental protection business model, and always in pursuit for quality development. As a result, the Group has gained significant competitive advantages among its peers, laying a solid foundation for sustainable business growth in future.

Ecological Garden and Landscape Business

During the period, the slowing economic growth in the PRC prompted developers to take a more prudent approach, resulting in a lack of new large-scale landscape projects. Accordingly, the Company has put more efforts into the development of existing projects. Currently, the Company's top priority is the investment and construction of the landscape of the Dian Lake Wetland of the Kunming Dian Lake Vacation Zone. The comprehensive project, which includes ecological landscape construction, wetland ecological improvement and water ecological restoration, has completed bidding process at the mid of July and is scheduled to commence construction in September and expected to be completed by the end of 2017. The project has been awarded to Kunming Shengbang Eco-Technology Company Limited* (昆明盛邦生態科技有限公司), a subsidiary of the Company, which is expected to bring remarkable revenue for the Company.

As for the seedling cultivation segment, the construction and operation of our colour seedling nursery base in Bengbu, Anhui made smooth progress with satisfactory progress. The rare North American red maple and other quality colour tree seedlings cultivated last year all thrived. The Company will continue to expand the nursery base and introduce more seedling varieties, with an aim to building it into the largest colour seedling nursery base in Asia, so as to consolidate the Group's leading position in the domestic seedling market and boost sustainable and rapid development of our seedling nursery business.

Meanwhile, the Group proactively followed up the acquisition projects with a renowned domestic landscape project service provider. Following the entering of a letter of intent for acquisition last year, the project is currently at the stage of negotiation. The company has outstanding experience in both design and construction, 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.

Ecological Environmental Protection Business

The Company has made great efforts to undergo business transformation in recent years, gradually shifting its focus to ecological environmental protection business, with an aim to creating a new growth driver for the Company. The Company has made encouraging progress in the negotiation and implementation of the potential new business of the ecological environmental protection business, mainly engaged in integrated solid waste treatment and renewable resources recycling including integrated domestic waste collection and treatment, landfill sites operation and plastic waste oil refining.

In April 2016, the Company and China Development Ronghua Industry Investment Fund Management Company Limited* (國開熔華產業投資基金管理有限責任公司), a subsidiary of China Development Bank, reached a preliminary co-operation intention with regard to the proposed formation of a joint venture to jointly develop integrated domestic waste treatment and other relevant businesses. On the other hand, the Company entered into a cooperative framework agreement with the People's Government of Shanghe County in May to jointly operate a company to engage in the business of waste treatment in Shanghe county in franchise model.

* *For identification purpose only*

Moreover, the Company has sought for and identified a number of relevant potential projects in various regions across China, and actively engaged in negotiation with the governmental and corporate clients for details, so as to facilitate the implementation of the plans. Meanwhile, the Company also achieved desirable progress in pollution restoration and treatment business in provinces such as Heilongjiang and Shandong. The preliminary preparation works for Hongxing landfill restoration and treatment project in Qiqihar, Heilongjiang province have been completed, construction of which will be kicked off after execution of an official contract.

OUTLOOK

With the global economy still shrouded in uncertainties and the PRC's economic growth showing signs of continuous slowdown, Beautiful China will adhere to the principle of cost reduction and efficiency enhancement, pay heed to the latest trends of market development, and undertake regular evaluation on the effectiveness of our operational strategies, so as to make adjustments accordingly in a timely manner. The Company will continue to tap into the key regional markets, in an effort to actively expand its business coverage and maintain good balance between short-term business volume or performance and long-term development of the Company.

We expect a major breakthrough in performance in the second half of the year. The Company will launch certain major projects, which will usher in a season of harvest in performance and bring lucrative returns for our shareholders. In the aspect of ecological environmental protection business, the Company's subsidiary, Kunming Shengbang Eco-Technology Company Limited, has just been awarded the investment and construction of the ecological wetland landscape project at the Dian Lake Wetland of the Kunming Dian Lake Vacation Zone, for which preparation works will be carried out for deployment of construction work upon execution of the contract and is expected to generate remarkable revenue for the Company. In addition, in light of several proposed development plans for wetland parks at the west bank of Dianchi in Kunming, the Company will leverage on its existing advantages and strive to win bidding for the other development projects.

On the other hand, in light of rapid growth in seedling sales in the past year, the Company will expand colour seedling nursery base according to the business plan, and step up effort in promoting seedling sales to double sales performance. The Company will introduce foreign agricultural practices while researching and developing its own cultivation techniques, and will increase the plantation area of North American red maple and other rare colour tree seedlings, with an aim to become the largest colour seedling supplier in Asia.

In the aspect of environmental protection business, the Company will expedite the potential waste treatment projects in areas such as Qiqihar and Shanghe County, in an effort to achieve significant growth in waste treatment business. Besides domestic waste, we also plan to tap into the industrial and agricultural plastic waste collection industry, committed to solving the problem of "waste siege = plastics siege". In addition, the Company has been seeking for merger and acquisition projects for plastic waste oil refining enterprises, which are equipped with the state-of-the-art equipments in the world with a sustainable development operation model and up-to-date environmental protection criteria, so as to achieve another breakthrough in renewable resources business. The ecological environmental protection business maintains good development momentum and is expected to become the spotlight of performances this year. The Company is committed to developing into an ecological environmental protection service provider, and will continue to undergo business transformation with all means.

Moreover, the Company will take proactive measures to foster our strategic partnership with China Development Ronghua Industry Investment Fund Management Company Limited and the People's Government of Shanghe County, so as to push forward business development next year. Meanwhile, the Company will continue to scout for potential business partners. While strengthening our cooperation with local governments, the Company will strive to establish strategic partnerships with sizable environmental service providers, so as to improve our overall service quality and to claim a bigger market share.

Apart from our diversified financing channels, the Company will seize the opportunity arising from the PPP policy implemented by the PRC government to enhance cooperation with domestic financial institutions, so as to ensure adequate supply of working capital. On the technical side, the Company will seek for cost-effective opportunities for merger and acquisitions, set up subsidiaries engaged in various specialties, improve technology level and build outstanding operation teams.

In the coming years, the Company is of the view that though the macro-economy might continue to exert adverse impact on the landscape construction business, the overall ecological garden and landscape and environmental protection industry will continue booming and remain one of the most promising emerging industries with strong support from the policy of the government. Therefore, the Company has a bright prospect and is rife with opportunities. On the contrary, the Company's ATM business faces severe challenges with substantial decrease in revenue from Southern and Southwestern China due to intensified competition. In view of this, the Company expects to terminate this business segment in the second half of the year, with an aim to centralizing resources to develop ecological landscape and environmental protection business, so as to achieve better performances as well as expand and strengthen the business.

Looking forward, with full policy support from the government, the environmental protection industry is expected to maintain high-speed growth and enjoys enormous room for development during the "13th Five Year Plan". After ten years of high-speed growth, and with the development of the capital market, the environmental protection industry becomes matured with promising prospect. The Group will seize the opportunity arising from the favorable policy implemented by the government, and reinforce communication with the government clients, so as to expedite the process of business transformation and keep growing and scaling our ecological landscape and environmental protection business.

The Group is highly optimistic about its business prospects, and will continue to tap into the synergistic effect among various segments to synchronize its expansion in landscape construction, seedling cultivation, solid waste treatment and renewable energy businesses in key regions, so as to ensure a balanced development of the overall environmental protection and ecological construction businesses and enhance the Company's value and profitability, in a bid to generate substantial return for both shareholders and investors.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had cash and bank balances approximately HK$129.0 million (31 December 2015: approximately HK$143.0 million). The Group had no bank borrowing but had convertible bonds, other borrowing and finance lease payables amounting approximately HK$42.6 million as at 30 June 2016 (31 December 2015: approximately HK$14.5 million). As at 30 June 2016, the total asset value of the Group was approximately HK$510.9 million (31 December 2015: approximately HK$524.6 million) whereas the total liabilities was approximately HK$55.6 million (31 December 2015: approximately HK$27.0 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 10.9% (31 December 2015: 5.1%).

The Group maintained a net cash (being the total cash and bank balances net of liability portion of convertible bonds, other borrowing and finance lease payables) to total equity ratio of 19.0% (31 December 2015: 25.8%) as at 30 June 2016. With net cash approximately HK$86.3 million (31 December 2015: approximately HK$128.5 million) as at 30 June 2016, the Directors of the Group ("Directors") believe that the Group is in a healthy financial position.

On 21 June 2016 and 5 July 2016, the Company entered into a subscription agreement and an amended and restated subscription agreement with a subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue convertible bonds in an aggregate principal amount of HK$118,000,000 (the "**Subscription**"). On 21 June 2016, the Company also entered into a placing agreement with a placing agent, pursuant to which the placing agent has conditionally agreed to procure, on a best effort basis, placees to subscribe in cash for convertible bonds of up to an aggregate principal amount of HK$50,000,000 (the "**Placing**"). Based on the initial conversion price of HK$0.16 per ordinary share, a maximum number of 1,050,000,000 ordinary share in aggregate will be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full under the Subscription and Placing. The convertible bonds under the Subscription and the Placing are interest-bearing at 8.5% and will be matured at the date falling on the third anniversary of the date of issue of the convertible bonds. The maximum net proceeds from the Subscription and the Placing are estimated to be approximately HK$163,000,000 after deducting of related expenses and the Company intends to use such proceeds as to (i) approximately 80% for funding the capital expenditure on environment projects of the Group in the PRC; and (ii) approximately 20% as general working capital of the Group.

On 12 July 2016, a side agreement to the subscription agreement was further entered into between the Company and the subscriber whereby the parties agreed, among others, that the convertible bonds of the Subscription would be issued in two tranches, the first tranche being in the aggregate principal amount of HK$60,000,000 and has been completed on 17 August 2016 and net proceeds of approximately HK$57,000,000 were received. Completion of the Subscription of the remaining amount of HK$58,000,000 of the convertible bonds has also been completed on 26 August 2016 and net proceeds of approximately HK$57,000,000 were received.

For the Placing, as certain conditions precedent under the placing agreement has not been fulfilled, the placing agreement was lapsed on 12 July 2016.

CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

EXCHANGE RISK

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

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 52 (31 December 2015: 57) employees. Employees' costs (including directors' emoluments) amounted to approximately HK$10,231,000 (six months ended 30 June 2015: approximately HK$10,960,000) for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

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

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

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and compiled with the Code Provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2016, except for the following deviations:

1. The Code Provision A.4.1 stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election. Although the Independent Non-executive Directors are not appointed for specific term, they are subject to retirement by rotation at least once every three years in accordance with Article 111(A) of the Company's Bye-Laws.

2. The Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai, Marco was unable to attend the Company's annual general meeting which was held on 23 June 2016 as he had an important engagement that was important to the Company's business. Although he was unable to attend, he had arranged for Mr. Zhou Wei Feng, an Executive Director and the CEO of the Company and Mr. Chan Ying Kay, the Company Secretary of the Company (who has resigned on 23 June 2016) who are well versed in all the business activities and operations of the Group, to attend on his behalf and to chair the meeting and to respond to shareholders' questions.

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 a Code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises three independent non-executive Directors, Mr. Chong Yiu Kan, Sherman ("Mr. Chong"), Mr. Lum Pak Sum and Mr. Liu Liyang. Mr. Chong takes the chair of the AC. Terms of reference of the audit committee have been updated in compliance with the Code. The AC is responsible to review with management the financial reporting system and provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. Also, the AC is responsible to review and discuss the internal control procedures and risk management systems of the Group with the management.

The AC has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures, risk management systems and financial reporting matters including review of the unaudited interim results of the Group for the six months ended 30 June 2016.

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

Hong Kong, 29 August 2016

As at the date hereof, the board of directors of the Company comprises Mr. Sze Wai, Marco, Mr. Tan Shu Jiang, Mr. Zhou Wei Feng and Mr. Pan Tingxuan as executive Directors; and Mr. Law Fei Shing and Mr. Chen Chun Tung, Jason as non-executive Directors; and Mr. Chong Yiu Kan, Sherman, Mr. Lum Pak Sum and Mr. Liu Liyang as independent non-executive Directors.