THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Beautiful China Holdings Company Limited** (the "**Company**"), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company and it must not be used for purpose of offering or inviting offers for any securities.

BCH 美丽中国 BEAUTIFUL CHINA

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

(incorporated in Bermuda with limited liability)

(Stock code: 706)

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A SUBSTANTIAL SHAREHOLDER
(2) APPLICATION FOR WHITEWASH WAIVER
(3) CAPITAL INCREASE
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

中投证券(香港)
CHINA INVESTMENT SECURITIES (HK)

Independent Financial Adviser to the Independent Board Committee

TC Capital
天財資本

A letter from the Board is set out on pages 5 to 18 of this circular. A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from TC Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 35 of this circular.

A notice convening the SGM to be held at Unit A, 29/F., Admiralty Centre 1, 18 Harcourt Road, Hong Kong at 10:00 a.m. on Monday, 23 December 2013 is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

6 December 2013

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement	the announcement dated 22 October 2013 made by the Company in relation to, among others, the Subscription, application for the Whitewash Waiver and the Capital Increase
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"Business Day(s)"	any day (excluding Saturday and Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business in Hong Kong
"Capital Increase"	the proposed increase of authorized share capital of the Company from HK$300,000,000 divided into 3,000,000,000 Shares of HK$0.10 each to HK$600,000,000 divided into 6,000,000,000 Shares of HK$0.10 each
"Company"	Beautiful China Holdings Company Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange (stock code: 706)
"Companies Act"	The Companies Act 1981 of Bermuda
"Completion"	completion of the Subscription
"Completion Date"	the date being the second Business Day after all the Conditions have been fulfilled, when Completion shall take place, or such other date as may be agreed in writing between the Company and the Subscriber
"Conditions"	the conditions precedent to Completion, as more particularly set out under the section headed "Conditions of the Subscription" in the letter from the Board in this circular
"connected persons"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising all the three independent non-executive Directors, namely Mr. Lai Yip Wing, Mr. Chan Ming Sun, Jonathan and Mr. Chong Yiu Kan, Sherman, which has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver and as to voting
"Independent Financial Adviser" or "TC Capital"	TC Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
"Independent Shareholders"	(i) for the purpose of the Subscription Agreement, Shareholders other than (a) the Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited); (b) Subscriber's associates; and (c) any other Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver; (ii) for the purpose of the Takeovers Code, Shareholders other than the Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with anyone of them (including Global Prize Limited) and any other Shareholders who are involved in or interested in the Subscription and/or the Whitewash Waiver
"Last Trading Day"	16 October 2013, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares on the Stock Exchange pending the release of the Announcement
"Latest Practicable Date"	3 December 2013, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2013

"Mr. Sze"	Mr. Sze Wai, Marco, the executive Director, chairman and chief executive officer of the Company
"Outstanding Options"	the options granted by the Company to subscribe for an aggregate of 34,700,000 new Shares under the share option scheme of the Company currently in force and adopted by the Company on 23 May 2002
"PRC"	the People's Republic of China, which, solely for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Relevant Period"	the period commencing 22 April 2013, being the date falling 6 months before the date of Announcement, up to and including the Latest Practicable Date
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving Subscription Agreement and the transactions contemplated thereunder, and Capital Increase, respectively
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Leading Value Industrial Limited, a company incorporated in the British Virgin Islands, and is wholly-owned by Mr. Sze
"Subscription"	the subscription by the Subscriber for the Subscription Shares pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 16 October 2013 between the Subscriber and the Company relating to the subscription of 2,000,000,000 new Shares to be subscribed by the Subscriber
"Subscription Price"	means the subscription price of HK$0.10 per Subscription Share

"Subscription Share(s)"	new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
"substantial shareholder"	has the meaning ascribed under in the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers
"Trading Day"	any day on which the Stock Exchange is scheduled to open for trading for its regular trading session
"Whitewash Waiver"	the waiver by the Executive under Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer to the shareholders of the Company for all issued shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber as a result of the allotment and issue of the Subscription Shares to the Subscriber
"%"	per cent.

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

(incorporated in Bermuda with limited liability)

(Stock code: 706)

Executive Directors:
Sze Wai, Macro *(Chairman)*
Mao Zhenhua
Tan Shu Jiang
Shentu Jun

Independent non-executive Directors:
Chong Yiu Kan, Sherman
Chan Ming Sun, Jonathan
Lai Yip Wing

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
Unit 2003 and 2005, 20th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

6 December 2013

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A SUBSTANTIAL SHAREHOLDER (2) APPLICATION FOR WHITEWASH WAIVER (3) CAPITAL INCREASE AND (4) NOTICE OF SPECIAL GENERAL MEETING

I. INTRODUCTION

Reference is made to the Announcement. On 16 October 2013, the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares at the price of HK$0.10 per Subscription Share. Assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the

Subscription Agreement up to Completion, the Subscription Shares represent (i) approximately 93.54% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 48.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

In addition, the Company proposes to effect the Capital Increase whereby the authorized share capital of the Company will be increased from HK$300,000,000 divided into 3,000,000,000 Shares of par value of HK$0.10 each to HK$600,000,000 divided into 6,000,000,000 Shares of par value of HK$0.10 each by the creation of an additional 3,000,000,000 Shares.

The Subscriber is a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, the Subscriber held 474,869,906 Shares, representing approximately 22.21% of the voting rights of the Company. Global Prize Limited, being person acting in concert with the Subscriber, held 2,040,000 Shares, representing approximately 0.10% of the voting rights of the Company. Upon Completion, 2,000,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and persons acting in concert with it in the voting rights of the Company will be increased from approximately 22.31% to approximately 59.86% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of Independent Shareholders at the SGM by way of poll. The Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited) and any other Shareholders who are involved or interested in the Subscription and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

The purpose of this circular is to provide you, among other things, (i) further details of the Subscription Agreement; (ii) further details of the Whitewash Waiver; (iii) further details of the Capital Increase; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules and the Takeovers Code, for the purpose of the SGM.

II. SUBSCRIPTION

1. Principal Terms of the Subscription Agreement

Date:

16 October 2013 (after trading hours)

Parties:

(i) the Subscriber, a company incorporated in the British Virgin Islands, and is wholly-owned by Mr. Sze. As at the Latest Practicable Date, the Subscriber held 474,869,906 Shares, representing approximately 22.21% of the issued share capital of the Company; and

(ii) the Company.

The Subscription Shares:

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares. As at the Latest Practicable Date, there were 2,138,084,922 Shares in issue and the Subscription Shares represent approximately 93.54% of the issued share capital of the Company as at the Latest Practicable Date and, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, approximately 48.33% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK$200,000,000.

Subscription Price:

The Subscription Price is HK$0.1 per Subscription Share. The Subscription Price represents:

(i) a discount of approximately 63.64% to the closing price of HK$0.2750 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 22.48% to the closing price of HK$0.1290 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 22.72% to the average closing price of HK$0.1294 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

(iv) a discount of approximately 23.43% to the average closing price of HK$0.1306 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(v) a discount of approximately 18.30% to the average closing price of HK$0.1224 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and

(vi) a premium of approximately 38.89% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2013 of approximately HK$0.072 (based on a total of 2,138,084,922 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$153,916,000 as at 30 June 2013).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the Stock Exchange and the recent trading prices of the Shares as quoted on the Stock Exchange. Although the Subscription Price represents a discount of approximately 22.48% to the closing price as quoted on the Stock Exchange on the Last Trading Day, the Directors believe the discount is reasonable in view of the following reasons:

(i) the Subscription Price still represents a premium of approximately 38.89% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2013 of approximately HK$0.072; and

(ii) average daily trading volume of the Shares for the last 30 trading days up to and including the Last Trading Day were approximately 310,000 Shares, representing a percentage of the average total number of Shares held by the public Shareholders of approximately 0.019%. Given the low trading volume of the Shares, it is difficult for the Company to conduct equity fund raising activities with independent investors.

The total consideration for the Subscription Shares in the sum of HK$200,000,000 will be financed by internal resources available to the Subscriber.

Rankings:

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription:

Completion is conditional upon:

(i) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date of the Subscription Agreement up to (and including) the Completion Date, save for any temporary suspension not exceeding twelve consecutive Trading Days, or such longer period not exceeding fifteen consecutive Trading Days as may be required by the SFC or the Stock Exchange in connection with the review and approval of the documents relating to the transactions contemplated in the Subscription Agreement (including but not limited to announcements and documents relating to the transactions contemplated herein) by the SFC or the Stock Exchange prior to their release or publication;

(ii) no indication being received prior to the Completion from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Main Board of the Stock Exchange shall or may be withdrawn or objected to;

(iii) having obtained the approval of the Independent Shareholders at the SGM of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the subscription, allotment and issue of the Subscription Shares);

(iv) having obtained any necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement;

(v) listing of and permission to deal in the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);

(vi) the Executive granting the Whitewash Waiver to the Subscriber and any parties acting in concert respectively with it;

(vii) the passing of the necessary resolutions by the Independent Shareholders at the SGM who are permitted by the Executive to vote on the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder and the granting by the Executive of the Whitewash Waiver to the Subscriber; and

(viii) all the warranties as set out in the Subscription Agreement being true and correct in all material respects as at completion of the Subscription Agreement by reference to the facts and circumstances subsisting at that date.

As at the Latest Practicable Date, none of the conditions had been fulfilled.

None of the Conditions can be waived by either party. In the event that not all the Conditions have been fulfilled by on or prior to the Long Stop Date or such later date as may be agreed in writing between the Company and the Subscriber, the Subscription Agreement shall terminate and neither party shall have any claim against the other for costs, damages, compensation or otherwise save in respect of any antecedent breaches of the Subscription Agreement.

Completion:

Subject to fulfillment of all the Conditions, Completion shall take place on Completion Date.

2. Information on the Subscriber and Mr. Sze

The Subscriber is an investment holding company and is wholly-owned by Mr. Sze. Mr. Sze is an executive Director, the chairman and the chief executive officer of the Company and has over 22 years of experience in investing in Hong Kong and the PRC. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading.

3. Reasons for the Subscription

The Company is an investment holding company. The Group is principally engaged in the provision of automatic teller machines ("ATM") in the PRC.

Given that the operational environment of the ATM market in the PRC has not shown solid improvement during 2013 and a majority of the ATM operators have delayed their network expansion and the operating data indicated that competition in ATM operation has become more intense, the Board has been exploring suitable investment or business projects to invest in so as to diversify the business of the Group with an objective to broaden its income source and to minimize the idiosyncratic risks associated with the focused principal business. However, the Board intends to maintain its ATM business. Based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 as disclosed in the 2013 interim report of the Company, the aggregate balance of the cash and bank balances was approximately HK$105.6 million and will be used for maintaining its ATM business.

The guideline of "Building a Beautiful Country" advanced at the 18th National Congress is intended to create momentum for the continuous rapid growth of the eco-environment construction sector in the future. To take advantage of this opportunity, the Group entered into a memorandum of understanding ("MOU") to collaborate with a Mainland China-based company ("Target Company") principally engaged in the business of gardening and landscape construction during February 2013 relating to a proposed investment (the "MOU Investment"), details of which have been disclosed in the Company's announcement dated 4 February 2013. Pursuant to the MOU, Beauty China Investment Company Limited ("Beauty China Investment"), an indirect wholly owned subsidiary of the Company intended to increase to the registered capital of the Target Company by contributing RMB60 million (equivalent to approximately HK$74.8 million). In addition, the expected transaction fees involved in the MOU Investment such as due diligence expenses, would amount to approximately HK$8 million. Upon completion of the MOU Investment, (i) it is intended that the Beauty China Investment shall be interested in 60% equity interests in the registered capital of the Target Company; and (ii) the business form of the Target Company shall change from a state-controlled limited liability company to a sino-foreign equity joint venture. Since the Target Company is a state-controlled limited liability company, increase in its registered capital is subject to public tender. According to the MOU, Beauty China Investment shall participate in the tender in relation to the increase of registered capital of the Target Company and pay for relevant fees during the tender process.

The MOU Investment represents an important step for the Group to tap the potential of this sector in the PRC. As at the Latest Practicable Date, the Company was still conducting due diligence on the Target Company and has not entered into any legally binding agreements on the MOU Investment.

Since a significant portion of the cash and bank balance of the Group will be reserved to maintain its ATM business, the Directors consider that it is necessary for the Group to increase its capital to finance the aforesaid investment if materialized and/or to capture opportunities in the eco-environment construction business as and when they arise and to meet its ongoing working capital requirements.

In view of the above, the Board has considered various fund raising methods apart from the Subscription such as debt financing, placement of new Shares to independent investors as well as rights issue or open offer. As regards debt financing, having considered that it would increase the gearing level of the Group and the interest expenses incurred which would impose additional financial burden to the Group's future cash flows, the Board considers that such fund raising method is currently not the most appropriate method to the Group. In considering equity financing through placement of new Shares to independent investors, the Company has encountered difficulties in engaging a placing agent which is believed to be due to relative small market capitalization and the low trading volume of the Shares under the current market sentiment. As regards the viability of a rights issue or an open offer, the Company has found it difficult to find an independent underwriter in Hong Kong which is interested to underwrite a rights issue or open offer of the Company.

In light of the above, the Board is of the view that equity financing by way of the Subscription is, in the circumstance, the most appropriate mean of raising additional capital as (i) it is more practicable and direct under a volatile market and the uncertain global market conditions currently prevailing; (ii) it is less costly and no interest burden is imposed; and (iii) it is less time consuming.

The Board is of the view that it is in the interest of the Group and the Independent Shareholders as a whole to raise funds by the Subscription, which allows the Group to strengthen its capital position and equip the Group with the financial flexibility to achieve the Group's business objectives.

In addition, the Subscription signifies the confidence of the substantial shareholder of the Company in the existing and future development potentials of the Group. With the continuing support of the substantial shareholder of the Company, this will ensure business stability and continuity of the Group which is crucial and beneficial to the long-term development of the Group.

Based on the above, the Directors consider that the Subscription represents a straightforward and cost-effective means of financing for the Group, and is fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole.

The gross proceeds from the Subscription amounts to HK$200 million and the net proceeds from the Subscription are estimated to be approximately HK$198.8 million. Based on the estimated net proceeds, the net subscription price would be approximately HK$0.10 per Subscription Share. The Group intends to apply the net proceeds from the Subscription in the following manner:

(i) approximately 75% of the net proceeds to be used to capture opportunities in the eco-environment construction business by (i) funding the Company's newly setup business on gardening and landscape construction; or (ii) potential acquisitions of companies related to the business of gardening and landscape construction such as the MOU Investment, for the purposes of broadening the spectrum of business the Company provide. As at the Latest Practicable Date, the Company has not entered into any legally binding agreements in relation to any acquisitions; and

(ii) approximately 25% of the proceeds as general working capital of the Group.

The Company expects that the total fund requirement to the MOU Investment will be approximately HK$82.8 million and the remaining allocated net proceeds of HK$66.2 million will be used for other potential investment projects in gardening and eco-environment construction sector in the PRC, including landscaping, planting and planting maintenance.

As at the Latest Practicable Date, the Company has yet to identify any specific investment opportunities other than the MOU Investment, however, the additional capital on hand will facilitate the efficient execution of such potential investment projects, if any. The Company has demonstrated its commitment to diversifying its business by changing its company name in July 2013 and will take steps to identify feasible investment projects.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

4. Intention of the Subscriber

It is the intention of the Subscriber to maintain the listing of the Shares on the Stock Exchange. Following Completion, the Subscriber intends to maintain the existing businesses of the Group. The Subscriber has no intention to re-deploy the employees or the fixed assets of the Group after Completion other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible diversification of the Group's business operations materializes after Completion.

5. Listing Rules Implications

Since the Subscriber is a substantial shareholder of the Company, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

The Subscriber and Global Prize Limited are wholly owned by Mr. Sze. Accordingly, Mr. Sze has abstained from voting on the relevant Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder. In addition, Mr. Sze, the Subscriber and Global Prize Limited and their respective associates shall abstain from voting in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder at the SGM. The Directors have confirmed that so far as they are aware, save for Mr. Sze, the Subscriber and Global Prize Limited, no other Shareholder is interested in the Subscription. In addition, save for Mr. Sze, none of the Directors has a material interest in the Subscription and shall also abstain from voting in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder at the SGM.

6. Takeovers Code Implications

As at the Latest Practicable Date, the Subscriber held 474,869,906 Shares, representing approximately 22.21% of the voting rights of the Company. Global Prize Limited, being person acting in concert with the Subscriber, held 2,040,000 Shares, representing approximately 0.10% of the voting rights of the Company.

Upon Completion, 2,000,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and persons acting in concert with it in the voting rights of the Company will be increased from approximately 22.31% to approximately 59.86% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of Independent Shareholders at the SGM by way of poll. The Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited), and any other Shareholders who are involved or interested in the Subscription and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Each of the Subscriber and Mr. Sze has undertaken to the Company that apart from the Subscription Agreement, the Subscriber and Mr. Sze will not and each of them will procure persons acting in concert with each of them respectively (including Global Prize Limited) will not:

(i) from the date of the Subscription Agreement until the Completion Date acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company; and

(ii) within six months after the SGM, acquire or enter into any agreement or arrangement to acquire any voting rights in the Company from or to a person who is a Director or substantial shareholder of the Company.

7. Information required under the Takeovers Code

As at the Latest Practicable Date, other than 34,700,000 options granted under the share option scheme of the Company, the Company did not have any options, warrants or convertible securities in issue.

The Subscriber has confirmed that neither the Subscriber, Mr. Sze nor any persons acting in concert with any of them:

(i) apart from 2,000,000,000 new Shares under the Subscription Agreement, have acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Subscription Agreement and up to the date of the Announcement;

(ii) apart from 474,869,906 Shares and 2,040,000 Shares owned by Mr. Sze through the Subscriber and Global Prize Limited, respectively and 2,500,000 outstanding options owned by Mr. Sze, own, control or has direction over any warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

(iii) have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;

(iv) have any agreements, arrangements or undertaking to which the Subscriber or parties acting in concert with it/they is/are a party which relate to the circumstances in which the Subscriber or parties acting in concert with it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver; and

(v) have received any irrevocable commitment as to whether they will vote for or against the resolution approving the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver at the SGM.

8. Fund raising activities in the past twelve months

The Company did not conduct any fund raising activities during the past twelve months immediately preceding the date of the Announcement.

III. PROPOSED CAPITAL INCREASE

As at Latest Practicable Date, the authorized share capital of the Company was HK$300,000,000 comprising 3,000,000,000 Shares of par value of HK$0.10 each, of which 2,138,084,922 Shares have been issued and fully paid. The issued share capital of the Company is HK$213,808,492.20. Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares. On the assumption that the conditions precedent to Completion are fulfilled and the Subscription is completed, the enlarged issued share capital of the Company will be increased to HK$413,808,492.20 comprising 4,138,084,922 Shares of par value of HK$0.10 each, which will exceed the existing authorized share capital of the Company.

In view of the above, the Company proposes to effect the Capital Increase whereby the authorized share capital of the Company will be increased from HK$300,000,000 divided into 3,000,000,000 Shares of par value of HK$0.10 each to HK$600,000,000 divided into 6,000,000,000 Shares of par value of HK$0.10 each by the creation of an additional 3,000,000,000 Shares so as to i) allow the allotment and issue of the Subscription Shares for the Subscription; and ii) provide greater flexibility for equity fund raising of the Company in the future.

The Capital Increase is conditional upon, inter alia, the following:

a) the passing of necessary resolution(s) by the Shareholders at the SGM to approve the Capital Increase; and

b) compliance with the relevant legal procedures and requirements under the Listing Rules and Companies Act to effect the Capital Increase.

Subject to the above conditions being fulfilled, the Capital Increase is expected to become effective before Completion.

IV. EFFECT OF THE SUBSCRIPTION

The shareholdings in the Company as at the Latest Practicable Date and immediately after the Capital Increase becomes effective and Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the Latest Practicable Date up to Completion) are summarised as follows:

	As at the Latest Practicable Date		Assuming (i) Capital Increase becomes effective; (ii) completion of the Subscription; and (iii) the subscription rights attaching to the Outstanding Options were not exercised at all		Assuming (i) Capital Increase becomes effective; (ii) completion of the Subscription; and (iii) full exercise of the Outstanding Options *(Note 5)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
The Subscriber *(Note 1)*	474,869,906	22.21	2,474,869,906	59.81	2,474,869,906	59.31
Global Prize Limited *(Note 1)*	2,040,000	0.10	2,040,000	0.05	2,040,000	0.05
Mr. Sze *(Note 2)*	–	–	–	–	2,500,000	0.06
Sub-total of the Subscriber and persons acting in concert with it *(Note 3)*	476,909,906	22.31	2,476,909,906	59.86	2,479,409,906	59.42
Executive Director(s)						
Mao Zhenhua	–	–	–	–	2,500,000	0.06
Tan Shu Jiang	–	–	–	–	4,000,000	0.10
Independent non-executive Director(s)						
Chong Yiu Kan, Sherman	650,000	0.03	650,000	0.01	2,650,000	0.06
Public:						
Grantees of Outstanding Options (other than Mr. Sze and the Directors) *(Note 4)*	–	–	–	–	23,700,000	0.57
Other Shareholders	1,660,525,016	77.66	1,660,525,016	40.13	1,660,525,016	39.79
	2,138,084,922	100.00	4,138,084,922	100.00	4,172,784,922	100.00

Notes:

1. The Subscriber and Global Prize Limited are companies wholly owned by Mr. Sze.

2. Mr. Sze is the executive Director, chairman and chief executive officer of the Company.

3. The persons acting in concert with the Subscriber comprises Mr. Sze and Global Prize Limited.

4. None of these grantees of the Outstanding Options is a director, chief executive or substantial shareholder of the Company, or any of their respective associates or parties acting in concert with the Subscriber.

5. Full exercise of the Outstanding Options would result in a maximum of 34,700,000 new Shares being fallen to be allotted and issued to its holders.

V. GENERAL

The Capital Increase is conditional upon, inter alia, the approval of the Shareholders at the SGM.

Pursuant to Rule 13.39(6) of the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Whitewash Waiver and as to voting.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee.

VI. SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Unit A, 29/F., Admiralty Centre 1, 18 Harcourt Road, Hong Kong at 10:00 a.m. on Monday, 23 December 2013 is set out on pages SGM-1 to SGM-2 of this circular. Ordinary resolutions will be proposed at the SGM to consider and, if thought fit, to approve (i) the Capital Increase; (ii) the Subscription Agreement and the transactions contemplated thereunder; and (iii) the Whitewash Waiver by way of poll, the result of which will be announced after the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

VII. RECOMMENDATION

The Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the Subscription Agreement and the transaction contemplated thereunder are fair and reasonable and on normal commercial terms, the Whitewash Waiver is fair and reasonable and the Subscription and the Whitewash Waiver are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transaction contemplated thereunder and the Whitewash Waiver.

Your attention is drawn to:

(a) this letter from the Board;

(b) a letter of recommendation from the Independent Board Committee is set out on pages 19 to 20 of this circular; and

(c) a letter from TC Capital Asia Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 35 of this circular.

The Directors also consider that the Capital Increase is in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Capital Increase.

VIII. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Beautiful China Holdings Company Limited
Tan Shu Jiang
Executive Director

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver:

美丽中国
BEAUTIFUL CHINA

BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED
美麗中國控股有限公司
(incorporated in Bermuda with limited liability)
(Stock code: 706)

6 December 2013

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A SUBSTANTIAL SHAREHOLDER
(2) APPLICATION FOR WHITEWASH WAIVER
(3) CAPITAL INCREASE
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular dated 6 December 2013 (the "Circular") to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the "Letter from the Board" contained in the Circular. TC Capital has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons TC Capital has taken into consideration in giving such advice, are set out in the "Letter from TC Capital" in the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

Having taken into account the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver and the advice of TC Capital, we are of the opinion that (i) the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, on normal commercial terms and in the interests of the Group and the Shareholders as a whole; and (ii) the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolutions to be proposed at the SGM to approve Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Independent Board Committee

Chong Yiu Kan, Sherman	**Chan Ming Sun, Jonathan**	**Lai Yip Wing**

Independent non-executive Directors

TC Capital Asia Limited
天財資本亞洲有限公司

6 December 2013

The Independent Board Committee and the Independent Shareholders
*Beautiful China Holdings Co., Ltd (the "**Company**")*

Dear Sir/Madam,

(1) CONNECTED TRANSACTION – RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company dated 6 December 2013 issued to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 16 October 2013, the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares at the price of HK$0.10 per Subscription Share. Background and terms of the Subscription Agreement are set out in the Board Letter in the Circular.

The Subscriber is a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll.

As at the date of the Subscription Agreement, the Subscriber held 474,869,906 Shares representing approximately 22.21% of the voting rights of the Company. Global Prize Limited, being a person acting in concert with the Subscriber, held 2,040,000 Shares, representing approximately 0.10% of the voting rights of the Company. Upon Completion, 2,000,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and the persons acting in concert with it in the voting rights of the Company will be increased from approximately 22.31% to approximately 59.86% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber and the Executive has indicated that it will grant the Whitewash Wavier subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll.

The Subscriber and Global Prize Limited are wholly-owned by Mr. Sze. Accordingly, Mr. Sze, the Subscriber and Global Prize Limited and their respective associates and those involved or interested in the Subscription and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lai Yip Wing, Mr. Chan Ming Sun, Jonathan and Mr. Chong Yiu Kan, Sherman, has been formed to give advice and recommendation to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

In our capacity as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules and the Takeovers Code, our role is to give our independent opinion as to whether (1) the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company, on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (2) the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (3) the Independent Shareholders should vote in favour of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

In formulating our opinion and recommendation, we have relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company, the Subscriber and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions in respect of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

I. Background of the Group

The Company is an investment holding company. The Group is principally engaged in the provision of automatic teller machines ("**ATM**") in the PRC.

The ATM business of the Group has long been experiencing difficulties. In the latest three consecutive financial years that we have reviewed, the Group recorded substantial amount of losses. In order to diversify the risk associated with its ATM business, the Group has started to contemplate investment in another line of business. In the Company's annual report 2012, it is stated that the Company had been identifying potential merger and acquisition opportunities to diversify the Group's business. The Memorandum of Understanding was entered into by the Company on 4 February 2013 for the potential investment of RMB60 million by the Company in a company which engages in gardening and landscape construction. If it materialises, the MOU Investment represents an important step for the Group to tap into the eco-environment construction industry.

We note that the eco-environment construction industry is a fast growing industry in the PRC. According to the China Statistics Yearbook 2012 published by the National Bureau of Statistics of China, investment in gardening and greening in the PRC grew almost three-fold between 2007 and 2011, from RMB52.6 billion in 2007 to RMB154.6 billion in 2011 representing a compound annual growth rate of approximately 30.9%. Green land area in urban in the PRC also demonstrated a rapid growth, with size increased from 865,000 hectare in 2000 to 2,243,000 hectare in 2011, as suggested by the data from the China Statistics Yearbook 2012. We have also discussed the industry outlook with the Company and we agree that in line with the increasing public awareness of the need for sustainable development, economic growth and the urbanisation pace of the PRC, it is expected that the scale of the PRC eco-environmental industry will continue to grow at a progressive rate.

Set out below is the financial information extracted from the Company's annual reports for the years ended 31 December 2010, 2011 and 2012 and the Company's interim reports for the six months ended 30 June 2012 and 2013:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	12,028	13,519	12,463	6,270	4,738
(Loss) from continuing operations	(58,525)	(41,147)	(38,840)	(21,967)	(20,359)
(Loss) for the year	(68,991)	(46,808)	(40,403)	(21,884)	(20,255)

	As at 31 December			As at 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	258,142	222,825	185,605	197,882	167,777
Total liabilities	12,133	12,138	13,987	10,942	13,861
Net assets	246,009	210,687	171,618	186,940	153,916
Bank balances and cash	151,081	148,262	131,108	128,163	105,598

As depicted by the table above, the Group has recorded net loss for the year ended 31 December 2010, 2011 and 2012 as well as for the six months ended 30 June 2012 and 2013. The net loss for the year ended 31 December 2010 was approximately HK$69 million. According to the published financial statements of the Company, the net loss for the above periods was mainly attributable to (i) the impairment losses on intangible assets, properties, plant and equipment amounted to approximately HK$9.7 million, HK$6.9 million and HK$1.9 million, which represented approximately 14%, 14.7% and 4.8% of net loss for each of the year ended 31 December 2010, 2011 and 2012 respectively; and (ii) a significant amount of administrative expenses of approximately HK$76 million, HK$57 million and HK$55 million for each of the year ended 31 December 2010, 2011 and 2012 respectively, which represented 4.4 times to 6.3 times of the turnover during the above periods. The three largest components of the administrative expenses were staff costs (including directors' emoluments), depreciation and operating lease charges, which were relatively fixed costs in nature. Although the Company's net loss for the year has been in a decreasing trend over the period under review, turnover has not indicated any sign of persistent improvement, and the Company has still been operating in a competitive environment. We are advised by the management of the Company that the decrease in the net loss in 2011 and 2012 as compared to 2010 was mainly due to the discontinued administrative expenses incurred in a potential acquisition project, which was terminated and not pursued in the year ended 31 December 2010.

As discussed in the 2013 interim report of the Company, the competitive environment is well illustrated by (i) the newly installed ATMs by banks and other operators in the surrounding area; and (ii) the operating data compiled by the Company. Moreover, the annual report 2012 and 2013 interim report of the Company stated that as uncertainties lingered, the operating environment of the ATM market has yet to see any improvement, and certain customers terminated collaboration or curtailed cooperation with the Group thereby adversely affected the turnover of the Group. Notwithstanding the above, the Group intends to continue to maintain its ATM business. Looking forward, the Group expects that the operating environment of the ATM market in the PRC will become more challenging and the Group will strictly adhere to its strategy of carefully selecting locations for ATMs and adopt a prudent approach to advance the ATM business.

The Group's total assets amounted to approximately HK$167.8 million as at 30 June 2013. The largest proportion of the assets of the Group was bank and cash balances, which amounted to approximately HK$105.6 million. As shown in the table above, owing to the continuous poor operating performance of the Group and without the introduction of new capital, total assets and bank and cash balances were shrinking over the period, from HK$288.4 million and HK$151.1 million as at 31 December 2010 to HK$167.9

million and HK$105.6 million as at 30 June 2013, respectively. As at 30 June 2013, total liabilities of the Group were approximately HK$13.9 million which comprises mainly trade and other payables of approximately HK$10.0 million. The Group did not have any bank borrowings during the period under review.

II. Information of the Subscriber

The Subscriber is an investment holding company incorporated in the British Virgin Islands and is wholly-owned by Mr. Sze, an executive Director, chairman and chief executive officer of the Company. Mr. Sze has over 22 years of experience in investing in Hong Kong and the PRC. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading.

We have discussed with Mr. Sze his experience and track record in the eco-environmental construction sector. He co-invested in a sports park, which consisted of a golf course and certain real estates, with the local government and other investors in Shandong Province, the PRC in 2009.

According to Mr. Sze, his extensive network and connections in the eco-environmental construction industry with the government and related companies in the PRC will benefit the Company in sourcing potential investment opportunities and securing projects relating to the eco-environmental construction sector.

Following Completion, the Subscriber intends to maintain the listing of the Shares on the Stock Exchange and the existing businesses of the Group. In addition to Mr. Sze as a long term Shareholder since 2001, the Subscription signifies the confidence of the Subscriber in the future development potentials of the Group. With the continuing support of the Subscriber, this will ensure business stability and continuity of the Group which is crucial and beneficial to the long-term development of the Group.

The Subscriber has no intention to re-deploy the employees or the fixed assets of the Group after Completion other than in its ordinary and usual course of business. The Company and the Subscriber will comply with the relevant requirements under the Listing Rules and Takeovers Code in the event that any possible diversification of the Group's business operations materialises after Completion.

III. Reasons for and benefits of the Subscription

As set out in the Board Letter and the interim report 2013 of the Company, the Group has been exploring suitable investment or business projects to invest in so as to diversify the business of the Group with an objective to broaden its income source and to minimize the idiosyncratic risks associated with the focused principal business given the slowdown and fierce competition in the operational environment of the ATM market in the PRC. To achieve its objective, and to take advantage of the PRC governmental support in the eco-environment construction sector, the Group entered into the Memorandum of Understanding, details of which have been disclosed in the announcement of the Company dated 4 February 2013. As at the Latest Practicable Date, the Company is still conducting due diligence on the Mainland China-based company and has not entered into any legally binding agreements on the MOU Investment.

As discussed above in the paragraphs headed "Background of the Group", the Group has long been loss making and has taken time to consider the option of the MOU Investment in order to diversify its business risk. According to the Memorandum of Understanding, subject to the conditions precedent thereto and the entering into a formal investment agreement, the Group will contribute RMB60 million (equivalent to approximately HK$76 million) for a 60% equity interest in the target company. In view of the Group's (i) dismal operating performance; (ii) depleting bank balances and cash at an average speed of approximately HK$15 million per year between 2010 and 2012 with a more rapid trend; and (iii) a large part of the existing bank and cash balances of approximately HK$105.6 million would be reserved for its ATM business in accordance with the intended use of proceeds from the Company's placing of convertible bonds in 2010, we concur with the Directors that there is a need to raise capital for the intended investment under the MOU Investment and the Subscription would allow the Group to strengthen its capital position and equip the Group with the financial flexibility to achieve the Group's business objectives.

According to the Board Letter, the Board has considered various fund raising methods apart from the Subscription such as debt financing, placement of new Shares to independent investors as well as rights issue or open offer. Regarding debt financing, having considered that it would increase the gearing level of the Group and the interest expenses incurred would impose additional financial burden to the Group's future cash flows and profit and loss, the Board considers that such fund raising method is currently not the most appropriate method to the Group. In considering equity financing through placement of new Shares to independent investors, the Company has encountered difficulties in engaging a placing agent believably due to the persistently low Share price and the low trading volume of the Shares under the current market sentiment. As regards the viability of a rights issue or an open offer, the Company has found it difficult to find an independent underwriter in Hong Kong which is interested in underwriting a rights issue or open offer of the Company. The Company approached certain securities firms and discussed the possibility of underwriting a rights issue or an open offer or to act as a placing agent for the placement of new Shares to independent investors, yet none of the securities firms were willing to act as an underwriter or placing agent.

In light of the above, the Board is of the view that equity financing by way of the Subscription is, in the circumstance, the most appropriate mean of raising additional capital as (i) it is more practicable and direct under a volatile market and the uncertain global market conditions currently prevailing; (ii) it is less costly and no interest burden is imposed; and (iii) it is less time consuming.

The gross proceeds from the Subscription amounts to HK$200 million and the net proceeds from the Subscription are estimated to be approximately HK$198.8 million. Based on the estimated net proceeds, the net subscription price would be approximately HK$0.09 per Subscription Share. The Group intends to apply the net proceeds from the Subscription in the following manner:

i. approximately 75% of the net proceeds to be used to capture opportunities in the eco-environment construction business by (i) funding the Company's newly setup business on gardening and landscape construction; or (ii) potential acquisitions of companies related to the business of gardening and landscape construction such as the MOU Investment, for the purposes of broadening the spectrum of business the Company provides. As at the Latest Practicable Date, the Company has not entered into any legally binding agreements in relation to any acquisitions; and

ii. approximately 25% of the net proceeds as general working capital of the Group.

The Company expects that the total fund requirement to the MOU Investment will be approximately HK$82.8 million and the remaining allocated net proceeds of HK$66.2 million will be used for other potential investment projects in gardening and eco-environment construction sector in the PRC, including landscaping, planting and planting maintenance.

As at the Latest Practicable Date, the Company has yet to identify any specific investment opportunities other than the MOU Investment, however, the additional capital on hand will facilitate the efficient execution of such potential investment projects, if any. The Company has demonstrated its commitment to diversifying its business by changing its company name in July 2013 and will take steps to identify feasible investment projects.

Regarding the general working capital of the Group, we note from the Company's 2013 interim report that expenses are expected to incur for the Group to continue its progress on developing integrated circuit ("**IC**") chip application and ATM optimisation as spurred by the nationwide policy of replacing bank cards with financial IC cards.

Taking into consideration the above, we concur with the Directors' view that the Subscription (i) allows the Group to strengthen its capital position as well as equip the Group with the financial stability to achieve its business objective; and (ii) is a straightforward and cost-effective means of financing for the Group. Given the aforementioned benefits of the Subscription under (i) and (ii), we are of the view that the Subscription is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

IV. Basis of the Subscription Price

We note that the Subscription Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the Stock Exchange and the recent trading prices of the Shares as quoted on the Stock Exchange. The issue price per Subscription Share of HK$0.10 represents:

i. a discount of approximately 22.48% to the closing price of HK$0.129 per Share as quoted on the Stock Exchange on the Last Trading Day;

ii. a discount of approximately 63.64% to the closing price of HK$0.275 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

iii. a discount of approximately 22.72% to the average closing price of HK$0.1294 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

iv. a discount of approximately 23.43% to the average closing price of HK$0.1306 per Share as quoted on the Stock Exchange for the last 10 trading days up to and the including the Last Trading Day;

v. a discount of approximately 18.30% to the average closing price of HK$0.1224 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and

vi. a premium of approximately 38.89% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2013 of approximately HK$0.072 (based on a total of 2,138,084,922 Shares as at 30 June 2013 and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$153,916,000 as at 30 June 2013).

vii. a premium of approximately 25.00% over and above the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2012 of approximately HK$0.080 (based on a total of 2,138,084,922 Shares as at 31 December 2012 and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$171,618,000 as at 31 December 2012).

The Directors believe the discount to the closing price on the Last Trading Day of approximately 22.48% as represented by the Subscription Price is reasonable in view of the following reasons:

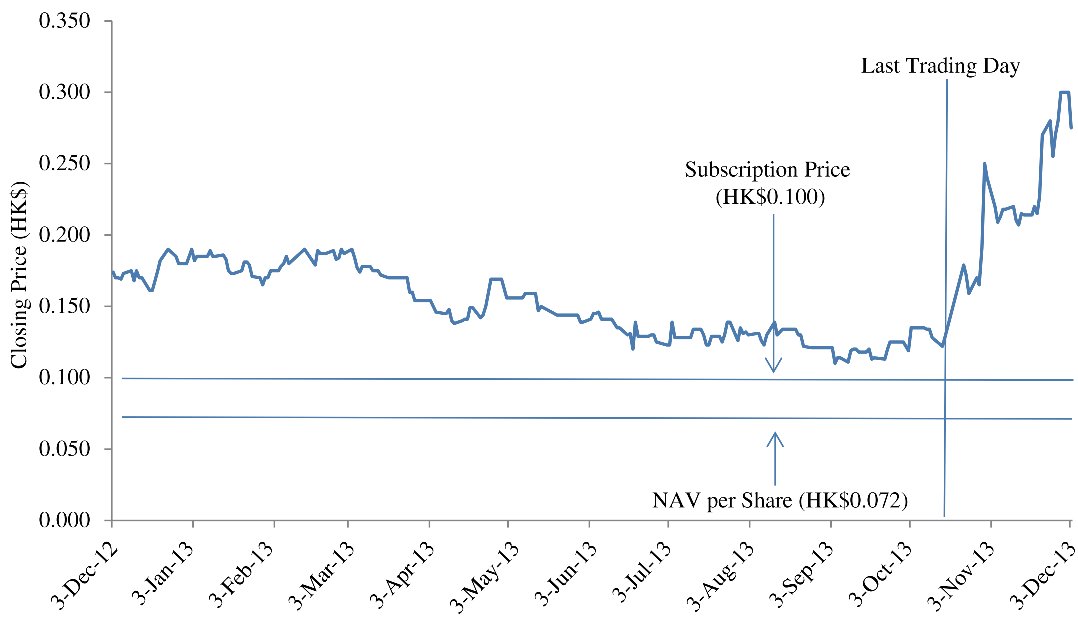
(i) The Subscription Price represents a premium of approximately 38.89% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2013 of approximately HK$0.072; and

(ii) The average daily trading volume of the Shares for the last 30 trading days up to and including the Last Trading Day were approximately 310,000 Shares, representing a percentage of the average total number of Shares held by the public Shareholders of approximately 0.019%. Given the low trading volume of the Shares, it is difficult for the Company to conduct equity fund raising activities with independent investors.

To assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses which include reviews on both the historical price and trading liquidity of the Shares together with a comparable analysis.

a) Historical performance of Share price

The chart below illustrates the daily closing prices of the Shares during the 12-month period up to and including the Latest Practicable Date (the "**Review Period**"):



Source: Bloomberg

During the Review Period, the daily closing price of the Shares ranged from HK$0.110 per Share to HK$0.300 per Share. The closing price of the Share on the date of the Subscription Agreement was HK$0.129 per Share. The Subscription Price falls below the above prices but represents a premium over the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2013. If short term fluctuation is excluded, we note that the daily closing price of the Shares has been on a declining trend during the Review Period, except for the Share prices after the Last Trading Day since when the information of the Subscription has started to impact. The Company has been loss making in the past few years as well as in the first half of 2013. In addition, it was expected that the operating environment of the ATM market in the PRC will become more challenging, thus the declining Share price was not an unexpected outcome.

b) Trading liquidity of the Shares

For the purpose of assessing the trading liquidity of the Shares, we set out below the monthly trading volume, the average daily number of Shares traded per month and the respective percentage daily trading volume compared with the issued share capital (Note 2) and the public float (Note 3) during the Review Period.

Month	Total monthly trading volume	Average daily trading volume	Percentage of average daily trading volume to total number of Shares in issue	Percentage of average daily trading volume to total number of Shares held by public shareholders
	(Number of Shares)	*(Number of Shares)*	*(%)*	*(%)*
		(Note 1)	*(Note 2)*	*(Note 3)*
2012				
December	14,180,000	746,316	0.035%	0.045%
2013				
January	7,990,498	363,204	0.017%	0.022%
February	10,318,000	687,867	0.032%	0.041%
March	11,360,000	568,000	0.027%	0.034%
April	4,420,000	221,000	0.010%	0.013%
May	3,940,000	187,619	0.009%	0.011%
June	5,286,000	264,300	0.012%	0.016%
July	6,240,000	283,636	0.013%	0.017%
August	10,350,000	492,857	0.023%	0.030%
September	10,370,000	518,500	0.024%	0.031%
October	222,477,328	13,086,902	0.612%	0.788%
November	222,500,000	10,597,619	0.496%	0.638%
December (Up to the Latest Practicable Date)	22,420,000	11,210,000	0.524%	0.675%

Source: Bloomberg

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month by the number of trading days during the month.

2. Based on 2,138,084,922 Shares in issue as at the Latest Practicable Date.

3. Based on 1,660,525,016 Shares held by the public Shareholders as at the Latest Practicable Date.

During the Review Period, the average daily trading volume of the Shares as a percentage of the total number of Shares in issue as at the Latest Practicable Date ranged from approximately 0.009% to 0.612% while the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public Shareholders as at the Latest Practicable Date ranged from approximately 0.011% to 0.788%. Based on the above average daily trading volume of Shares as a percentage of the total number of Shares in issue as well as average daily trading volume of Shares as a percentage of the total number of Shares held by the public Shareholders, and taking into consideration during the Review Period (i) an average daily trading volume of lower than 1 million Shares was recorded in 9 out of 12 months; and (ii) a daily trading volume of lower than 1 million Shares was recorded for 131 trading days out of 239 trading days, we are of the view that the trading of the Shares was relatively thin and inactive during the Review Period.

Having taken into account the (i) Subscription Price represents a premium over the consolidated net asset value per Share based on the latest published financial information of the Group; (ii) Company has been making loss for the latest three consecutive financial years in our review and is operating in a competitive business; (iii) price of the Shares was in a declining trend before the Subscription was announced; and (iv) low liquidity in the trading of the Shares during the Review Period which may imply a higher level of risk involved in trading of the Shares, we are of the view that the Subscription Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

V. Financial effects of the Subscription on the Group

i. Cashflow

According the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013, the aggregate balance of cash and bank balances was approximately HK$105.6 million. Upon Completion, the liquidity and cash position of the Group will be improved as the Subscription will facilitate the Company to raise net proceeds of approximately HK$198.8 million. Accordingly, we are of the view that the Subscription would bring a positive impact on the cash position and net current assets of the Group.

ii. Net asset value

According to the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013, the Company's consolidated net asset value was approximately HK$154 million and the Group's consolidated net asset value per Share was approximately HK$0.072. The Subscription would increase the total assets and share capital of the Company. Based on the estimated net proceeds of approximately HK$198.8 million, the Company's consolidated net asset value would increase to approximately HK$352.8 million whereas the Group's net asset value per Share would increase to HK$0.085 as a result of the Subscription. As such, the Subscription would increase both the net asset value as well as the Group's consolidated net asset value per Share.

iii. Gearing

According to the 2013 Interim Report of the Company, the Group's gearing ratio (expressed as a percentage of total borrowings to total assets) was approximately 8.3%. Upon Completion, the Group's net asset value would increase whilst the total liabilities would remain the same, resulting in a drop in the Group's gearing ratio to approximately 3.8%. Thus, though the Group's original gearing was low, the Subscription should improve the gearing level of the Group.

Based on the above, the Subscription would have an overall positive effect on the financial position of the Group. On such basis, we are of the view that the Subscription is in the interests of the Company and Shareholders as a whole.

VII. Effects on the shareholding of existing Shareholders

Upon Completion, 2,000,000,000 Subscription Shares will be issued. The Subscription Shares represent approximately 93.54% of the existing issued share capital of the Company and approximately 48.33% of the enlarged issued share capital of the Company. Set out below is the table showing the shareholding of the Company as at the Latest Practicable Date and immediately after Completion.

	As at the Latest Practicable Date		Assuming (i) Completion; and (ii) the subscription rights attaching to the Outstanding Options were not exercised at all		Assuming (i) Completion; and (ii) full exercise of the Outstanding Options *(Note 5)*	
	No. of Shares	*%*	*No. of Share*	*%*	*No. of Share*	*%*
The Subscriber *(Note 1)*	474,869,906	22.21	2,474,869,906	59.81	2,474,869,906	59.31
Global Prize Limited *(Note 1)*	2,040,000	0.10	2,040,000	0.05	2,040,000	0.05
Mr. Sze *(Note 2)*	–	–	–	–	2,500,000	0.06
Sub-total of the Subscriber and persons acting in concert with it *(Note 3)*	476,909,906	22.31	2,476,909,906	59.86	2,479,409,906	59.42
Executive Director(s)						
Mao Zhenhua	–	–	–	–	2,500,000	0.06
Tan Shu Jiang	–	–	–	–	4,000,000	0.10
Independent non-executive Director(s)						
Chong Yiu Kan, Sherman	650,000	0.03	650,000	0.01	2,650,000	0.06
Public:						
Grantees of Outstanding Options (other than Mr. Sze and the Directors) *(Note 4)*	–		–	–	23,700,000	0.57
Other Shareholders	1,660,525,016	77.66	1,660,525,016	40.13	1,660,525,016	39.79
	2,138,084,922	100.00	4,138,084,922	100.00	4,172,784,922	100.00

Notes:

1. The Subscriber and Global Prize Limited are companies wholly owned by Mr. Sze.

2. Mr. Sze is the executive Director, chairman and chief executive officer of the Company.

3. The persons acting in concert with the Subscriber comprises Mr. Sze and Global Prize Limited.

4. None of these grantees of the Outstanding Options is a director, chief executive or substantial shareholder of the Company, or any of their respective associates or parties acting in concert with the Subscriber.

5. Full exercise of the Outstanding Options would result in a maximum of 34,700,000 new Shares being fallen to be allotted and issued to its holders.

Taking into consideration that the Subscription will (i) improve the financial position of the Company; (ii) facilitate the Group's MOU Investment and entering the new business line; and (iii) bring possible enhancement to the net asset value per Share, we are of the view that the dilution effect on the shareholdings of the existing Independent Shareholder resulting from the Subscription is acceptable.

VIII. Financing alternatives

We note that the Company had considered various financing alternatives for raising additional funds. Such options include debt financing, placement of new Shares to independent investors as well as rights issue or open offer.

Debt financing will increase the gearing level of the Group and the interest expenses would result in additional financial burden upon the Group's future cash flows, the Board considered that debt financing is currently not the most appropriate method to the Group. In considering equity financing through placement of Shares to independent investors, the Company has encountered difficulties in engaging a placing agent in Hong Kong. The Company has also found it difficult to engage an underwriter to underwrite a rights issue or an open offer. We were informed by the Company that it had discussed with certain securities firms the possibility of underwriting a rights issue or an open offer or to act as placing agent for the placement of Shares to independent investors. However, the Directors have advised us that the Company could not conclude an underwriting agreement with an underwriter.

In light of the above, the Board is of the view that equity financing by way of Subscription is the most appropriate mean of raising additional capital as it is more practicable, less costly and less time consuming.

Having considered the feasibility in respect of the other financing alternatives, we concur with the Company's view that the Subscription is the best available financing alternative available to the Group to raise additional capital to finance the Group's investments as and when opportunities arise as well as to meet the ongoing working capital requirements of the Group.

IX. Whitewash Waiver

Immediately following the allotment and issue of the Subscription Shares to the Subscriber, and assuming that there is no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion, the interest of the Subscriber and parties acting in concert with it in the Company will be increased from approximately 22.31% to approximately 59.86%. Accordingly, the Subscriber and the parties acting in concert with it are therefore obliged under Rule 26 of the Takeovers Code to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber and parties acting in concert with it. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Subscriber and parties acting or presumed to be acting in concert with it, their respective associates and those involved or interested in the Subscription and the Whitewash Waiver will be abstained from voting on the resolution approving the Subscription and the Whitewash Waiver at the SGM.

The Subscriber has undertaken to the Company that apart from the Subscription Agreement, neither the Subscriber nor parties acting in concert with it will:

(i) from the date of the Subscription Agreement until the Completion Date acquire or dispose of or enter into any agreement or arrangement to acquire to dispose of any voting rights in the Company; and

(ii) within six months after the SGM, acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company from or to a person who is a Director or substantial shareholder of the Company.

The Subscription is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM. If the Whitewash Waiver is not approved, the Subscription will not proceed and no general offer obligation will be triggered.

Having considered the benefits of the Subscription as mentioned in the previous sections in this letter, in particular, (i) the Subscription is a reasonable financing alternative available to the Group; (ii) the Subscription would strengthen the Group's capital base to enable to Group to swiftly respond to any acquisition and investment opportunities as and when they arise; (iii) the dilution effect as a result of the Subscription being acceptable; and (iv) the Subscription would have an overall positive effect on the financial position of the Group upon Completion, we are of the view that the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

(i) the background and reasons for the Subscription as set out in the section "Reasons for and benefits of the Subscription";

(ii) the historical financial performance of the Group;

(iii) the trading in the Shares during the Review Period was relatively thin and inactive;

(iv) the Subscription is a reasonable financing alternative in view of the small market capitalisation of the Company and low liquidity of the Shares during the Review Period;

(v) the overall financial effects of the Subscription are favourable to the Company and the Independent Shareholders as a whole; and

(vi) the dilution effects on the shareholdings of the Company upon Completion is acceptable,

we are of the opinion that, the Subscription Agreement and the transactions contemplated thereunder is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We also consider that the grant of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour, and we also recommend that Independent Shareholders vote in favour, of the ordinary resolutions to be proposed at the forthcoming SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

1. SUMMARY OF THE FINANCIAL INFORMATION

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 December 2010, 2011 and 2012; (ii) the unaudited financial results of the Group for the six months ended 30 June 2013; (iii) the audited assets and liabilities as at 31 December 2010, 2011 and 2012; and (iv) the unaudited assets and liabilities as at 30 June 2013 as extracted from the published financial statements of the Group for the relevant years/period.

RSM Nelson Wheeler, the auditors of the Company, did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 December 2010, 2011 and 2012. The Company had no items which are exceptional or extraordinary because of size, nature or incidence and no dividend was declared or paid for each of the three years ended 31 December 2012 and the six months ended 30 June 2013. In addition, there were no minority interests in the shareholders' equity of the Company for each of the three years ended 31 December 2012 and the six months ended 30 June 2013.

	For the six months ended	For the year ended 31 December		
	30 June 2013	2012	2011	2010
	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	4,738	12,463	13,519	12,028
Other income and gains	1,837	4,907	4,781	6,829
Administrative expenses	(26,934)	(54,671)	(56,977)	(76,043)
Other operating expenses	–	(1,539)	(2,470)	(1,339)
Loss from operations	(20,359)	(38,840)	(41,147)	(58,525)
Finance costs	(92)	(274)	(182)	(1,172)
Impairment losses on intangible assets	–	(1,364)	(4,921)	(3,266)
Impairment losses on property, plant and equipment	–	(590)	(1,964)	(6,411)
Loss on repayment of convertible bonds	–	–	–	(923)
Loss before tax	(20,451)	(41,068)	(48,214)	(70,297)
Income tax credit	196	665	1,406	1,306
Loss for the period/year	(20,255)	(40,403)	(46,808)	(68,991)
Other comprehensive income for the period, net of tax				
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	2,553	1,334	11,486	6,379
Total comprehensive loss for the period/ year	(17,702)	(39,069)	(35,322)	(62,612)
Loss for the period/year attributable to:				
Owner of the Company	(20,255)	(40,403)	(46,808)	(68,991)
Total comprehensive loss for the period/year attributable to:				
Owner of the Company	(17,702)	(39,069)	(35,322)	(62,612)
Loss per share (cents)				
Basic	(0.95)	(1.89)	(2.19)	(3.45)
Diluted	(0.95)	(1.89)	(2.19)	(3.45)

	As at			
	30 June 2013 (unaudited)	**31 December 2012 (audited)**	**31 December 2011 (audited)**	**31 December 2010 (audited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Property, plant and equipment	10,980	16,491	24,402	30,302
Intangible assets	8,352	9,395	13,364	20,935
Pledged bank deposits	–	–	5,000	5,000
Net current assets	137,515	149,319	173,052	193,096
Total assets less current liabilities	156,847	175,205	215,818	249,333
Non-current liabilities	(2,931)	(3,587)	(5,131)	(3,324)
	153,916	171,618	210,687	246,009
Share capital	213,808	213,808	213,808	213,808
Reserves	(59,892)	(42,190)	(3,121)	32,201
	153,916	171,618	210,687	246,009

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The following is the full text of the audited financial statements of the Group for the year ended 31 December 2012:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	6	12,463	13,519
Other income and gains	7	4,907	4,781
Administrative expenses		(54,671)	(56,977)
Other operating expenses		(1,539)	(2,470)
Loss from operations		(38,840)	(41,147)
Finance costs	8	(274)	(182)
Impairment losses on intangible assets	17	(1,364)	(4,921)
Impairment losses on property, plant and equipment	16	(590)	(1,964)
Loss before tax		(41,068)	(48,214)
Income tax credit	9	665	1,406
Loss for the year	10	(40,403)	(46,808)
Loss per share			
Basic	13(a)	(1.89) cents	(2.19) cents
Diluted	13(b)	(1.89) cents	(2.19) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Loss for the year		(40,403)	(46,808)
Other comprehensive income for the year, net of tax	15		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		1,334	11,486
Total comprehensive loss for the year		(39,069)	(35,322)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	16,491	24,402
Intangible assets	17	9,395	13,364
Pledged bank deposit	19	–	5,000
		25,886	42,766
Current assets			
Trade and other receivables	18	28,611	31,797
Bank and cash balances	19	131,108	148,262
		159,719	180,059
Current liabilities			
Trade and other payables	20	9,524	6,189
Finance lease payables	22	876	818
		10,400	7,007
Net current assets		149,319	173,052
Total assets less current liabilities		175,205	215,818
Non-current liabilities			
Finance lease payables	22	2,355	3,231
Deferred tax liabilities	25	1,232	1,900
		3,587	5,131
Net assets		171,618	210,687
Capital and reserves			
Share capital	26	213,808	213,808
Reserves	28	(42,190)	(3,121)
Total equity		171,618	210,687

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	Share premium	Share option reserve	Translation reserve	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	213,808	489,081	7,578	28,907	(493,365)	246,009
Total comprehensive loss for the year	–	–	–	11,486	(46,808)	(35,322)
Changes in equity for the year	–	–	–	11,486	(46,808)	(35,322)
At 31 December 2011	213,808	489,081	7,578	40,393	(540,173)	210,687
At 1 January 2012	213,808	489,081	7,578	40,393	(540,173)	210,687
Total comprehensive loss for the year	–	–	–	1,334	(40,403)	(39,069)
Share options lapsed	–	–	(80)	–	80	–
Changes in equity for the year	–	–	(80)	1,334	(40,323)	(39,069)
At 31 December 2012	213,808	489,081	7,498	41,727	(580,496)	171,618

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Loss before tax		(41,068)	(48,214)
Adjustments for:			
Amortisation of intangible assets		2,664	3,598
Depreciation		8,575	12,270
Finance lease charges		228	159
Impairment losses on intangible assets		1,364	4,921
Impairment losses on property, plant and equipment		590	1,964
Interest expenses		46	23
Interest income		(4,907)	(4,755)
Impairment losses on other receivables		1,535	1,843
Written off of property, plant and equipment		3	177
Operating loss before changes in working capital		(30,970)	(28,014)
Increase in trade receivables		(249)	(151)
Decrease in prepayments, deposits and other receivables		1,900	17,335
Increase in trade payables		12	693
Decrease in amount due to a director		(1)	(312)
Decrease in receipts in advance		–	(303)
Increase/(decrease) in other payables and accrued expenses		3,324	(2,698)
Net cash flows used in operating activities		(25,984)	(13,450)
Cash flows from investing activities			
Decrease in pledged bank deposits		5,000	–
Payments for purchases of property, plant and equipment		(1,049)	(6,075)
Interest received		4,907	4,755
Net cash flows generated from/(used in) investing activities		8,858	(1,320)
Cash flows from financing activities			
Finance lease raised		–	4,500
Repayment of financial lease payables		(818)	(451)
Finance lease charge paid		(228)	(159)
Interest paid		(46)	(23)
Net cash flows (used in)/generated from financing activities		(1,092)	3,867
Net decrease in cash and cash equivalents		(18,218)	(10,903)
Effect of foreign exchange rates changes, net		1,064	8,084
Cash and cash equivalents at 1 January		148,262	151,081
Cash and cash equivalents at 31 December		131,108	148,262
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	*19*	131,108	148,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

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 & 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.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not 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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Business combination

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(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 values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

(iii) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (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 the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts 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 useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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

(e) Intangible assets

Customer contracts acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values 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 costs 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. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

(f) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership 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 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.

(h) Trade and other receivables

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

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

(i) 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. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(j) Trade and other payables

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

(k) Revenue recognition

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

Revenue from the provision of 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.

(l) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Share based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at 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.

(n) 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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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.

(o) Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(p) Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(q) 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.

(r) Events after the reporting period

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

4. 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

It is the Group's policy for each operating entity to operate in local currency as far as possible to minimise foreign currency risk. The Group's principal business is conducted in Renminbi. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management but the management keeps on monitoring the movement of all foreign currency exposure.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations as at 31 December 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses, if necessary, are recognised for irrecoverable amounts.

In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(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. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 December 2012, the Group had no general banking facilities. As at 31 December 2011, the Group had available unutilised general banking facilities of approximately HK$5,000,000. Details of which are set out in note 21 to the consolidated financial statements.

The maturity analysis of the Group's financial liabilities is as follows and the amounts disclosed in the table are the contractual undiscounted cash flows:

	On demand	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012					
Finance lease payables	–	1,046	1,046	1,483	–
Other payables and accrued expenses	–	8,376	–	–	–
Trade payables	–	1,148	–	–	–
At 31 December 2011					
Amount due to a director	1	–	–	–	–
Finance lease payables	–	1,046	1,046	2,529	–
Other payables and accrued expenses	–	5,052	–	–	–
Trade payables	–	1,136	–	–	–

(d) Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short-term bank deposits. Since the bank deposits are all short-term in nature, any further variation in interest rates will not have a significant impact on the results of the Group.

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

(e) Categories of financial instruments at 31 December

	2012	**2011**
	HK$'000	*HK$'000*
Financial assets:		
Loans and receivables		
Pledged bank deposit	–	5,000
Trade and other receivables	27,919	30,482
Bank and cash balances	131,108	148,262
	159,027	183,744
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	9,524	6,189

(f) Fair values

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

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

(b) Intangible assets

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. This estimation is based on the contractual terms of the intangible assets. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment loss for bad and doubtful debts

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

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

Determining whether ATM plant and machinery and customer contracts (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 to sell 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 cash-generating units at the end of the reporting period were approximately HK$10,751,000 and HK$9,395,000 respectively (2011: HK$16,252,000 and HK$13,364,000) after impairment losses of approximately HK$590,000 and HK$1,364,000 respectively were recognised during the year ended 31 December 2012 (2011: HK$1,964,000 and HK$4,921,000). Details of the impairment losses calculation are provided in notes 16 and 17 to the consolidated financial statements.

(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.

6. TURNOVER

The Group's turnover is as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Provision of ATM services	12,463	13,519

7. OTHER INCOME AND GAINS

	2012	**2011**
	HK$'000	*HK$'000*
Interest income	4,907	4,755
Others	–	26
	4,907	4,781

8. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Finance lease charges	228	159
Interest expenses on bank overdrafts	46	23
	274	182

9. INCOME TAX CREDIT

	2012	2011
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	–	–
Current tax – PRC Corporate Income Tax		
Provision for the year	–	–
Deferred tax		
Origination and reversal of temporary differences *(note 25)*	665	1,406
	665	1,406

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2012 and 2011 as the Group except the subsidiaries in the PRC did not generate any assessable profits arising in Hong Kong during the years.

No provision for PRC Corporate Income Tax has been made for the years ended 31 December 2012 and 2011 since the subsidiaries in the PRC have either no assessable profit or sufficient tax losses brought forward to set off against assessable profit for the years.

The PRC Corporate Income Tax rate for the subsidiaries in the PRC is 25% (2011: 25%).

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:

	2012	2011
	HK$'000	*HK$'000*
Loss before tax	(41,068)	(48,214)
Tax at the income tax rate of 16.5%	(6,776)	(7,955)
Tax effect of non-deductible expenses	5,692	12,368
Tax effect of non-taxable income	(269)	(6,775)
Tax effect of temporary differences not recognised	(766)	(448)
Tax effect of tax losses not recognised	1,890	1,956
Utilisation of tax loss previously not recognised	(82)	(60)
Effect of different tax rates of subsidiaries operating in other jurisdiction	(354)	(492)
Income tax credit	(665)	(1,406)

10. LOSS FOR THE YEAR

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

	2012	2011
	HK$'000	*HK$'000*
Amortisation of intangible assets	2,664	3,598
Auditor's remuneration	1,008	1,196
Depreciation	8,575	12,270
Net foreign exchange losses	1	450
Operating lease charges in respect of land and buildings and ATM deployment	5,693	4,890
Impairment losses on other receivables	1,535	1,843
Staff costs including directors' emoluments		
Salaries and other benefits	15,276	15,478
Retirement benefits scheme contributions	859	659
	16,135	16,137
Written off of property, plant and equipment	3	177

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director are as follows:

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Sze Wai, Marco	–	2,700	14	2,714
Song Jing Sheng	–	720	14	734
Tan Shu Jiang	–	720	14	734
Independent non-executive directors				
Chong Yiu Kan, Sherman	120	–	–	120
Mao Zhenhua	120	–	–	120
Wong Po Yan	120	–	–	120
Total for 2012	360	4,140	42	4,542

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Sze Wai, Marco	–	2,734	12	2,746
Song Jing Sheng	–	720	12	732
Tan Shu Jiang	–	720	12	732
Independent non-executive directors				
Chong Yiu Kan, Sherman	120	–	–	120
Mao Zhenhua	120	–	–	120
Wong Po Yan	120	–	–	120
Total for 2011	360	4,174	36	4,570

The five highest paid individuals in the Group during the year included three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2011: two) individuals are set out below:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	2,160	2,160
Retirement benefit scheme contributions	28	24
	2,188	2,184

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

	Number of individuals	
	2012	**2011**
Nil – HK$1,000,000	1	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 year ended 31 December 2012 (2011: Nil). No director had waived or agreed to waive any emoluments during the years ended 31 December 2012 and 2011.

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2012 and 2011.

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss (2011: loss) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$40,403,000 (2011: HK$46,808,000) and the weighted average number of ordinary shares of approximately 2,138,085,000 (2011: 2,138,085,000) in issue during the year.

(b) Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2012 and 2011.

14. SEGMENT INFORMATION

The Group operates one operating segment, which is provision of ATM services. No separate segment information is prepared according to HKFRS 8 “operating segments”.

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

All operating assets and operations of the Group during the years ended 31 December 2012 and 2011 were substantially located and carried out in the PRC.

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

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

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

(a) Geographical information

	Revenue		Non-current assets	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	–	–	5,133	11,797
PRC except Hong Kong	12,463	13,519	20,753	30,969
	12,463	13,519	25,886	42,766

In presenting the geographical information, revenue is based on the locations of the customers.

(b) Revenue from major customers

	2012	**2011**
	HK$'000	*HK$'000*
ATM services		
Customer a	4,943	5,427
Customer b	5,058	4,501
Customer c	1,782	1,877
Customer d	669	1,301

15. OTHER COMPREHENSIVE INCOME

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

	2012			2011		
	Amount before tax	**Tax**	**Amount after tax**	**Amount before tax**	**Tax**	**Amount after tax**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	1,334	–	1,334	11,486	–	11,486
Other comprehensive income	1,334	–	1,334	11,486	–	11,486

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2011	4,060	79,273	6,739	6,706	96,778
Exchange adjustments	109	4,714	209	250	5,282
Additions	73	229	32	5,741	6,075
Written off	(182)	(422)	–	–	(604)
At 31 December 2011	4,060	83,794	6,980	12,697	107,531
At 1 January 2012	4,060	83,794	6,980	12,697	107,531
Exchange adjustments	15	719	32	38	804
Additions	79	854	116	–	1,049
Written off	(141)	–	–	–	(141)
At 31 December 2012	4,013	85,367	7,128	12,735	109,243
Accumulated depreciation and impairment:					
At 1 January 2011	2,793	53,798	5,383	4,502	66,476
Exchange adjustments	94	2,401	181	170	2,846
Charge for the year	463	9,718	445	1,644	12,270
Impairment losses	–	1,964	–	–	1,964
Written off	(152)	(275)	–	–	(427)
At 31 December 2011	3,198	67,606	6,009	6,316	83,129
At 1 January 2012	3,198	67,606	6,009	6,316	83,129
Exchange adjustments	13	517	(40)	106	596
Charge for the year	435	5,808	395	1,937	8,575
Impairment losses	–	590	–	–	590
Written off	(138)	–	–	–	(138)
At 31 December 2012	3,508	74,521	6,364	8,359	92,752
Carrying amount:					
At 31 December 2012	505	10,846	764	4,376	16,491
At 31 December 2011	862	16,188	971	6,381	24,402

The Group carried out reviews of the recoverable amount of its ATM machineries in plant and machinery in 2012 and 2011, 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. As the Group concentrated its business expansion strategy on strengthening cooperation with their existing customers and carefully reviewed the location selection strategy of ATM deployment, this led to the recognition of impairment losses of approximately HK$590,000 (2011: HK$1,964,000), that has been recognised in profit or loss.

The recoverable amount of the ATM cash-generating units has been determined on the basis of the fair value less costs to sell which uses cash flow projections based on financial budgets approved by the directors covering a five-year period. The growth rate is based on expected inflation growth rate of the geographical area in which the business of the ATM cash-generating units are operated. The cash flows beyond that five-year period have been extrapolated using a steady 2.5% per annum growth rate which is the expected inflation growth rate for the ATM business. Budgeted gross margin and turnover are based on past practices and expectations of the ATM market development. The pre-tax discount rate used in measuring the fair value less costs to sell is 15% (2011: 15%). The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the ATM cash-generating units.

As at 31 December 2012, the carrying amount of motor vehicles held by the Group under finance leases amounted to HK$3,827,000 (2011: HK$4,975,000).

17. INTANGIBLE ASSETS

	Customer contracts *HK$'000*
Cost:	
At 1 January 2011	52,664
Exchange adjustments	2,866
At 31 December 2011 and 1 January 2012	55,530
Exchange adjustments	432
At 31 December 2012	55,962
Accumulated amortisation and impairment:	
At 1 January 2011	31,729
Amortisation for the year	3,598
Impairment losses	4,921
Exchange adjustments	1,918
At 31 December 2011 and 1 January 2012	42,166
Amortisation for the year	2,664
Impairment losses	1,364
Exchange adjustments	373
At 31 December 2012	46,567
Carrying amount:	
At 31 December 2012	9,395
At 31 December 2011	13,364

The Group's intangible assets represent the customer contracts of Loten Technology Co., Limited and Beijing Sun Leader Technology Co., Limited. The average remaining amortisation period of the customer contracts is 4 years (2011: 5 years).

The Group carried out reviews of the recoverable amount of its intangible assets in 2012 and 2011 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. As the Group concentrated its business expansion strategy on strengthening cooperation with their existing customers and carefully reviewed the location selection strategy of ATM deployment, this led to the recognition of impairment losses of approximately HK$1,364,000 (2011: HK$4,921,000) for customer contracts that have been recognised in profit or loss.

The recoverable amount of the ATM cash-generating units has been determined on the basis of the fair value less costs to sell which uses cash flow projections based on financial budgets approved by the directors covering a five-year period. The growth rate is based on expected inflation growth rate of the geographical area in which the business of the ATM cash-generating units are operated. The cash flows beyond that five-year period have been extrapolated using a steady 2.5% per annum growth rate which is the expected inflation growth rate for the ATM business. Budgeted gross margin and turnover are based on past practices and expectations of the ATM market development. The pre-tax discount rate used in measuring the fair value less costs to sell is 15% (2011: 15%). The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the ATM cash-generating units.

18. TRADE AND OTHER RECEIVABLES

		2012	**2011**
	Note	*HK$'000*	*HK$'000*
Trade receivables	*(a)*	2,094	1,845
Prepayments, deposits and other receivables		26,517	29,952
	(b)	28,611	31,797

Note:

(a) The Group's trading terms with all customers are mainly on credit. The credit period is generally 90 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain 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.

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

	2012	**2011**
	HK$'000	*HK$'000*
Current	722	797
1 to 3 months	416	568
3 to 12 months	942	466
Over 1 year	14	14
	2,094	1,845

As at 31 December 2012 and 2011, no allowance was made for estimated irrecoverable trade receivables.

As at 31 December 2012, trade receivables of approximately HK$956,000 (2011: HK$480,000) were past due but not impaired. These related to number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2012	**2011**
	HK$'000	*HK$'000*
3 to 12 months	942	466
Over 1 year	14	14
	956	480

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

	2012	**2011**
	'000	*'000*
Renminbi ("RMB")	2,592	3,085

19. PLEDGED BANK DEPOSIT AND BANK AND CASH BALANCES

The Group's pledged bank deposit represented deposit pledged to a bank to secure banking facilities granted to the Group as set out in note 21 to the financial statements. As at 31 December 2012, the Group had no pledged bank deposit (2011: HK$5,000,000). As at 31 December 2011, the deposit was in HK$ and at floating interest rate ranging from 0.06% p.a. to 0.18% p.a. and therefore were subject to cash flow interest rate risk.

As at 31 December 2012, the bank and cash balances of the Group denominated in RMB amounted to approximately of HK$129,278,000 (2011: HK$129,670,000). 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.

20. TRADE AND OTHER PAYABLES

		2012	**2011**
	Note	*HK$'000*	*HK$'000*
Trade payables	*(a)*	1,148	1,136
Other payables and accrued expenses		8,376	5,052
Amount due to a director	*(b)*	–	1
		9,524	6,189

Note:

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

	2012	2011
	HK$'000	*HK$'000*
1 to 3 months	454	669
3 to 12 months	621	444
Over 1 year	73	23
	1,148	1,136

The carrying amounts of the Group's trade payables as at 31 December 2012 and 2011 are denominated in RMB.

(b) The amount is unsecured, interest-free and has no fixed terms of repayment.

21. BANKING FACILITIES

As at 31 December 2012, the Group had no banking facilities.

As at 31 December 2011, the Group had banking facilities of HK$5,000,000 which was secured by a charge over the Group's bank deposits of HK$5,000,000.

22. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,046	1,046	876	818
In the second to fifth years, inclusive	2,529	3,575	2,355	3,231
	3,575	4,621	3,231	4,049
Less: Future finance charges	(344)	(572)	–	–
Present value of lease obligations	3,231	4,049	3,231	4,049
Less: Amount due for settlement within 12 months (shown under current liabilities)			(876)	(818)
Amount due for settlement after 12 months			2,355	3,231

It is the Group's policy to lease its motor vehicle under finance leases. The lease term is 5 years. As at 31 December 2012, the effective borrowing rate was 6.26% (2011: 6.26%). Interest rate was fixed at the contract date and thus expose 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 vehicle at nominal prices.

All 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.

23. 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$25,000 with effect from 1 June 2012 (before 1 June 2012: HK$20,000). Contributions to the MPF schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the profit or loss during the year amounted to HK$179,000 (2011: HK$124,000).

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 15% to 33% (2011: 15% to 33%) 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$680,000 (2011: HK$535,000).

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

24. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

Pursuant to a resolution of an annual general meeting held on 30 June 2006, the total number of shares in respect of which options may be granted under the New Scheme and any other operative share option schemes of the Company is not permitted to exceed 10% of the aggregate nominal amount of the issued shares of the Company as at 30 June 2006. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The offer for a grant of share options of the New Scheme may be accepted with 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and in any event not later than 10 years from the date of grant of share options subject to the provisions for early termination thereof.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options granted after 1 September 2001, the exercise price of the options shall not be lower than the highest of (i) the nominal value of the shares; (ii) the closing price of the shares on the Stock Exchange's daily quotations sheet on the date of offer of the options, which must be a trading day; and (iii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

As at 31 December 2012, there were 40,700,000 share options granted which remained outstanding under the New Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 40,700,000 additional ordinary shares of the Company and additional share capital of HK$4,070,000 and share premium of HK$6,456,000 (before share issue expenses).

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

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

Grantee	Date granted	Exercise period	Note	Exercise price of options (note a, g) HK$	Number of share options Outstanding at 1.1.2012	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2012
New Scheme									
Directors									
Song Jing Sheng	31 Oct 2006	1 May 2007 – 30 Oct 2016	*(d)*	0.250	2,000,000	–	–	–	2,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(e)*	0.270	1,500,000	–	–	–	1,500,000
Sze Wai, Marco	31 Oct 2006	1 May 2007 – 30 Oct 2016	*(d)*	0.250	1,000,000	–	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(e)*	0.270	1,500,000	–	–	–	1,500,000
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(e)*	0.270	4,000,000	–	–	–	4,000,000
Independent non-executive directors									
Chong Yiu Kan, Sherman	31 Oct 2006	1 May 2007 – 30 Oct 2016	*(d)*	0.250	500,000	–	–	–	500,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(e)*	0.270	1,500,000	–	–	–	1,500,000
Mao Zhenhua	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
Wong Po Yan	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
Employees	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	*(b)*	0.122	2,000,000	–	–	–	2,000,000
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	*(c)*	0.213	1,000,000	–	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(e)*	0.270	21,100,000	–	–	(400,000)	20,700,000
					41,100,000	–	–	(400,000)	40,700,000

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 are as follows:

	2012		**2011**	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
		HK$		*HK$*
Outstanding at the beginning of the year	41,100,000	0.259	46,124,752	0.278
Lapsed during the year	(400,000)	0.27	(5,024,752)	0.433
Outstanding at the end of the year	40,700,000	0.259	41,100,000	0.259
Exercisable at the end of the year	40,700,000	0.259	41,100,000	0.259

There were no share options granted and exercised during the year (2011: Nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 5.90 years (2011: 6.90 years) and the exercise prices range from HK$0.122 to HK$0.270 (2011: HK$0.122 to HK$0.270).

There was no share-based compensation costs recognised during the year (2011: Nil).

25. DEFERRED TAX

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

	Intangible assets
	HK$'000
At 1 January 2011	3,324
Charged back to profit or loss for the year *(note 9)*	(1,406)
Exchange adjustments	(18)
At 31 December 2011	1,900
At 1 January 2012	1,900
Charged back to profit or loss for the year *(note 9)*	(665)
Exchange adjustments	(3)
At 31 December 2012	1,232

As at 31 December 2012, the Group has not recognised deferred tax assets in respect of cumulative tax losses and cumulative impairment losses of its ATM machineries in plant and machinery of approximately HK$45,174,000 and HK$17,233,000 respectively (2011: HK$48,851,000 and HK$16,636,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of which approximately HK$38,367,000 (2011: HK$42,044,000) will expire within 5 years and the remaining cumulative tax losses of approximately HK$6,807,000 (2011: HK$6,807,000) do not expire under current tax legislation.

26. SHARE CAPITAL

	2012		**2011**	
	No. of shares	**Amount**	**No. of shares**	**Amount**
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	3,000,000	300,000	3,000,000	300,000
Issued and fully paid:				
At 1 January and at 31 December	2,138,085	213,808	2,138,085	213,808

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

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

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

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012	**2011**
	HK$'000	*HK$'000*
Property, plant and equipment	1,242	1,758
Investments in subsidiaries	–	–
Amounts due from subsidiaries	337,996	349,087
Impairment losses on amounts due from subsidiaries	(262,263)	(266,496)
Other receivables	25,936	29,389
Bank and cash balances	1,728	18,495
Other payables	(4,740)	(2,100)
Net assets	99,899	130,133
Share capital	213,808	213,808
Reserves	(113,909)	(83,675)
Total equity	99,899	130,133

28. RESERVES

(a) Group

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

(b) Company

	Share premium *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 January 2011	489,081	7,578	(568,452)	(71,793)
Total comprehensive loss for the year	–	–	(11,882)	(11,882)
Changes in equity for the year	–	–	(11,882)	(11,882)
At 31 December 2011	489,081	7,578	(580,334)	(83,675)
At 1 January 2012	489,081	7,578	(580,334)	(83,675)
Total comprehensive loss for the year	–	–	(30,234)	(30,234)
Share options lapsed	–	(80)	80	–
Changes in equity for the year	–	(80)	(30,154)	(30,234)
At 31 December 2012	489,081	7,498	(610,488)	(113,909)

(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 are distributable in the form of fully paid bonus shares.

(ii) Share option reserve

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

(iii) Translation reserve

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

29. MAJOR NON-CASH TRANSACTION

There is no major non-cash transaction during the year ended 31 December 2012. Additions to property, plant and equipment of HK$4,500,000 for the year ended 31 December 2011 were financed by finance leases.

30. COMMITMENTS

(a) Lease commitments

As at 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Within one year	6,507	5,980
In the second to fifth years inclusive	3,877	1,795
	10,384	7,775

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

(b) Capital commitments

As at 31 December 2012 and 2011, the Group did not have any significant capital commitments.

31. CONTINGENT LIABILITIES

As at 31 December 2012 and 2011, the Group did not have any significant contingent liabilities.

32. MATERIAL RELATED PARTY TRANSACTIONS

(a) Included in the trade and other payables is the following balance with a related party:

	2012	**2011**
	HK$'000	*HK$'000*
Included in the trade and other payables		
A director		
– Sze Wai, Marco	–	1

The above balance due is interest-free, unsecured and has no fixed terms of repayment.

(b) Compensation of key management personnel of the Group:

	2012	**2011**
	HK$'000	*HK$'000*
Salaries and other benefits	4,200	4,200
Retirement benefit scheme contributions	55	48
	4,255	4,248

33. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2012 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
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
Maxing Investment Limited	BVI	100	–	US$1	Dormant
China Star Group (Hong Kong) Corporation Limited	Hong Kong	–	100	HK$100,000	Dormant
Fortune Jet International Limited	Hong Kong	–	100	HK$10,000,000	Investment holding
Smart Goal Development Limited	Hong Kong	–	100	HK$1	Dormant
Start Technology (Beijing) Co., Ltd. *(note a)*	PRC	–	100	RMB10,000,000	Dormant
Beijing Sun Leader Technology Co., Ltd. *(note a)*	PRC	–	100	RMB60,000,000	Provision of ATMs services
Loten Technology Co., Ltd. *(note a)*	PRC	–	100	RMB50,000,000	Dormant
Shenzhen FinTronics Information Services Ltd. *(note b)*	PRC	–	100	RMB5,000,000	Provision of ATMs services

Notes:

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

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

34. EVENTS AFTER THE REPORTING PERIOD

On 4 February 2013, the Board of Directors announced that a subsidiary entered into a non-legally binding memorandum of understanding with a target company in relation to the increase in the registered capital of the target company by contributing RMB60 million (equivalent to approximately HK$74.8 million) to the target company. This proposed investment is subject to conditions and may or may not lead to the entering into of the formal agreement.

On 28 February 2013, the Board of Directors announced that the Company entered into a placing agreement with an appointed placing agent to procure for Placees to subscribe for up to 420,000,000 warrants at HK$0.01 each issued by the Company for a period of 24 months commencing from the date of the issuance of the warrants subject to adjustments. Each warrant carries a right to subscribe for one new share of the Company at HK$0.16 each. The placing completion is subject to the fulfillment of the conditions of the placing.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The following is the full text of the unaudited financial statements of the Group for the six months ended 30 June 2013:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	**2012**
		(Unaudited)	**(Unaudited)**
	Note	*HK$'000*	*HK$'000*
Turnover	*3*	4,738	6,270
Cost of sales		–	–
Gross profit		4,738	6,270
Other income	*4*	1,837	2,532
Administrative expenses		(26,934)	(30,769)
Loss from operations		(20,359)	(21,967)
Finance costs	*5*	(92)	(136)
Loss before income tax		(20,451)	(22,103)
Income tax credit	*6*	196	219
Loss for the period	*7*	(20,255)	(21,884)
Loss per share	*9*		
Basic (cents)		(0.95)	(1.02)
Diluted (cents)		(0.95)	(1.02)
Loss for the period		(20,255)	(21,884)
Other comprehensive income/(loss) for the period, net of tax			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		2,553	(1,863)
Total comprehensive loss for the period		(17,702)	(23,747)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Note	At 30 June 2013 (Unaudited) HK$'000	At 31 December 2012 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		10,980	16,491
Intangible assets		8,352	9,395
		19,332	25,886
Current assets			
Trade and other receivables	*10*	42,847	28,611
Bank and cash balances		105,598	131,108
		148,445	159,719
Current liabilities			
Trade and other payables	*11*	10,025	9,524
Finance lease payables		905	876
		10,930	10,400
Net current assets		137,515	149,319
Total assets less current liabilities		156,847	175,205
Non-current liabilities			
Finance Lease payables		1,895	2,355
Deferred tax liabilities		1,036	1,232
		2,931	3,587
NET ASSETS		153,916	171,618
Capital and reserves			
Share capital	*12*	213,808	213,808
Reserves		(59,892)	(42,190)
TOTAL EQUITY		153,916	171,618

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013

	(Unaudited)					
	Attributable to owners of the Company					
	Share capital	**Share premium**	**Translation reserve**	**Share option reserve**	**Accumulated losses**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	213,808	489,081	40,393	7,578	(540,173)	210,687
Other comprehensive loss for the period	–	–	(1,863)	–	–	(1,863)
Loss for the period	–	–	–	–	(21,884)	(21,884)
At 30 June 2012	213,808	489,081	38,530	7,578	(562,057)	186,940
At 1 January 2013	213,808	489,081	41,727	7,498	(580,496)	171,618
Other comprehensive income for the period	–	–	2,553	–	–	2,553
Loss for the period	–	–	–	–	(20,255)	(20,255)
At 30 June 2013	213,808	489,081	44,280	7,498	(600,751)	153,916

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	**2012**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Net cash used in operating activities	(28,650)	(19,822)
Net cash generated from investing activities	1,733	1,577
Net cash used in financing activities	(523)	(538)
Net decrease in cash and cash equivalents	(27,440)	(18,783)
Effect of foreign exchange rate changes	1,930	(1,316)
Cash and cash equivalents at 1 January	131,108	148,262
Cash and cash equivalents at 30 June	105,598	128,163

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1 BASIS OF PREPARATION

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

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2012 annual financial statements, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2013. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group.

3 SEGMENT INFORMATION

The Group operates one business segment, which is the provision of "automatic teller machines" services. No separate segment information is prepared according to HKFRS 8 "operating segments".

All operating assets and operations of the Group during the periods ended 30 June 2013 and 2012 were substantially located and carried out in the PRC.

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

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

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

4 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2013	**2012**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Interest income	1,837	2,532

5 FINANCE COSTS

	Six months ended 30 June	
	2013	**2012**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Finance lease charges	92	121
Interest expenses on bank overdrafts	–	15
	92	136

6 INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: Nil).

The PRC Corporate income tax rate for the subsidiaries in the PRC is 25% (2012: 25%).

	Six months ended 30 June	
	2013	**2012**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Current tax – PRC Corporate income tax		
Tax for the period	–	–
Deferred taxation		
Origination and reversal of temporary differences	196	219
	196	219

7 LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2013	**2012**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Amortisation of intangible assets	1,185	1,329
Depreciation:		
– Owned assets	5,518	5,803
– Leased asset	574	574
Staff costs including directors' emoluments	8,001	7,635

8 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

9 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share for the six months ended 30 June 2013 is based on the loss for the period attributable to owners of the Company of approximately HK$20,255,000 (six months ended 30 June 2012: loss of HK$21,884,000) and the weighted average number of ordinary shares of approximately 2,138,085,000 (six months ended 30 June 2012: 2,138,085,000) in issue during the period.

(b) Diluted

Diluted loss per share for the period ended 30 June 2013 did not assume the exercise of outstanding share options as the exercise prices of the share options of the Company are higher than the average market price per share for the period ended 30 June 2013 and 30 June 2012.

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2013 (Unaudited) *HK$'000*	**At 31 December 2012 (Audited)** *HK$'000*
Current	931	722
1 to 3 months	291	416
3 to 12 months	683	942
Over 1 year	247	14
Total trade receivables	2,152	2,094
Prepayments, deposits and other receivables	40,695	26,517
Total trade and other receivables	42,847	28,611

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

11 TRADE AND OTHER PAYABLES

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

	At 30 June 2013 (Unaudited) *HK$'000*	At 31 December 2012 (Audited) *HK$'000*
1 to 3 months	392	454
3 to 12 months	908	621
Over 1 year	25	73
Total trade payables	1,325	1,148
Other payables and accrued expenses	8,700	8,376
Total trade and other payables	10,025	9,524

12 SHARE CAPITAL

	At 30 June 2013 (Unaudited)		At 31 December 2012 (Audited)	
	No. of shares *'000*	Amount *HK$'000*	No. of shares *'000*	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	3,000,000	300,000	3,000,000	300,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	2,138,085	213,808	2,138,085	213,808

13 LEASE COMMITMENTS

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2013 (Unaudited) *HK$'000*	At 31 December 2012 (Audited) *HK$'000*
Within one year	8,327	6,507
In the second to fifth years inclusive	4,757	3,877
	13,084	10,384

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

14 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at both 30 June 2013 and 31 December 2012.

15 RELATED PARTY TRANSACTIONS

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

4. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2013, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had finance lease payables of approximately HK$2.7 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 October 2013, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors have confirmed that they are not aware of any material change in indebtedness, commitments and contingent liabilities of the Group since 31 October 2013 up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscriber) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscriber) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Subscriber contained in this circular has been supplied by the director of the Subscriber. The director of the Subscriber accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed (other than those expressed by the Group) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

2. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of calendar months during the Relevant Period; (ii) on 16 October 2013 (being the last trading day immediately preceding the date of the Announcement); and (iii) on the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
30 April 2013	0.169
31 May 2013	0.139
28 June 2013	0.125
31 July 2013	0.131
30 August 2013	0.121
30 September 2013	0.125
16 October 2013 (being the Last Trading Day)	0.129
31 October 2013	0.250
29 November 2013	0.300
3 December 2013 (being the Latest Practicable Date)	0.275

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.111 on 9 September 2013 and HK$0.300 on 29 November 2013 and 2 December 2013, respectively.

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTING SECURITIES

(i) Share capital

Set out below are the authorized and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Capital Increase becoming effective and upon Completion:

Authorised		*HK$*
3,000,000,000	Shares as at the Latest Practicable Date	300,000,000
3,000,000,000	Increase in authorised share capital of the Company	300,000,000
6,000,000,000		600,000,000

Issued and fully paid or credited as fully paid		*HK$*
2,138,084,922	Shares as at the Latest Practicable Date	213,808,492.20
2,000,000,000	Allotment and issue of the Subscription Shares	200,000,000.00
4,138,084,922		413,808,492.20

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting.

There has been no increase in the issued share capital of the Company since 31 December 2012 and up to the Latest Practicable Date.

(ii) Share options

As at the Latest Practicable Date, the Company had 34,700,000 Outstanding Options granted under the share option scheme of the Company.

(iii) Convertible securities

As at the Latest Practicable Date, the Company had no warrants or convertible securities in issue.

Save as disclosed in the section headed "Share Capital, Share Options and Converting Securities" in this Appendix and as at the Latest Practicable Date, the Company had no other outstanding options, warrants or conversion rights affecting the Shares.

4. DIRECTORS' INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the 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 provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i). Long position in Shares

Name of Director	Personal interests	Corporate Interests	Total	Approximate percentage of shareholding
Sze Wai, Marco	–	476,909,906 *(Note)*	476,909,906	22.31%
Chong Yiu Kan, Sherman	650,000	–	650,000	0.03%

Note: These shares were held by the Subscriber and Global Prize Limited, companies wholly owned by Mr. Sze Wai, Marco.

(ii). Long position in options granted pursuant to the share option schemes of the Company

Name of Director	No. of shares to be allotted and issued upon exercise in full of the options under the share option schemes of the Company	Approximate percentage of shareholding
Sze Wai, Marco	2,500,000	0.12%
Mao Zhenhua	2,500,000	0.12%
Chong Yiu Kan, Sherman	2,000,000	0.09%
Tan Shu Jiang	4,000,000	0.19%

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

(b) As at the Latest Practicable Date, the following Director was also a director of the Subscriber:

Name of Director	**Position held in the Subscriber**
Sze Wai, Macro	director

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

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

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other operative share option schemes of the Group may not in aggregate exceed 105,778,000, being 10% of the shares in issue of the Company as at 30 June 2006, the date of which the resolution is passed pursuant to the share option scheme. Background of the Company's share option scheme is set out in its annual report for the financial year ended 31 December 2012.

As at the Latest Practicable Date, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share is HK$0.125 at the balance sheet date) granted at nominal consideration of HK$1.00 for each lot of share options granted under the share option scheme operated by the Company, each option gives the holder the right to subscribe for one share.

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

Grantee	Date granted	Exercisable period	Exercise price of options	Outstanding at 1.1.2013	Number of share options: Exercised during the year	Lapsed during the year	Outstanding at 30.06.2013
			HK$				
New Scheme							
Directors							
Song Jing Sheng	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	2,000,000	–	(2,000,000)	–
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	(1,500,000)	–
Sze Wai, Marco	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	4,000,000	–	–	4,000,000
Independent non-executive directors							
Chong Yiu Kan, Sherman	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	500,000	–	–	500,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
Mao Zhenhua	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
Wong Po Yan	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)	–
Employees	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	0.122	2,000,000	–	–	2,000,000
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	0.213	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	20,700,000	–	–	20,700,000
				40,700,000	–	(6,000,000)	34,700,000

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

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

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

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

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, 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 Shares	Capacity	Approximate percentage of shareholding
The Subscriber *(Note)*	474,869,906	Beneficial owner	22.21
Global Prize Limited *(Note)*	2,040,000	Beneficial owner	0.10

Note:

Leading Value Industrial Limited and Global Prize Limited are companies wholly owned by Sze Wai, Marco, who is an executive Director.

Save as disclosed in the section headed "Substantial Shareholders' Interests" in this Appendix, as at the Latest Practicable Date, 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.

As at the Latest Practicable Date, there was no benefit given or agreed to be given to any Director as compensation for loss of office or otherwise in connection with the Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, other than the Subscription Agreement, there was no agreement, arrangement or understanding between any Director or any other person which was conditional on or dependent upon the outcome of the Subscription or the Whitewash Waiver or otherwise connected with the Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, other than the Subscription Agreement, no material contacts were entered into by any of the Subscriber and the party acting in concert with it in which any Director had a material personal interest.

6. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND THE SUBSCRIBER AND PERSONS ACTING IN CONCERT WITH IT

As at the Latest Practicable Date:

(a) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities ("Relevant Securities") in any member of the Subscriber and persons acting in concert with it and it has not dealt for value in any such securities of any member of the Subscriber and persons acting in concert with it during the Relevant Period;

(b) save for Mr. Sze, none of the Directors or chief executive of the Company held, controlled or had direction over any Relevant Securities in any member of the Subscriber and persons acting in concert with it or any Relevant Securities in the Company and none of them has dealt for value in any such securities of any member of the Subscriber and persons acting in concert with it during the Relevant Period;

(c) none of the advisers to the Company as specified in class (2) of the definition of "associates" under the Takeovers Code, held, controlled or had direction over any Relevant Securities in the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(d) save for the Subscription Agreement and the transactions contemplated thereunder, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of an associate under the Takeovers Code during the Relevant Period;

(e) none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company owned or controlled any Shares, warrants, options or derivatives of the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(f) save as disclosed in the section headed "Directors' Interests" in this Appendix, none of the Directors and their respective associates owned or controlled any Relevant Securities in the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(g) Mr. Chong Yiu Kan, Sherman intended to vote in favour of the resolutions approving the Subscription Agreement and transactions contemplated thereunder and the Whitewash Waiver at the SGM in respect of his shareholdings in the Company. Mr. Sze shall abstain from voting on the resolutions approving the Subscription and the Whitewash Waiver at the SGM pursuant to the Takeovers Code. The other Directors (being Mr. Mao Zhenhua, Mr. Tan Shu Jiang, Mr. Shentu Jun, Mr. Chan Ming Sun, Jonathan and Mr. Lai Yip Wing) did not hold any Shares as at the Latest Practicable Date;

(h) no person had irrevocably committed themselves to vote in favour of or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM; and

(i) neither the Company nor any of the Directors has borrowed or lent any Shares and any Relevant Securities in the Company.

As at the Latest Practicable Date, save as disclosed under the paragraph headed "Effect of the Subscription" in the letter from the Board in this circular and the paragraph headed "Substantial Shareholders' Interests" in this appendix:

(a) the Subscriber and persons acting in concert with it did not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold, control or have direction over any Relevant Securities in the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(b) the Subscriber and persons acting in concert with it did not borrow or lend any Shares and any Relevant Securities in the Company;

(c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber and persons acting in concert with it during the Relevant Period;

(d) none of the member of the Subscriber and persons acting in concert with it has received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver; and

(e) none of the director of the Subscriber and persons acting in concert with it owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them has dealt for value in any such securities of the Company during the Relevant Period.

As at the Latest Practicable Date, no Shares acquired by the Subscriber and persons acting in concert with it pursuant to the Subscription has been transferred, charged or pledged to any other person, but may be transferred, charged or pledged (as security for financing to be arranged by the Subscriber). At present, there is no agreement, arrangement or understanding and any related charges or pledges exist which may result in the transfer of voting rights in such shares.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement;

(ii) was a continuous contract with a notice period of 12 months or more;

(iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or

(iv) was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by the Group and/or are material:

(i) on 4 February 2013, Beauty China Investment Company Limited ("Beauty China Investment"), an indirect wholly-owned subsidiary of the Company entered into a memorandum of understanding with 無錫市綠化建設有限公司(Wuxi Municipal Virescence Construction Company Limited*)("Wuxi Virescence"), pursuant to which Beauty China Investment intended to increase the registered capital of Wuxi Virescence by contributing RMB60 million to the Wuxi Virescence. Wuxi Virescence is principally engaged in the business of gardening and landscape construction; and

(ii) a subscription agreement dated 16 October 2013 between the Subscriber and the Company relating to the subscription of 2,000,000,000 new Shares to be subscribed by the Subscriber for a total consideration of HK$200,000,000.

9. MATERIAL CHANGE

There were no material change in the financial or trading position or outlook of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

* *for identification purposes only*

10. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

11. DIRECTORS' INTERESTS IN THE GROUPS ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

(a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Group; and

(b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

12. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

13. EXPERT

(a) The following sets out the qualifications of the expert who has given its opinions or advice as contained in this circular:

Name	Qualification
TC Capital	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

(b) As at the Latest Practicable Date, TC Capital had no shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

(c) As at the Latest Practicable Date, TC Capital had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2012 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

(d) TC Capital had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

14. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the place of business in Hong Kong is situated at unit 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Chan Ying Kay, who is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountant.

(c) The registered address of the Subscriber is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Mr. Sze is the sole director of the Subscriber. The correspondence address of the Subscriber, Mr. Sze and Global Prize Limited in Hong Kong is at unit 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The Independent Financial Adviser is TC Capital and its registered office is situated at suite 1904, 19/F., Tower 6, the Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(f) The financial adviser of the Company is China Investment Securities International Capital Limited and its business office is situated at 63/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any Business Days from the date of this circular up to and including 14 days (except public holidays) at the Company's place of business of Hong Kong situated at unit 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong and will also be available for inspection on the website of the SFC at www.sfc.hk and the website of the Company at www.beautifulchina.com.hk from the date of this circular up to and including the date of the SGM:

(a) the bye-laws of the Company;

(b) the memorandum of association and articles of association of the Subscriber;

(c) the annual reports of the Company for the last two financial years ended 31 December 2011 and 31 December 2012 respectively;

(d) the interim report of the Company for the six months ended 30 June 2013;

(e) the Subscription Agreement;

(f) this circular;

(g) the letter from the Board, the text of which is set out on pages 5 to 18 of this circular;

(h) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;

(i) the letter from TC Capital, the text of which is set out on pages 21 to 35 of this circular;

(j) the written consent from TC Capital as referred to in the paragraph headed "Expert" in this appendix; and

(k) the material contracts as referred to in the paragraph headed "Material Contracts" in this appendix.

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

(incorporated in Bermuda with limited liability)

(Stock code: 706)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Beautiful China Holdings Company Limited (the "**Company**") will be held at Unit A, 29/F., Admiralty Centre 1, 18 Harcount Road, Hong Kong at 10:00 a.m. on Monday, 23 December 2013 for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (i) the authorized share capital of the Company be and is hereby increased from HK$300,000,000 divided into 3,000,000,000 shares of a par value of HK$ 0.10 each to HK$600,000,000 divided into 6,000,000,000 shares of a par value of HK$0.10 each by the creation of an additional 3,000,000,000 unissued shares of a par value of HK$0.10 each (the "**Proposed Increase in Authorised Share Capital**"); and

   (ii) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents and to do all such acts or things deemed by him/her to be appropriate, incidental to, ancillary to or in connection with and/or to effect the Proposed Increase in Authorised Share Capital."

2. "**THAT**, conditional upon the Proposed Increase in Authorised Share Capital (as defined in Resolution No. 1 in the notice convening the SGM (as defined in the circular of the Company dated 6 December 2013 (the "**Circular**"), a copy of which has been produced to the SGM (as defined in the Circular), marked "A" and initialed by the chairman of the SGM (as defined in the Circular) for the purpose of identification) becoming effective, and fulfillment of the conditions precedent of the Subscription Agreement (as defined in the Circular) :

   (a) the Subscription Agreement (as defined in the Circular) be and is hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorized to approve any changes and amendments thereto as he/she may consider necessary, desirable or appropriate; and

(b) any one director of the Company be and is hereby authorized to do all such acts and things and execute such documents and take all steps which, in his/her opinion deemed necessary, desirable or expedient to implement and/or effect the transactions contemplated under the Subscription Agreement (as defined in the Circular) for and on behalf of the Company."

3. "**THAT**, subject to the passing of the resolutions set out as Resolution Nos.1 and 2 in the notice convening the SGM (as defined in the Circular), the Whitewash Waiver (as defined in the Circular) granted or to be granted by the Executive (as defined in the Circular) to the Subscriber (as defined in the Circular) be and is hereby approved and any one director of the Company be and is hereby authorised to do all such things and take all such action as he/she may consider to be necessary or desirable to implement any of the matters relating to or incidental to the Whitewash Waiver (as defined in the Circular)."

By Order of the Board
Beautiful China Holdings Company Limited
Tan Shu Jiang
Executive Director

Hong Kong, 6 December 2013

Notes:

1. A member of the Company entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the special general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the special general meeting or any adjournment thereof, should he/she so wish.

3. Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.

5. The form of proxy for use at the SGM is enclosed herewith.

As at the date of this notice, the board of the directors ("Directors") of the Company comprises Mr. Sze Wai, Marco, Mr. Tan Shu Jiang, Mr. Mao Zhenhua and Mr. Shentu Jun as executive Directors, and Mr. Lai Yip Wing, Mr. Chan Ming Sun, Jonathan and Mr. Chong Yiu Kan, Sherman as independent non-executive Directors.