



美丽中国  
BEAUTIFUL CHINA

Interim Report  
**2015**

**BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED**

(Incorporated in Bermuda with limited liability)

Stock Code : 706

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# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Turnover</b>	3	<b>1,572</b>	3,796
Cost of sales		–	–
<b>Gross profit</b>		<b>1,572</b>	3,796
Other income	4	<b>1,376</b>	1,983
Administrative expenses		<b>(32,218)</b>	(27,319)
<b>Loss from operations</b>		<b>(29,270)</b>	(21,540)
Finance costs	5	<b>(522)</b>	(64)
Loss before income tax		<b>(29,792)</b>	(21,604)
Income tax credit	6	–	159
<b>Loss for the period</b>	7	<b>(29,792)</b>	(21,445)
<b>Loss per share</b>	9		
Basic (cents)		<b>(0.62)</b>	(0.56)
Diluted (cents)		<b>(0.62)</b>	(0.56)
<b>Loss for the period</b>		<b>(29,792)</b>	(21,445)
<b>Other comprehensive income for the period, net of tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		<b>903</b>	(2,968)
<b>Total comprehensive income for the period</b>		<b>(28,889)</b>	(24,413)

The notes on pages 6 to 14 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,848	3,890
Intangible assets		2,034	2,702
Biological assets	10	19,344	2,182
Deposits	11	196,450	211,413
		<b>220,676</b>	220,187
<b>Current assets</b>			
Trade and other receivables	12	31,001	16,025
Bank and cash balances		325,102	217,108
		<b>356,103</b>	233,133
<b>Current liabilities</b>			
Trade and other payables	13	9,711	9,902
Finance lease payables		933	991
		<b>10,644</b>	10,893
<b>Net current assets</b>			
		<b>345,459</b>	222,240
<b>Total assets less current liabilities</b>			
		<b>566,135</b>	442,427
<b>Non-current liabilities</b>			
Convertible bonds	14	13,164	–
Finance lease payables		–	430
Deferred tax liabilities		112	112
		<b>13,276</b>	542
<b>NET ASSETS</b>			
		<b>552,859</b>	441,885
<b>Capital and reserves</b>			
Share capital	15	525,108	456,408
Reserves		27,751	(14,523)
<b>TOTAL EQUITY</b>			
		<b>552,859</b>	441,885

The notes on pages 6 to 14 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	(Unaudited)						
	Share capital	Share premium	Translation reserve	Share option reserve	Equity component of convertible bonds	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	213,808	489,081	46,104	6,433	-	(623,057)	132,369
Total comprehensive income for the period	-	-	(2,968)	-	-	(21,445)	(24,413)
Issue of shares	200,000	-	-	-	-	-	200,000
At 30 June 2014	413,808	489,081	43,136	6,433	-	(644,502)	307,956
<b>At 1 January 2015</b>	<b>456,408</b>	<b>610,917</b>	<b>42,301</b>	<b>5,978</b>	<b>-</b>	<b>(673,719)</b>	<b>441,885</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>903</b>	<b>-</b>	<b>-</b>	<b>(29,792)</b>	<b>(28,889)</b>
<b>Shares issued under share option scheme</b>	<b>200</b>	<b>340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>540</b>
<b>Issue of convertible bonds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,542</b>	<b>-</b>	<b>23,542</b>
<b>Shares issued upon conversion of convertible bonds</b>	<b>68,500</b>	<b>68,500</b>	<b>-</b>	<b>-</b>	<b>(21,219)</b>	<b>-</b>	<b>115,781</b>
<b>At 30 June 2015</b>	<b>525,108</b>	<b>679,757</b>	<b>43,204</b>	<b>5,978</b>	<b>2,323</b>	<b>(703,511)</b>	<b>552,859</b>

The notes on pages 6 to 14 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash used in operating activities	(45,779)	(114,974)
Net cash generated from investing activities	844	1,070
Net cash generated from financing activities	152,017	199,476
Net increase in cash and cash equivalents	107,082	85,572
Effect of foreign exchange rate changes	912	(2,403)
Cash and cash equivalents at 1 January	217,108	103,213
Cash and cash equivalents at 30 June	325,102	186,382

The notes on pages 6 to 14 form part of this interim financial report.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 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 2014, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 2 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2014 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 2015. 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 has two operating segments as follows:

- ATM
- Tree plantation

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

All operating assets and operations of the Group during the periods ended 30 June 2015 and 2014 were substantially located and carried out in the People’s Republic of China (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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

The Group's CEO assesses the performance of the operating segments 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 segments such as loss 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.

Information about operating segment profit or loss:

	(Unaudited)		
	ATM HK\$'000	Tree plantation HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2015</b>			
Revenue from external customers	1,572	–	1,572
Segment loss	(3,619)	(4,585)	(8,204)
Interest revenue	155	–	155
Depreciation and amortisation	1,287	135	1,422
Capital expenditure	93	368	461

	(Unaudited)		
	ATM HK\$'000	Tree plantation HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2014</b>			
Revenue from external customers	3,796	–	3,796
Segment loss	(5,257)	–	(5,257)
Interest revenue	1	–	1
Depreciation and amortisation	3,962	–	3,962
Capital expenditure	68	–	68





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 4 OTHER INCOME

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest income	1,349	1,955
Others	27	28
	<b>1,376</b>	<b>1,983</b>

## 5 FINANCE COSTS

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Finance lease charges	35	64
Interest charge on convertible bonds	487	–
	<b>522</b>	<b>64</b>

## 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 for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

The PRC Corporate income tax rate for the subsidiaries in the PRC is 25% (2014: 25%).

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	–	159

## 7 LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Amortisation of intangible assets	676	967
Depreciation:		
– Owned assets	956	4,219
– Leased asset	574	574
Staff costs including directors' emoluments	10,960	7,876

## 8 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 9 LOSS PER SHARE

### (a) Basic

The calculation of basic loss per share for the six months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of approximately HK\$29,792,000 (six months ended 30 June 2014: loss of HK\$21,445,000) and the weighted average number of ordinary shares of approximately 4,804,389,000 (six months ended 30 June 2014: 3,839,742,000) in issue during the period.

### (b) Diluted

The effects of all potential ordinary shares are anti-dilutive for the period ended 30 June 2015 and 2014.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 10. BIOLOGICAL ASSETS

The Group's biological assets are tree seedlings.

Reconciliation of carrying amount of tree seedlings:

	<b>At 30 June 2015 (Unaudited) HK\$'000</b>	At 31 December 2014 (Audited) HK\$'000
At beginning of the reporting period	<b>2,182</b>	–
Increases due to purchases	<b>17,162</b>	2,182
At end of the reporting period	<b>19,344</b>	2,182

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

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

### Regulatory and environmental risks

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

### Supply and demand risk

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

### Climate and other risks

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 11 DEPOSITS

	<b>At 30 June 2015 (Unaudited) HK\$'000</b>	At 31 December 2014 (Audited) HK\$'000
Deposits for purchase of tree seedlings	<b>196,450</b>	211,413

### 12 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:

	<b>At 30 June 2015 (Unaudited) HK\$'000</b>	At 31 December 2014 (Audited) HK\$'000
Current	<b>643</b>	303
1 to 3 months	–	–
3 to 12 months	–	–
Over 1 year	<b>64</b>	64
Total trade receivables	<b>707</b>	367
Prepayments, deposits and other receivables	<b>30,294</b>	15,658
Total trade and other receivables	<b>31,001</b>	16,025

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 13 TRADE AND OTHER PAYABLES

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

	<b>At 30 June 2015 (Unaudited) HK\$'000</b>	At 31 December 2014 (Audited) HK\$'000
1 to 3 months	73	24
3 to 12 months	25	–
Over 1 year	–	–
Total trade payables	98	24
Other payables and accrued expenses	9,613	9,878
<b>Total trade and other payables</b>	<b>9,711</b>	<b>9,902</b>

## 14 CONVERTIBLE BONDS

	<b>Liability component (Unaudited) HK\$'000</b>	<b>Equity component (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
At 31 December 2014 and at 1 January 2015	–	–	–
Issue of convertible bonds	128,458	23,542	152,000
Conversion into share during the year	(115,781)	(21,219)	(137,000)
Imputed interest expense	487	–	487
<b>At 30 June 2015</b>	<b>13,164</b>	<b>2,323</b>	<b>15,487</b>

### Convertible Bonds issued in 2015

On 9 April 2015, the Company has completed the placing of 5% convertible bonds with an aggregate principal amount of HK\$152,000,000. The maturity date of the convertible bonds is at the end of 12th month of the date of issue (extendable for a further 12 months at the option of the Bondholders). The rights to convert into 760,000,000 conversion shares are at an initial conversion price of HK\$0.2 per share, subject to adjustment for dilutive events. During the period, the convertible bonds of HK\$137,000,000 have been converted, at a conversion price of HK\$0.2 into 685,000,000 ordinary shares respectively, with nominal value of HK\$0.1 each. The outstanding principal amounts of the convertible bonds as at 30 June 2015 was HK\$15,000,000 (31 December 2014: Nil).

## 15 SHARE CAPITAL

	At 30 June 2015 (Unaudited)		At 30 December 2014 (Audited)	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each ( <i>Note 1</i> )	12,000,000	1,200,000	6,000,000	600,000
Issued and fully paid:				
At beginning of the reporting period	4,564,085	456,408	2,138,085	213,808
Subscription of Shares	–	–	2,000,000	200,000
Shares issued under share option scheme ( <i>Note 2</i> )	2,000	200	–	–
Shares issued upon conversion of convertible bonds ( <i>Note 3</i> )	685,000	68,500	–	–
Placing of shares	–	–	426,000	42,600
At end of the reporting period	5,251,085	525,108	4,564,085	456,408

*Note 1:* On 8 June 2015, an increase in authorised share capital of the Company from HK\$600,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.10 each to HK\$1,200,000,000 divided into 12,000,000,000 shares by the creation of an additional 6,000,000,000 new shares has been approved in the Annual General Meeting.

*Note 2:* During the period, options to subscribe for 2,000,000 ordinary shares were exercised. The consideration received was HK\$540,000 of which HK\$200,000 was credited to share capital account and the balance of HK\$340,000 was credited to the share premium account.

*Note 3:* During the period, the holders of Group's convertible bonds exercised partially their conversion rights and converted the convertible bonds of HK\$137,000,000 into 685,000,000 new ordinary shares of with nominal value HK\$0.1 each in the share capital of the Company at a conversion price of HK\$0.2 per conversion share.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 16 LEASE COMMITMENTS

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>At 30 June 2015 (Unaudited) HK\$'000</b>	At 31 December 2014 (Audited) HK\$'000
Within one year	<b>9,013</b>	12,488
In the second to fifth years inclusive	<b>21,748</b>	23,600
After five years	<b>29,088</b>	35,260
	<b>59,849</b>	71,348

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.

## 17 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at both 30 June 2015 and 31 December 2014.

## 18 RELATED PARTY TRANSACTIONS

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Entering the final year of the “Twelfth Five Year Plan”, Beautiful China continued to follow the environmental protection policy of the Central Government, and adjusted its strategies for business development to align with the focus and trends of national development. The domestic ecological garden and landscape industry is, in general, still undergoing an explosive growth, which enables the Company to accelerate its pace in innovative business expansion in order to transform itself into an integrated enterprise engaged in both ecological landscape construction and environmental management services. Given the fact that the market is increasingly saturated and there is limited room for development in the ATM operation, the Company will further shift from ATM operation to ecological garden and landscape business to start a new chapter for future development.

### Ecological Garden and Landscape Business

In recent years, the Central Government has been committed to promoting the development of the domestic eco-environmental protection industry. In addition to the enactment of new environmental protection laws and environmental policies including “Ten Measures to Improve Air Quality” and “Ten Measures to Improve Water Quality”, the government further approved the “Opinions on Accelerating the Ecological Civilization Construction” in March, which will bring enormous development opportunities for the ecological garden and landscape industry. Nevertheless, we are facing increasingly intensified competitions within the industry because more companies were attracted to the industry with an ever increasing market demand for environmental protection services including ecological landscape projects, as the government expands its expenditures on environmental protection and calls on enterprises from various industries to promote the green culture. However, benefiting from our solid business foundation, the Group gave a full play to its competitive edge, and made breakthrough in the first half of the year.

During the period under review, the slowing economic growth in the PRC prompted developers to take a more prudent approach, resulting in a lack of new large-scale landscape projects. Accordingly, the Company has put more efforts into the promotion of existing projects, and further adjusted its development strategy and planning timely in line with the market conditions. As for the construction of ecological projects, the Company pressed on with its ecological wetland project at the west bank of Dianchi in Kunming, and has completed part of the construction approval procedures. The bidding process is expected to commence in the third quarter of this year, and according to the original plan, the project will start construction officially at the end of this year. As for the seedling cultivation segment, the Company followed the momentum of last year, and has planted 80,000 high-quality red maple seedlings year to date, which is rather encouraging. Aside from this, the Company also made sound progress in eco-environmental protection by identifying potential quality projects in various locations including Wuhe, Xian, Wuxi and Qiqihar during the year, and initial cooperative consensus have been reached with business partners, while official agreements are expected to be signed shortly.





# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW** *(Continued)*

### **Ecological Garden and Landscape Business** *(Continued)*

To further expand the scale of operations and enhance competitiveness, the Company focused on provinces including Anhui, Jiangsu, Shaanxi, Hebei and Heilongjiang as key development markets, and started from waste treatment and renewable energy resources businesses to fully expand into other environmental protection market segments such as the recently fast-growing environmental pollution treatment market. Besides, the Company has established strategic partnerships with large-scale solid waste management services suppliers including China National Environmental Protection Corporation and Beijing Jingcheng Tianyi Environmental Technology Co., Ltd. to actively tap the highly potential niche market.

### **ATM Business**

During the period under review, ATM operation was still under fierce market competition. Major banks tend to set up their own cash machines, while a large number of other operators have installed brand new cash facilities in large quantities in our core business areas, resulting in decreasing transaction volumes in our ATM facilities, which severely affected the revenues of this business segment. In response to this situation, the Company slowed down its business development in ATM operation and adjusted the operation layouts in line with the market conditions and the competitive environment, so as to reduce the operating costs and to boost the overall profitability.

As of December 2014, the Company managed about 60 ATM facilities, and our major partners included financial institutions such as the Shenzhen branches of Ping An Bank of China. Considering that our operational cooperation agreements with some of the banks will expire shortly, the Company fully closed down its ATM facilities in Northeast China, Shandong Province, East and Central China, keeping only ATM operation in South and Southwest China where revenues have been rather satisfactory, thus mitigating the negative influences of industry competition on the overall performance of the Company.

## **PROSPECTS**

With the global economy still shrouded in uncertainties and the PRC's economic growth showing signs of moderation under the adverse effects of external factors, Beautiful China will adhere to the principle of cost reduction and efficiency enhancement, pay heed to the latest trends of market development and undertake regular evaluation on the effectiveness of our operational strategies, supported by corresponding adjustments. In the coming years, the Company is of the view that the ecological garden and landscape industry will continue booming and remain one of the most promising emerging industries. On the other hand, however, expecting the PRC's ATM market to stay on the sluggish side and face a grim prospect, the Company has therefore planned to terminate operations in areas with unsatisfactory performance, with an aim to centralizing resources to expand and strengthen the ecological garden and landscape and environmental protection related businesses.

## PROSPECTS *(Continued)*

Under full support from the Central Government, the eco-environmental protection industry in the PRC enjoys enormous room for development. The Company is now seizing the ample and valuable opportunities arising from the environmental advocacy to facilitate the process of business transformation by integrating internal development strategies. While pushing forward projects currently underway, the Company will eagerly exploit potential business opportunities in order to keep growing and scaling its ecological garden and landscape business. In addition, the Company has already ventured into emerging industries including waste management and renewable energy resources with plans to initiate more quality development projects in the second half of the year, hitting a new milestone for the Company's business advancement. As industry competition has become more intense, the Company will continue to scout for potential business partners and establish strategic partnerships with sizable environmental service providers to improve our overall service quality and to claim a bigger market share.

In the aspect of ecological landscape construction, the Company has set itself the goal of establishing the largest base for color-leaf seedling landscape in Asia. By setting forth a three-pronged strategy focusing on design, construction and maintenance, we aim to become the leader in the market of color-leaf seedling landscape. We also seek to strengthen our capacity in the construction of ecological garden and landscape projects by actively identifying high-quality environmental engineering enterprises as acquisition targets, thereby enhancing our competitive edge by securing contracts of large-scale construction engineering projects. Capitalizing on our existing advantages and solid business foundation, the Company will accelerate the development of environmental management business, especially in specific market segments characterized by stricter technology and capital requirements, while specializing in areas such as integrated solid waste treatment and ecological recovery of soil. Focusing on daily waste, the Company has become the first one-stop provider of recycling, sorting, processing and recovery services, further expanding the variety of the Company's eco-environmental businesses.

Looking into the future, as environmental awareness continues to grow in the PRC, the Group will tap into key regional markets guided by market trends and business needs, and provide one-stop integrated services centering on prefectural level or above and county level cities, progressing towards the target of becoming a leading eco-environmental service provider. At the same time, the Group will develop integrated business strategies according to the domestic market trends as well as our internal management principles, formulating an appropriate development plan that is both comprehensive and feasible. The Group is highly optimistic about its business prospects and will realize our sustainable development potential while enhancing the Company's value and profitability, in a bid to generate substantial return for both shareholders and investors.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had cash and bank balances of HK\$325.1 million (31 December 2014: HK\$217.1 million), of which none of the balances (31 December 2014: Nil) were pledged to banks for facilities granted to the Group.

The Group had convertible bonds and finance lease payables amounting HK\$14.1 million as at 30 June 2015 (31 December 2014: HK\$1.4 million). As at 30 June 2015, the total asset value of the Group was HK\$576.8 million (31 December 2014: HK\$453.3 million) whereas the total liabilities was HK\$23.9 million (31 December 2014: HK\$11.4 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 4.1% (31 December 2014: 2.5%).

The Group maintained a net cash (being the total cash and bank balances net of convertible bonds and finance lease liabilities) to equity ratio of 56.3% (31 December 2014: 48.8%) as at 30 June 2015. With net cash of HK\$311.0 million (31 December 2014: HK\$215.7 million) as at 30 June 2015, the Group's liquidity position is healthy and the directors of the Company ("Directors") believe that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

## CONTINGENT LIABILITIES

There were no significant contingent liabilities as at both 30 June 2015 and 31 December 2014.

## EXCHANGE RISK

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

## EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2015, the Group had approximately 59 (31 December 2014: 62) employees. Employees' costs (including directors' emoluments) amounted to approximately HK\$10,960,000 (six months ended 30 June 2014: HK\$7,876,000) for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

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

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

# OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the share or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

<b>Name</b>	<b>Name of company</b>	<b>Capacity</b>	<b>Number and class of securities (note 1)</b>
Sze Wai, Marco	The Company	Interest of controlled corporation (note 2)	2,427,809,906 ordinary shares (L) 43,563,829 ordinary shares (S)
	The Company	Beneficial owner	2,500,000 ordinary shares (L) (note 3)
Chong Yiu Kan,	The Company	Beneficial owner	2,650,000 ordinary shares (L) (note 4)
Tan Shu Jiang	The Company	Beneficial owner	4,000,000 ordinary shares (L) (note 3)

Notes:

1. The letter "L" represents a long position in the Director's interests in the Shares and underlying shares of the Company and "S" represents a short position in the Director's interests in the Shares and underlying shares of the Company.
2. These shares were held by Leading Value Industrial Limited and Global Prize Limited, companies wholly owned by Sze Wai, Marco.
3. These shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director under the share option schemes of the Company.
4. Included in these shares were (i) 650,000 issued shares and (ii) 2,000,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.



## OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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

Save as disclosed above, as at 30 June 2015, none of the Directors and the chief executive of the Company had any interest and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

### SHARE OPTION SCHEME

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

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

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

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

**SHARE OPTION SCHEME** (Continued)

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

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

The unexercised outstanding share options under the Old Scheme as at 30 June 2015 are as follows:

Grantee	Date granted	Exercisable period	Number of share options				
			Exercise price of options HK\$	Outstanding at 1.1.2015	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2015
<b>Directors</b>							
Sze Wai, Marco	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	4,000,000	–	–	4,000,000
<b>Independent non-executive directors</b>							
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
<b>Employees</b>							
	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	0.122	2,000,000	–	–	2,000,000
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	0.213	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	20,700,000	(2,000,000)	–	18,700,000
				32,200,000	(2,000,000)	–	30,200,000

During the period under review, no share options were granted.



## OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

### SHARE OPTION SCHEME *(Continued)*

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

<b>Date granted</b>	<b>Vesting period</b>	<b>Percentage of options vested</b>
20.03.2006	20.03.2006 – 19.03.2016	100%
04.10.2006	04.10.2006 – 03.04.2007	Nil
	04.04.2007 – 03.10.2007	50%
	04.10.2007 – 03.10.2016	100%
31.10.2006	31.10.2006 – 30.04.2007	Nil
	01.05.2007 – 31.10.2007	50%
	01.11.2007 – 30.10.2016	100%
24.06.2009	24.06.2009 – 23.12.2009	Nil
	24.12.2009 – 23.06.2019	100%

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

As at 30 June 2015, the following persons and entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Number of ordinary shares <i>(Note 1)</i>	Capacity	Approximate percentage of interest
Leading Value Industrial Limited <i>(Note 2)</i>	2,425,769,906 (L)	Beneficial owner	46.20
	43,563,829 (S)	Beneficial owner	0.83
Global Prize Limited <i>(Note 2)</i>	2,040,000 (L)	Beneficial owner	0.04
Central Huijin Investment Ltd. <i>(Note 3)</i>	43,284,574 (L)	Interest in controlled corporation	0.82
	2,362,930,000 (L)	Having a security interest in shares	45.00
China Construction Bank Corporation <i>(Note 3)</i>	43,284,574 (L)	Interest in controlled corporation	0.82
	2,362,930,000 (L)	Having a security interest in shares	45.00
CCB International Group Holdings Limited <i>(Note 3)</i>	43,284,574 (L)	Interest in controlled corporation	0.82
	2,362,930,000 (L)	Having a security interest in shares	45.00
CCB Financial Holdings Limited <i>(Note 3)</i>	43,284,574 (L)	Interest in controlled corporation	0.82
	2,362,930,000 (L)	Having a security interest in shares	45.00
CCB International (Holdings) Limited <i>(Note 3)</i>	43,284,574 (L)	Interest in controlled corporation	0.82
	2,362,930,000 (L)	Having a security interest in shares	45.00
CCBI Investments Limited <i>(Note 3)</i>	43,284,574 (L)	Interest in controlled corporation	0.82
	2,362,930,000 (L)	Having a security interest in shares	45.00
Chance Talent Management Limited	43,284,574 (L)	Beneficial owner	0.82
	2,362,930,000 (L)	Having a security interest in shares	45.00





## OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

### Notes:

1. The letter “L” represents a long position in the entity’s interests in the Shares and “S” represents a short position in entity’s interests in the Shares.
2. Leading Value Industrial Limited and Global Prize Limited are companies wholly owned by Sze Wai, Marco, who is an executive Director.
3. China Construction Bank Corporation is owned by Central Huijin Investment Ltd. as to approximately 57.26%. CCB International Group Holdings Limited is wholly owned by China Construction Bank Corporation. CCB Financial Holdings Limited is wholly owned by CCB International Group Holdings Limited. CCB International (Holdings) Limited is wholly owned by CCB Financial Holdings Limited. CCBI Investments Limited is wholly owned by CCB International (Holdings) Limited. Chance Talent Management Limited is wholly owned by CCBI Investments Limited. Each of Central Huijin Investment Ltd., China Construction Bank Corporation, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited is deemed to be interested in the 2,406,214,574 Shares which Chance Talent Management Limited is interested in.

Save as disclosed above, as at 30 June 2015, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

### DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

### INCREASE IN AUTHORISED SHARE CAPITAL

On 8 June 2015, the increase in the authorised share capital of the Company from HK\$600,000,000 to HK\$1,200,000,000 divided into 12,000,000,000 shares of HK\$0.1 each (“Shares”) by the creation of an additional 6,000,000,000 Shares (“**Capital Increase**”) has been approved at the Annual General Meeting. The additional ordinary Shares shall rank pari passu in all respects with the existing ordinary Shares.

As at 30 June 2015, the authorised share capital of the Company is HK\$1,200,000,000 divided into 12,000,000,000 Shares, of which 5,251,084,922 Shares have been allotted and issued as fully paid or credited as fully paid.

## CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with the Code Provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2015, except for the following deviations:

1. The Code Provision A.4.1 stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election. Although the Independent Non-executive Directors are not appointed for specific term, they are subject to retirement by rotation at least once every three years in accordance with Article 111(A) of the Company’s Bye-Laws.
2. The Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai, Marco was unable to attend the Company’s annual general meeting which was held on 8 June 2015 as he had an overseas engagement that was important to the Company’s business. Although he was unable to attend, he had arranged for Mr. Zhou Wei Feng, an Executive Director and the CEO of the Company and Mr. Chan Ying Kay, the Company Secretary of the Company who are well versed in all the business activities and operations of the Group, to attend on his behalf and to chair the meeting and to respond to shareholders’ questions.

## MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules, as the Code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months ended 30 June 2015.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with Appendix 14 of the Listing Rules. The audit committee is delegated by the Board to review, in draft form, the Company’s annual report and financial statements, interim report, and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal controls of the Group. The audit committee has reviewed the interim results for the six months ended 30 June 2015 with the Directors.



## OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

### BOARD OF DIRECTORS

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

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

Hong Kong, 26 August 2015