BCH 美丽中国 BEAUTIFUL CHINA

BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706

ANNUAL REPORT 2016

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Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Sze Wai, Marco *(Chairman)*
Mr. Zhou Wei Feng *(Chief Executive Officer)*
Mr. Tan Shu Jiang
Mr. Pan Tingxuan (resigned on 31 December 2016)

Non-executive Directors

Mr. Law Fei Shing
Mr. Chen Chun Tung, Jason
(appointed on 19 August 2016)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Chan Hon To, *CPA* (appointed on 23 June 2016)

QUALIFIED ACCOUNTANT

Mr. Chan Hon To, *CPA* (appointed on 23 June 2016)

LEGAL ADVISERS

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

AUDITOR

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

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited
www.sprg.com.hk

PRINCIPAL BANKERS

Bank of Communications
The Hongkong and Shanghai Banking Corporation Limited
China Citic Bank International Limited
China Minsheng Bank
Industrial Bank Company Limited
Agricultural Bank of China Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.beautifulchina.com.hk

BUSINESS STRUCTURE

The following chart shows the business segments of Beautiful China Holdings Company Limited for the year ended 31 December 2016:

Beautiful China Holdings Company Limited

Ecological Garden and Landscape Business

Tree plantation

Ecological Environmental Protection Business

Landfill management and waste sorting

CHAIRMAN'S STATEMENT

To Our Shareholders:

In recent years, the Chinese Government intensified its efforts in environmental protection, proposed the construction of "Beautiful China", striving to achieve an overall improvement in ecological environment quality during the "Thirteenth Five-year Plan" period. In making progress of the ecological civilization construction by the government, the State Council put forward important environmental protection policies one after another, such as the "Action Plan on Prevention and Control of Air Pollution" ("Ten Measures to Improve Air Quality"), "Action Plan on Prevention and Control of Water Pollution" ("Ten Measures to Improve Water Quality") and "Action Plan on Prevention and Control of Soil Pollution" ("Ten Measures to Improve Soil Quality"), laying the standard for future specific environmental protection measures, which aim at integrating environmental protection and the comprehensive construction of a moderately prosperous society closely.

To harmonize with government policies, the Group actively transformed itself and strived to become the leading ecological environmental protection operation service provider in China. We provide services from seedling nursery, ecological environment design, construction, remediation and conservation services to one-stop waste treatment ecological environmental protection operation solution. By virtue of our market position, we had established successfully good cooperation relationship with various renowned engineering contractors. These contractors owned the professional qualifications, including "Grade One Enterprise in Urban Greening", "Class A Enterprise in Soil Ecological Restoration", "Grade Two in Municipal Construction Project Contracting" and "Grade Two Enterprise in Ancient Architecture Landscape Construction Professional Contracting", which enable us to take up garden greenery projects of different sizes and categories.

Looking back into 2016, we had formed the comprehensive industry chain business structure, comprising three main business scopes, seedling planting, ecological environmental protection and landscape ecology. The construction of our colour seedling nursery base in Benghu, Anhui continued smoothly and had already planted approximately 1.2 million North American red maple tree seedlings, which generated revenue from sale of seedlings. The Group also commenced the development of Hongxing landfill management and treatment project in Qiqihar, Heilongjiang Province, enabling us to enter into formally the waste treatment market, and while diversified our business, the project in Qiqihar also contributed new stream of revenue to the Group. The Group also participated actively the respective ecological garden and landscape project in the past year. In July 2016, the Group was awarded the tender of the investment and construction of the landscape of the Dian Lake Wetland of the Kunming Dian Lake Vacation Zone. This project is a large-scale national ecological environmental protection project of the government and our success in awarding the tender and its development will assist the Group in getting more similar large-scale projects in future.

For the year ended 31 December 2016, revenue of the Group was approximately HK$23.1 million, a year-on-year growth of 21.2%; loss from operations and net loss was approximately HK$47.0 million and HK$59.2 million, decreased by 9.2% and 3.7% respectively as compared with the previous year.

Looking ahead, with the specific measures of various respective environmental protection policies being published, the development of the environmental protection industry in China is expected to accelerate, particularly those public-private partnership projects that have tremendous potential. The Group will continue its industry layout and enhance the synergistic effect among its various businesses. We will further improve our technology standard and enrich our industry chain, expand our service spectrum, escalate our operation capability through acquisitions, leveraging on the opportunities brought by industry development and take up more large-scale ecological garden and landscape projects. The Group will continue to invest and construct "Asia's largest colour seedling nursery base" project in Anhui to establish a conservation capacity of over 1 million quality biological assets and achieve the continuous rapid development of seedling nursery business. We will progress the Kunming project as the demonstration project of the Company, laying a good foundation for taking up more other projects under the Kunming project and other national large-scale ecological greenery projects in China.

Our domestic waste treatment operation business has achieved establishing resources reserve for certain quality projects and will commence facilities construction and service operation when the conditions are matured. As the project in Qiqihar had operated smoothly and contributed revenue, we will expand the ecological environmental protection business, speed up the progress of the waste treatment projects in Weifang, Yantai and other cities in Shandong Province as well as other regions, and will expand our waste treatment reach upstream and downstream, focus on those businesses such as participating in the solid waste renewable resources recycling such as plastic waste and scrapped tyres oil refining projects, develop integrated domestic waste treatment, capacity expansion of renewable waste landfill, and industrial pollution third-party treatment services. We expect to improve the value and profitability of the Company through the above measures and bring fruitful returns to Shareholders and investors.

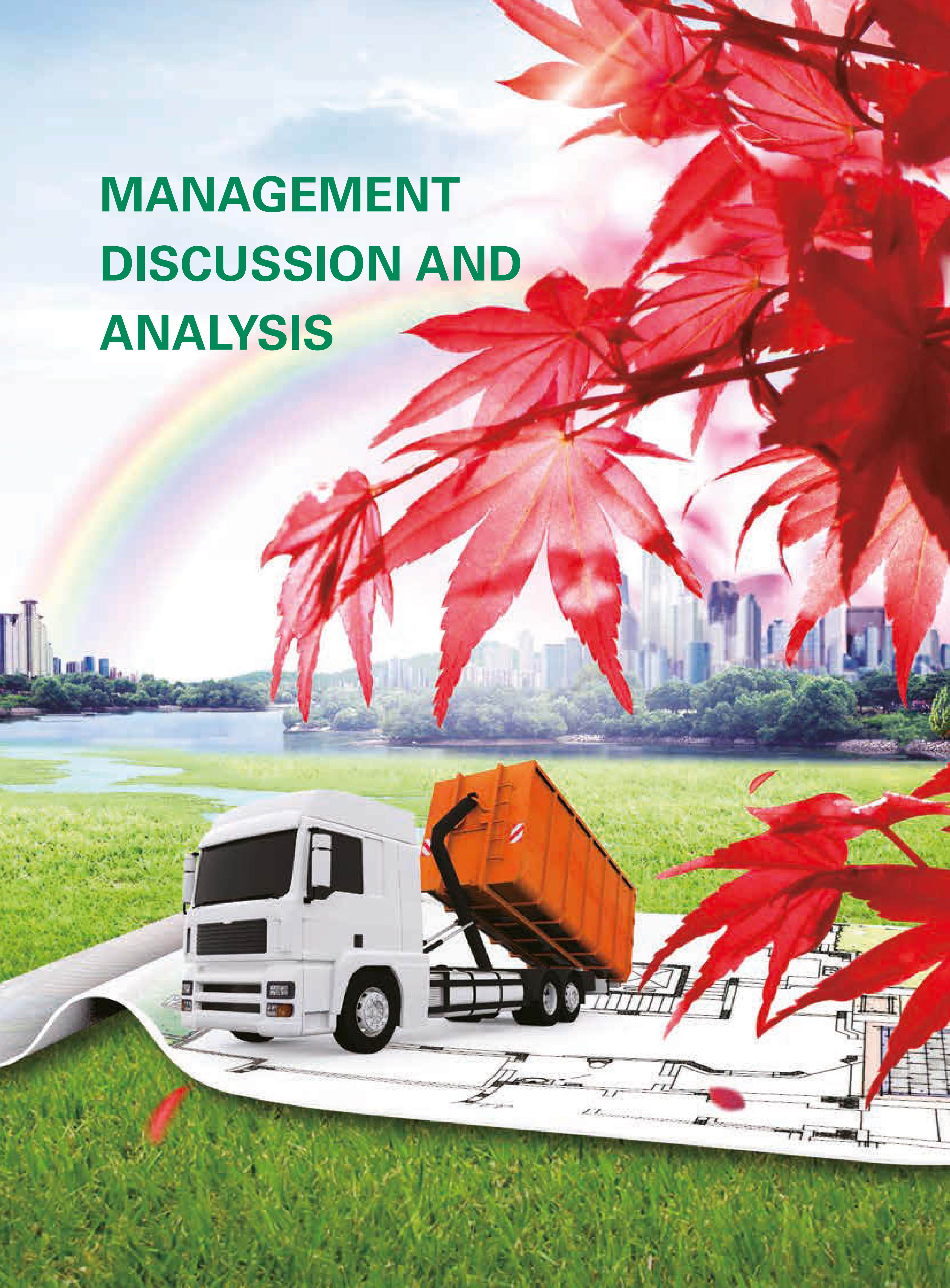
APPRECIATION

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

Sze Wai, Marco
Chairman

Hong Kong, 30 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

After experiencing several decades of rapid economic development, the domestic ecological environment destruction problems in China are gradually emerging. Hence, in recent years, the PRC Government proposed several development objectives such as "Ecological Civilization Construction" and construction of "Beautiful China", strived to promote the nation's environmental protection construction and required to improve the ecological environment quality significantly during the "Thirteenth Five-year Plan" period. In the past few years, the State Council in China issued a number of environmental protection policies one after another, including the "Ten Measures to Improve Air Quality", "Ten Measures to Improve Water Quality" and "Ten Measures to Improve Soil Quality", which aim at improving environmental protection, ecological environment and living quality of the people and integrating environmental protection and the comprehensive construction of a moderately prosperous society closely.

In following the development of the government's relevant policies and devoting its efforts to construct a "Beautiful China", together with huge amounts of investments made for the implementation of environmental policies, the Group made timely adjustment to its business strategies and transformed itself actively. By enjoying the first-mover advantage and abiding by the principle of prudence and selection, the Group succeeded in transforming itself into a domestic leading ecological environmental protection operation service provider in a few years' time. During the year, the Group had fully pulled out from its ATM business and focused its resources to explore the ecological garden and landscape and environmental protection businesses that possess greater potential. Currently, the Group has provided services from seedling nursery, ecological environment design, construction, remediation and conservation services to one-stop waste treatment ecological environmental protection operation solution. As a result, the Group has gained significant competitive advantages among its peers, laying a solid foundation for sustainable business growth in future.

Ecological Garden and Landscape business

With the increasingly awareness of ecological environment protection in China, the government has continuously increased its investment in ecological environment treatment and the entire ecological environmental protection industry is becoming a remarkable and promising industry. However, every segment has demonstrated different development trends. The landscape ecological industry was affected by such factors like the downturn in overall economic situation, slowdown in real estate industry development and weakening capability in government fiscal spending, which led to a drop in new large-scale landscape projects in 2016. With intensified market competition, the garden and landscape greenery enterprises in the industry in general actively pursued the environmental protection business layout and constructed a dual business segment of "Garden and Landscape + Environmental Protection".

As for the tree plantation business segment, our colour seedling nursery base in Bengbu, Anhui is primarily planting such colour tree seedlings like rare North American red maple in the market. Currently, the construction and operation of the base remained smooth and the quality colour tree seedlings, including the cultivated North American red maple thrived. The plans of subsequent base expansion and introduction of more seedling varieties also progressed smoothly, the overall development was encouraging. During the year, the base had already planted approximately 1.2 million North American red maple tree seedlings. As the existing planted seedlings were still at its growing phase, no large-scale seedlings sales was conducted. During the year, we sold approximately 25,000 North American red maple tree seedlings, and recorded a total revenue of approximately HK$8.1 million.

In facing intense competition, the Group continued to adhere to the principle of prudent development and actively developed quality landscape ecological projects to enlarge its market share steadily. In July 2016, the Group was awarded the investment and construction of the landscape of the Dian Lake Wetland of the Kunming Dian Lake Vacation Zone tender successfully. Involving ecological landscape construction, wetland ecological improvement and water ecological restoration, etc., this project is a national large-scale ecological construction project in China expected with total estimated investment amount of approximately RMB1.0 billion. The Group expected to commence its construction in the third quarter of 2017 and estimated the project will be completed in 2018.

Ecological Environmental Protection Business

In 2016, the government continued to enhance introducing relevant policies including environmental protection and environmental treatment and resource allocation, whereby the environmental protection industry continued its explosive growing trend. Among which, the scale of pollution treatment market including water, air and soil grew rapidly, while increasing number of enterprises with specialized technologies tapped into the market. Enterprises that adopt new technologies or new models would have the opportunities to gain competitive advantages and achieve rapid development.

In October 2016, the Group successfully commenced the Hongxing landfill comprehensive treatment project in Qiqihar by cooperating with China National Environmental Protection Group*（中國環境保護集團有限公司）. As for the treatment project, we need to complete the sorting and harmless treatment of approximately 800,000 cubic meters (estimated) dumped waste and restored the safe utilization condition of waste contaminated sites. Since its commencement, such treatment project had completed approximately 30% of the project volume, and recorded a total revenue of approximately HK$15.0 million in the landfill management and waste sorting business segment.

In 2016, the Group focused on the layout of integrated waste treatment and renewable resources recycling businesses in Shandong Province and Hebei Province, and initially completed the resource reserve of a batch of quality projects with growth potential and the preparation of partial implementation. In April 2016, the Company and China Development Ronghua Industry Investment Fund Management Company Limited*（國開熔華產業投資基金管理有限責任公司）, a subsidiary of China Development Bank, reached a preliminary co-operation intention with regard to the proposed formation of a joint venture to jointly develop integrated domestic waste treatment and other relevant businesses.

* For identification purpose only

PROSPECTS

In view of numerous uncertainties amid the global economy in the future, China will not be exempted and is expected to constantly facing the pressure of economic slowdown. However, along with the continuous intensifying efforts in environmental protection construction by the PRC government, it is expected that the relevant markets will usher in tremendous project investments and the environmental protection market will definitely become a new economic driver in China. As a company listed on the Main Board of Hong Kong and engaging in the investment, construction and operation of ecological environmental protection business, Beautiful China is committed to developing the dual driver business of "Eco-environment Construction + Environmental Protection Treatment Service". As a leading domestic integrated environment service provider, we will adhere to the principle of cost reduction and efficiency enhancement, pay heed to the latest trends of market development and be prepared to seize market opportunities in an effort to expand its business coverage.

For ecological garden and landscape business, we will constantly boost the construction of the seedling base represented by over one million rare North American red maple tree seedlings, with an aim of achieving the goal of becoming the largest colour seedling supplier in Asia. At the same time, we will facilitate the development of the seedling base to reach the stage of maximizing its market values, intensify our sales efforts in seedlings to achieve doubling its sales results. We will continue to stand on our edges in investment and financing, be innovative in construction models, explore, develop and construct the ecological landscape projects with regional demonstration effect, with a view to enlarge our ecological garden and landscape business scale.

We expected to commence the construction of Dian Lake West Bank ecological wetland park project in the third quarter of 2017, hoping it to become our demonstration project and thereby obtain certain wetland park development and construction projects afterwards. At the same time, the Group will actively participate in other ecological construction projects in China to increase its market share. Aiming at further promoting its leading market position, the Group actively identified the opportunities of acquiring renowned domestic landscape project service providers. It is expected to help the Group to build up the one-stop landscape construction businesses and to seize more potential opportunities through acquisition of a company, which has outstanding experience in both design and construction, and is specialized in professional technologies including nursery planting, landscape designing, project construction and green conservation.

For ecological environmental protection business, domestic industrial production, agricultural production and daily life have generated a substantial amount of wastes such as plastic waste and scrapped tyres, thus triggering serious white pollution. The plastic waste and scrapped tyres treatment market segments of the industrial, agricultural and domestic waste have not fully kicked off, lagging behind the overall development momentum of the environmental protection industry, thus having an enormous development potential in the future. The Group will actively develop such businesses, like the integrated domestic waste treatment, capacity expansion of renewable waste landfill, and industrial pollution third-party treatment service, and drive the commencement of integrated waste treatment and renewable resources recycling business in Shandong Province, Hebei Province and other regions across the country.

With the smooth commencement of Qiqihar project, the Group has successfully entered into the waste collection, sorting and treatment sectors during the year. In 2017, we will further extend our ecological environmental protection business to the wastes (such as waste plastic and scrapped tyres) recycling treatment market according to the business plans. Of which, we plan to evaluate the feasibility of arranging recycling business of renewable resources such as plastic waste, scrapped tyres and other wastes in cities like Weifang and Yantai according to the wastes (including plastic waste and scrapped tyres) collection conditions. We have already reached cooperation intent with local governments like Weifang and Yantai successively, and currently we jointly evaluate and prepare the preliminary matters of the cooperation project before its implementation. We plan to complete the signing of the relevant agreements in the second quarter of 2017, striving to commence the project in the second quarter of 2017.

The Group will continue to scout for potential business partners. While strengthening our cooperation with local governments, the Group will strive to establish strategic partnerships with sizable environmental service providers, so as to improve our overall service quality and to claim a bigger market share. The Group will seize the opportunity arising from the Public-Private-Partnership ("PPP") policy. PPP will not only provide an assurance for corporate financing, but also offer the opportunity of participating in the infrastructure and public utility construction and operation for social capital, leading to a rapid development potential for such environmental protection enterprises like Beautiful China.

Looking forward, under the support of the vigorous promotion of environmental protection construction by the government, the ecological environmental protection industry will gradually become more and more matured during the "Thirteenth Five-year Plan" period with clear market capacity, continuous high growth amid intensified competition. Facing the development trend full of opportunities and challenges, the Group will leverage on its own advantages and seek for differentiated development strategies. We will focus on developing integrated waste treatment and renewable resource recycling business, innovating business models, and realizing a development breakthrough and rapid growth in market segments, whereby establishing a market first-mover competitive advantage. At the same time, the Company will also explore different channels for fund raising including but not limited to equity financing and borrowings with a view to building up its war chest to fund the needs of the Group's various ongoing projects as well as to capture business expansion and development opportunities.

The Group is highly optimistic about its business prospects, and will enhance the synergistic effect among various segments to achieve business diversification. It will expand the tree plantation, landfill management and waste sorting, landscape ecology and renewable resource recycling businesses proactively to ensure a balanced development of its various business segments, add momentum to the future growth of the Group and bring long-term satisfactory returns for our Shareholders and investors.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

Our total revenue increased by 21.2% from approximately HK$19.1 million in 2015 to approximately HK$23.1 million this year. Gross profit significantly increased by 173.7% from approximately HK$3.7 million in 2015 to approximately HK$10.2 million this year. The increase in revenue and gross profit was mainly due to gradual scaling up of the various environmental protection related businesses and new stream of revenue brought by the landfill management and waste sorting business segment.

Gross profit margin increased to 44.0% this year from 19.5% in 2015, which was mainly due to the landfill management and waste sorting business segment with higher gross profit margin began to contribute significantly to its revenue this year.

Administrative expenses

Administrative expenses decreased by 7.1%, from approximately HK$57.0 million in 2015 to approximately HK$53.0 million this year, the decrease was mainly due to our stringent control over the operating expenses. Moreover, the Group completely pulling out from the ATM business result in the revenue and operating expenses related to such business are reclassified to the loss for the year from discontinued operations.

Loss from operations from continuing operations

Excluding the one-off biological assets and prepaid consulting and maintenance service costs written off, loss from operations from continuing operations for the year ended 31 December 2016 was approximately HK$37.2 million, which recorded a significant improvement as compared with approximately HK$51.7 million in 2015, which was mainly attributable to a combination effect of increase in revenue and gross profit, a decrease of administrative expenses and gain from changes in fair value less costs to sell of biological assets of approximately HK$3.8 million (2015: a loss of approximately HK$1.0 million).

Finance costs

Finance costs increased from approximately HK$2.2 million in 2015 to approximately HK$9.6 million this year, which was mainly attributable to the interest of convertible bonds increased by approximately HK$7.1 million as a result of issuance of convertible bonds in August 2016 by the Group.

Loss attributable to owners of the Company

For the year ended 31 December 2016, loss attributable to owners of the Company was approximately HK$59.1 million, which recorded an improvement as compared with approximately HK$61.5 million in 2015.

Fund raising activities

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

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

Among the net proceeds of the Subscription, approximately 20% of the proceeds, i.e. approximately HK$22,800,000, has been used as intended for general working capital of the Group, while the remaining 80% of the proceeds, i.e. approximately HK$91,200,000, has not been utilised as at the date hereof.

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

Liquidity and Financial Resources

As at 31 December 2016, the Group had cash and bank balances approximately HK$208.6 million (31 December 2015: approximately HK$143.0 million). The Group had no bank borrowing but had convertible bonds amounting approximately HK$111.5 million as at 31 December 2016 (31 December 2015: approximately HK$14.1 million). As at 31 December 2016, the total asset value of the Group was approximately HK$568.5 million (31 December 2015: approximately HK$524.6 million) whereas the total liabilities was approximately HK$132.2 million (31 December 2015: approximately HK$27.0 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 23.3% (31 December 2015: 5.1%).

The Group maintained a net cash (being the total cash and bank balances net of liability portion of convertible bonds and finance lease payables) to total equity ratio of 22.3% (31 December 2015: 25.8%) as at 31 December 2016. With net cash approximately HK$97.1 million (31 December 2015: approximately HK$128.5 million) and net current assets approximately HK$206.9 million (31 December 2015: approximately HK$147.4 million) as at 31 December 2016, the Directors of the Group ("Directors") believe that the Group is in a healthy financial position.

Capital Structure and Pledge on Assets

As at 31 December 2016, the value of convertible bonds issued by the Group (but had not been converted) was approximately HK$111.5 million (31 December 2015: approximately HK$14.1 million).

Capital Expenditure

For the year ended 31 December 2016, capital expenditure was approximately HK$4.7 million (2015: approximately HK$170.9 million), which was mainly used for the development of the North American red maple tree seedling nursery base in Bengbu, Anhui, the landscape ecology project for the Dian Lake Wetland of Kunming Dian Lake Vacation Zone and landfill management and waste sorting project for Hongxing landfill in Qiqihar. Such capital expenditure was financed by the funds from our operating activities.

Segmental Information

Segmental information is presented for the Group as disclosed in note 18 of the notes to the consolidated financial statements.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2016, the Group did not have any significant investments and material acquisitions and disposal of subsidiaries.

Contingent Liabilities

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

Exchange Risk

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

Charges on Assets

As at 31 December 2016 and 2015, the Group had no charges on assets.

Employees, Training and Remuneration Policies

As at 31 December 2016, the Group had 62 (31 December 2015: 57) employees. Employees' costs (including directors' emoluments) amounted to approximately HK$23.4 million (2015: approximately HK$25.4 million) for the year. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

The Directors believe that experienced staff, in particular its technicians, are the most valuable assets of the Group. Training 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 year, no share options were granted to directors, executives and employees to their contribution to the Group.

Events after the Reporting Period

After the end of this year and up to the date of this annual report, the Group had no significant event.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT, SCOPE, MATERIALITY AND REPORTING PERIOD

The Environmental, Social and Governance Report (the "Report") is published by Beautiful China Holdings Company Limited and its subsidiaries (collectively referred to as the "Group") in response to the recommendation of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") regarding the performance reporting on the related issues (the "ESG Guidelines").

Unless otherwise stated, the Report covers the overall performance of the Group in two subject areas, namely, environment and society for the business operations in Hong Kong and China during the reporting period for the year ended 31 December 2016.

During the reporting period, the businesses of the Group mainly include two major areas: (i) ecological garden and landscape business (including tree plantation); and (ii) ecological environmental protection business (including landfill management and waste sorting), such businesses are mainly operated in Mainland China. As such, after conducting the materiality testing, the Group has decided to include the subsidiaries at all levels for the aforesaid two major businesses of the Group in Mainland China and offices in Hong Kong in the Report. All the information is come from the official documents or statistical reports of the Company.

MISSION AND VISION OF THE GROUP

The PRC government promulgated in the 18th National Congress of the CPC Report to "put the construction of ecological civilization in a prominent position, integrate it into the various aspects and the entire course of the economic construction, political construction, cultural construction and social construction, and strive to build a "Beautiful China" to achieve the sustainable development of Chinese nation".

With its rapid economic development, China is facing the situation of resources limitation, environmental pollution and ecosystem destruction. In complementing the government's vision of building a "Beautiful China" and make significant contributions to the environmental protection industry in China, the Group transformed itself and engaged in the ecological and environmental protection industry since 2013. The Group is also by far one of the few companies listed on the Main Board of Hong Kong focusing on ecosystem investment, construction and operation in China.

By leveraging on the experience and professional qualifications in the industry, we are committed to becoming one of the leading eco-environment protection service providers in China, providing one-stop eco-environment protection solution from seedling cultivation to eco-environment design, construction, remediation, conservation and waste treatment.

For the ecological garden and landscape business segment, the Group invested and constructed "the largest colour seedling nursery base in Asia" project, aiming at becoming an enterprise having the largest market share in scarce colour seedling of the country and own over 1 million seedlings biological assets with high quality. We also facilitate the mergers and acquisitions of domestic leading professional enterprises proactively to improve our strengths and provide customers with more diversified eco-services.

MISSION AND VISION OF THE GROUP *(Continued)*

For environmental protection, the Group will re-deploy and sort again the waste included in the landfill and also remediate the landfill. We adopt a comprehensive treatment model, which means waste will pass through the waste pre-treatment system after entering the landfill. Then we sort out the plastic, metal, inorganic matters and organic matters. Recycled steel manufacture by recycling metal, produce building materials by inorganic matters, organic matters produces biogas through anaerobic fermentation, biogas residues change into organic fertilizers through composting process, and plastic is refined to become recycling fuel. The remaining waste can be treated in the sustainable landfill to extend the useful life of landfill. Thus, we can reduce new expansion location selection and additional investments effectively, and mitigate the embarrassing situation of "waste siege" in the long run.

As a responsible enterprise, the Group is dedicated to realizing the joint growth of its business operation, the environment and the society. In facilitating its business growth, the Company strikes a balance of the interests among various stakeholders, such as investors and shareholders, customers, employees, cooperating partners and suppliers as well as the society, whereby only by this can the corporate's sustainable development be achieved.

We undertake:

to investors and shareholders: that we will strictly abide the respective regulations on listing, and announce the Company's information externally in due course, continue to improve the standard of our corporate governance and risk control as well as the Company's operating efficiency and results, enhance the Company's value, so as to bring long-term and stable returns for investors and shareholders.

to customers: that we will comply with applicable environmental and commercial laws and regulations, prepare fair and reasonable service contracts, and provide suitable eco-environmental services; communicate with customers closely, understand customers' needs and improve our services continuously.

to employees: that we will provide secured and respected working environment for employees at all levels; firmly reject any kind of discriminatory behaviours and ensure fair promotion opportunities for employees; provide good in-house training systems, build up long-term and healthy career development.

to cooperating partners and suppliers: that we will formulate stringent purchasing policies, abide applicable regulations of different geographical segments of our business, carry out fair and strict examination and verification systems for purchasing processes, control the risks of both parties, conclude a long-term and close cooperative relationship, and achieve business growth in upstream and downstream sectors.

to the society: that we will uphold the principle of "giving back to society where we take from", and perform enterprise social responsibility. We will indoctrinate positive environmental consciousness and corporate values in-house, stay in-touch with local communities, and make contributions to the communities and environmental protection through various measures.

ENVIRONMENTAL PROTECTION

Data Overview

Seedling Planting	gasoline/diesel oil (used for soil cultivation and machine excavation)	28,000 liters
	gasoline/diesel oil (used for motorcade transportation)	15,000 liters
	electricity (used for soil cultivation and machine excavation)	20,000 KWH
	water consumption for tree planting	200,000 cubic meters
	pesticides and other chemicals	110 tonnes
Office	electricity	38,000 KWHs
	diesel oil and gasoline	20,000 liters

The above data are internal statistics of the Group for the year ended 31 December 2016.

The Group is principally engaged in the ecological garden and landscape business and ecological environmental protection business. We start off from the essence of business and make contributions to environmental protection in China. The objectives of the Group are to create a "Beautiful China" and "Green China", utilizing advanced environmental technologies to restore, construct and manage the destroyed eco-environment.

Environmental protection is also a prerequisite in our business process. We will inspect every business process, reduce direct and indirect emission, and even attain "zero pollution". We improve proactively our operating efficiency and implement environmental measures, so as to reduce the negative impact on the environment during the operation process of our business.

The subsidiaries at all levels of our various business segments abide strictly the respective local environmental laws and rules. We require our Hong Kong office and various subsidiaries to review and examine their business operation process regularly, implement improving measures to use water, electricity, papers and other resources in their offices more effectively, reduce and stop using supplies that are resource-wasting or environment-polluting, and enhance the sustainable development of enterprise environmental protection.

As regard to seedling planting, we implemented a series of codes for the color seedling nursery base in Bengbu, Anhui Province. We have detailed guidelines in place from land clearance to planting procedures, quality control, measures for nursery and pest prevention, the transporting and packaging of seedlings when they are to be sold as well as the treatment of seedling wastage and death. In terms of seedling cultivation, we also have stringent requirements for the growing speed and space, temperature and light, soil property, water and fertilizer management, weed control, transplantation and so on of seedlings, so as to ensure the seedlings can grow in the best conditions and avoid soil and air damage as a result of the excessively fast and frequent growing, pesticides and pests and other factors, with a view to achieve the sustainable operation. They include:

1. Set the relatively reasonable space between seedlings so that they are exposed to sufficient light in accordance with the size of the seedlings target to be cultivated;

ENVIRONMENTAL PROTECTION *(Continued)*

2. Choose the appropriate soil PH value, drainage system as well as planting and transplanting time for seedlings to ensure their healthy growing;

3. Strictly control the timetable for irrigation and fertilization, irrigation water capacity, fertilizers selection and fertilization volume according to red maples categories, so as to avoid the occurrence of soil hardening and other situations;

4. Strengthen the pest and disease control. Prevent different diseases through specific use of various sterilized solution moderately or by removing diseased plants. Prevent pests by taking measures such as regular inspection, pruning and drugs;

5. Arrange seedlings pruning properly to reduce the unhealthy growing of trunks resulted from premature or inappropriate pruning and even pest problems;

6. Handle the waste and withered seedlings in a timely manner, analyze the causes thereof and take corrective and preventive measures, bring down wastage and death brought by natural disasters, diseases and pests or other reasons.

During the reporting period, in addition to seedling nursery base management, the Group carried out the following measures on office energy saving and environmental protection:

1. Adopted sophisticated telephone and video systems to facilitate the communication of directors and employees, reduce the number of business trips which had indirectly reduced the corresponding carbon emission;

2. Implemented measures on saving energy and water, reused papers, reclaimed waste papers, and used computers and tablets to reduce paper printing, so as to achieve a "PAPERLESS ENVIRONMENT" gradually;

3. Adopted the design of natural lighting in our offices to increase natural lighting in daytime; adopted LED lighting systems to reduce electricity consumption due to illumination;

4. Restricted the use of air-conditioners to reduce electricity consumption according to the requirements of the commercial building where we locate.

5. Purchased electronic supplies that are in compliance with respective environmental requirements, tried to repair damaged or old electronic supplies timely or resold them to other organisations to lengthen their service lives and reduce solid waste.

ENVIRONMENTAL PROTECTION *(Continued)*

The Group also provides in-house training or guidelines for every employee when joining the Group, so as to enhance their environmental consciousness. We encourage and require employees to economize and environmentally friendly and reduce resources consumption. Meanwhile, the Group reviews occasionally the implementation of the above-mentioned measures, carries out improving measures when needed, strives to enhance resource's utilization rate to achieve energy conservation and emission reduction, pollutant reduction and environment production.

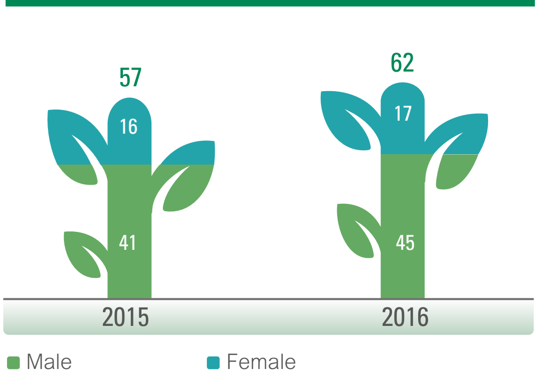
Through the aforementioned measures, the Group achieved satisfactory achievement in energy conservation and environmental protection. During the reporting period, the subsidiaries of the Group have improved evidently in resources consumption such as electricity, water, papers, fuel oil, and diesel oil.

The Group confirmed that during the year ended 31 December 2016, our business operation had not encountered any punishment by respective governmental authorities due to violation of the above laws and regulations.

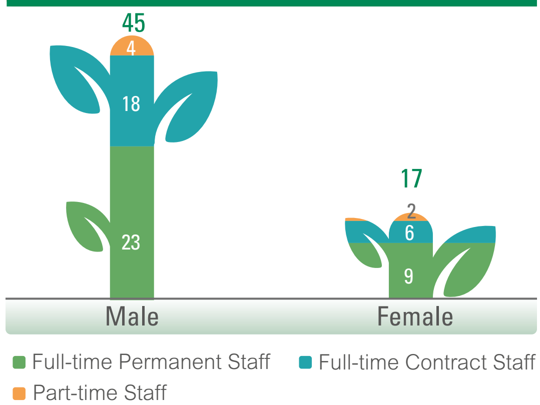
HUMAN RESOURCES

Company Staff Profile

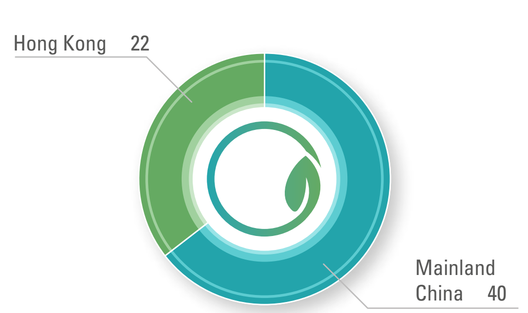
Total number of staff



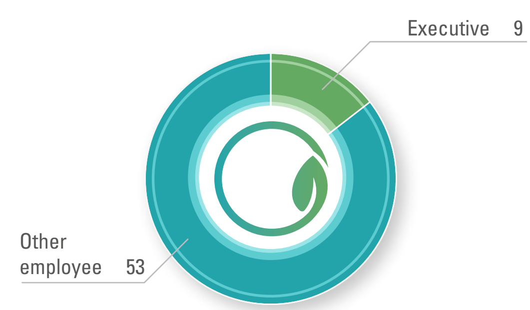
Employee category (2016)



By geographical region (2016)



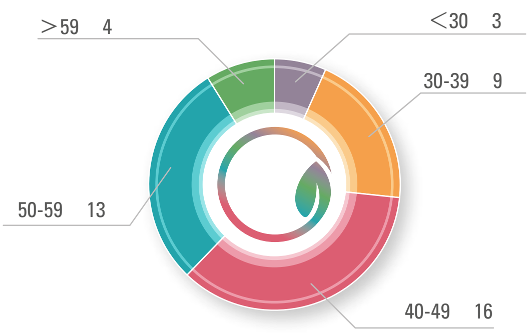
By Post (2016)



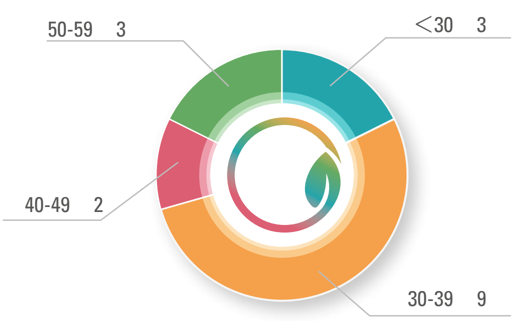
HUMAN RESOURCES *(Continued)*

Company Staff Profile *(Continued)*

By age (2016, male)



By age (2016, female)



The business nature of the Group has no specific requirements or practice on gender, and the ratio of male and female employees is approximate to each other. The Group also has no special request regarding age and the overall age distribution is in line with industrial practice. During the reporting period, there is no material change in the Group's staff composition (including gender and age ratios) or a large number of natural or unnatural staff losses.

The Group has a strictly implemented set of comprehensive human resources management system, which is prepared by referencing to Hong Kong Employment Ordinance, the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》) and other existing laws and regulations as a foundation. The Group has given its employees respective employment joining guidance and other documents and information regarding the system, which explicitly convey to employees at all levels the information regarding employment policies, organisation mission and vision, work ethics and occupational safety and health guidelines. The information ensures employees to have a clear understanding of their rights and benefits and work in accordance with the laws and regulations stipulated under the system, so as to safeguard mutual benefits.

The Group determines employee remuneration and welfare package according to job nature, qualifications and performance as well as market conditions, with reference to his/her performance appraisal. The Group provides its employees on-the-job and professional training and offers internal promotion prospects.

HUMAN RESOURCES *(Continued)*

Company Staff Profile *(Continued)*

1. *Employment*

Apart from the above remuneration and employment systems, the Group also ensures that its employees will enjoy fair treatment and will not suffer from any discrimination or be deprived of any treatment due to gender, ethnic background, religion, age, marital and family status, disability or any other reasons.

Furthermore, in order to attract and retain staff, the Group has formulated a set of competitive remuneration and welfare system, including basic remuneration and overtime salary as well as staff benefits and interests such as mandatory provident fund, insurance, statutory and additional annual leave, sick leave, allowances and severance pay and so on. The Group also offers evaluation bonus and other additional remuneration and benefits to its staff according to their work performance, company financial results, market conditions and other factors.

The Group will also pay social insurance and housing provident fund for its staff and provides commercial insurance and supplemental medical benefit in accordance with the laws and industrial practice of the region.

Although there is no relevant statutory requirement, however, as an environmental-friendly enterprise and a listed company, the Group requires individual employee to possess the following professional qualifications so as to provide professional services to its customers and ensure corporate governance standard:

a. accounting staff (such as the professional accounting qualifications of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants)

b. accountants in China (Certificate of Accounting Professional)

c. engineers (landscape) and assistant engineers for civil engineering

d. surveyors (construction)

2. *Employee Health and Safety*

The Group puts employee health and safety as first priority, aiming at providing staff a safe working environment (including inviting third party testing organisations to conduct formaldehyde test at the workplace, equip offices with sufficient first-aid appliances and fire prevention equipment).

We formulated a series of detailed work health and safety guidelines and they are under stringent supervision and implementation. With reference to industrial practices and regulations, these guidelines standardize the processes at all levels and through many years of improvements and revisions, they ensure that the health and safety of all staff are being protected.

HUMAN RESOURCES *(Continued)*

Company Staff Profile *(Continued)*

2. *Employee Health and Safety (Continued)*

   In order to enhance staff to attach more importance on occupational health and safety, the Group offers staff respective training and safety meetings, and participating in fire drills held by respective departments and institutions on a regular basis. The benefits provided by the Group to its long-term employees include annual physical examination, medical, pension and other conventional insurances.

   Besides, we consider that employees' physical and mental development is also an important part of occupational safety and health. Besides daily works, the Group also arranges all kinds of activities regularly for employees to strengthen their interactions and understanding, which includes healthy outdoor activities, so as to facilitate employees' physical and mental development, but also maintain a balance between work and life and nourishing employees' sense of belongings.

   For the year ended 31 December 2016, there was no major safety or occupational injury occurred in the Group.

3. *Employees Development and Training*

   Human resources are vital assets of enterprises and are especially important for enterprises' success. We arrange different scopes of training for employees and provide trainings for individual career development, including expertise and skills and management related to business and regulations, through which we hope to improve employees' quality, help them to grow and make significant contributions to the Group.

   For the year ended 31 December 2016, the professional trainings and development plans arranged by the Group including but not limited to:

   - Lectures/guidelines on professional expertise and respective regulations related to environmental protection services
   - Equipment operation training
   - Professional training about anti-corruption
   - Relevant knowledge about the Listing Rules and corporate governance
   - Individual training on corporate management and project management

   Apart from the above training, the Group places great emphasis on interaction with employees to know about their needs. We encourage employees to communicate with their superiors or heads of departments on individual working conditions and career development goals.

HUMAN RESOURCES *(Continued)*

Company Staff Profile *(Continued)*

3. *Employees Development and Training (Continued)*

During the reporting period, the Group continued to conduct reviews and improved the forms of training, increased more employee trainings and promoted training efficiency after considering industry changes and employees feedback.

Training Hours	Directors and senior management: over 100 hours
	Middle management: over 30 hours

4. *Labour Standards*

The Group endeavours to protect employees, and provides them safe, efficient and suitable working environment and labour policy. The Group is in strict compliance with Employment Ordinance, Chapter 57 of the Laws of Hong Kong and Regulations on Labour Security Supervision issued by the State Council of the People' Republic of China, and takes reference to international labour standards in formulating internal guidance and labour system. The Group also formulates its human resources management system, and strictly supervises all recruitment procedures and promotions.

All employment contracts and staff rules have clearly defined the standards of employees' code of conduct, strictly monitoring all employees (including directors and all levels of staff) and eradicate all violations, so that all employees are fairly treated. The Group will conduct investigations, punishment or dismissal to relevant employees immediately when any illegal behavior is being discovered. If necessary, the Group will further improve the labour mechanism against illegal behaviors.

For the year ended 31 December 2016, the Group had no major safety issue occurred. There was no child or forced labour in the Group's operations, nor any discriminating incident involving race, religion, age and disability.

For the year ended 31 December 2016, the Group provided the following staff benefits, including job security and insurance:

Hong Kong	**China**
severance payments/long service payments	pension insurance
medical insurance	medical insurance
mandatory provident fund	unemployment insurance
employee's compensation insurance	work related injury insurance
paid maternity leave/paternity leave	maternity insurance
	team life insurance
	housing provident fund

SUPPLY CHAIN MANAGEMENT

The Group has already established a good reputation in the environmental protection industry and has maintained close relationship with suppliers.

Having considered that certain projects are large-scale projects, such as landscape construction, water ecological conservation and soil remediation, the Group will engage the local branches or subsidiaries of suppliers and cooperating partners according to the locality of the projects.

For engaging suppliers and cooperating partners, the Group placed importance on their integrity. Therefore, to improve the supply chain management, the Group set up a stringent procurement system. Before procuring services, the Group conducted due diligence review to select suppliers according to their past experience and qualifications in relevant projects, track records and costs, and prohibits suppliers from securing supply contracts through transfer of benefits in any forms, thus ensuring that suppliers have no serious violation or any breach of business ethics. After selecting the suppliers, the Group will closely monitor project progress and process, carry out performance assessment according to the procurement system, ascertaining that suppliers have performed their responsibilities under the contracts in a compliance manner and report timely. If suppliers fail to perform the contracts and comply with relevant laws, the Group will forthwith replace them to protect the interests of customers and ensure customers will receive quality services.

We firmly believe that maintaining sound and long-term cooperative relationships with suppliers will bring stability for corporate development and reduce corporate risks. Whilst entering into procurement contracts with suppliers, the Group will offer them fair and reasonable conditions, firmly resist any exploitation on suppliers in any manner for increasing profitability, and achieve sustainable development operation models while cooperating well between the parties.

PRODUCT LIABILITY

The major customers of the Group are local provincial and municipal governments.

Our products and services include:

1. tree seedling (North American Red Maple);

2. waste collection, sorting, re-delivery and resource treatment, etc.;

3. soil remediation.

PRODUCT LIABILITY *(Continued)*

For the products and services provided by the Group, in particular the municipal ecological remediation, they are usually being engaged by respective government departments or being driven by relevant government policies. Hence, customers are very rigorous in monitoring the products and services of the Group.

The Group insists in providing quality products and services for customers and has set up internal mechanisms to monitor every process closely and requires employees to follow all working guidelines. Apart from the guidelines and manuals, we also arrange respective trainings for employees on an ad-hoc basis to improve their professional technological standard.

Our project contracts generally contain quality warranties and penalty provisions for substandard project to ensure project quality. In addition to complying with the quality control measures of the Company by building contractors, we also arrange project representatives to oversee the progress, quality and safety of construction project, inspect the building materials used before project commencement, so as to comply with the relevant environmental protection requirements.

The Group maintains and reviews different communication channels with customers to obtain customer feedback and handle customer complaints timely, whereby investigation on customer complaints and services will be conducted and improve our customer service system.

During the reporting period, the Group had not experienced any loss of customers arising from the leakage of customers' privacy or other services/products issues.

ANTI-CORRUPTION

At the entity's business and capital market operation level, the Board adopts a "zero tolerance" attitude for anti-corruption and fraudulent acts, which has already been reflected in our respective business and staff policies as well as in our operating procedures. The Group adheres to the philosophy of "integrity and responsibility" and eradicates corruption acts resolutely. The Group maintains sound corporate governance and risk management to protect the interests of stakeholders and facilitate our sustainable development.

Regarding the corporate governance structure of the Group and other relevant information, please refer to pages 42 to 56 of this annual report.

The Group has formulated the convention against corruption and a set of comprehensive anti-corruption and fraudulent mechanism pinpointing at the whole supply chain from upstream suppliers to downstream end-customers, as well as the capital market operation of investors, shareholders and institutions. The Group provides periodic anti-corruption training and information to employees to raise their anti-corruption awareness, thereby ensuring every employee is in compliance with domestic rules and has good professional conduct.

ANTI-CORRUPTION *(Continued)*

The Group instills important anti-corruption awareness to all employees. All product and service contracts are enclosed with relevant binding terms.

For supply chain, the Group strictly executes the supplier selection system, putting such factors like capability at first place. We appoint supervisory staff to inspect the implementation process of each project and also encourage staff to report non-compliance incidents and prevent any forms of transfer of benefits.

In facing customers, we regulate all business subsidiaries to monitor and manage stringently all external contracts according to domestic relevant rules and offer fair and reasonable transaction terms to customers that are in line with the interests of the Group, avoiding customer representatives of any class to receive personal benefits in any forms.

In pinpointing at the capital market, the Group actively communicates with the investment sector (including shareholders, investors and analysts) since its listing. Through strictly complying with the Listing Rules, the Group discloses the corporate information regularly through annual reports, interim reports and statutory announcements. The Group also communicates with investors interactively through such activities like meetings to improve transparency. In addition, the Group also reviews its corporate governance mechanism regularly and provides the directors the information and training relevant to the Listing Rules and corporate governance.

During the reporting period, no corruption or fraudulent incident was discovered in the Group. The Group will review the implementation of respective systems periodically and devote more resources to improve the mechanism if necessary.

COMMUNITY

The Group places importance on the social responsibility of an enterprise, upholds the philosophy of "giving back to society where we take from", and encourages employees' awareness of caring for the community and helping each other.

During the reporting period, the Group actively communicated with different institutions in the community where it located, understands their situation, organizes and participates in various community activities. We hope to raise employees' community awareness through organising or participating in such kind of community activities to let them contributing back the community personally, promote their care and help the needed. We also encourage employees to share proactively after the activities, influence others to participate and establish proper values.

COMMUNITY *(Continued)*

Apart from the aforesaid activities, the Group also offers help to various institutions through donations. During the reporting period, we offered support to the following institutions and organisations:

Institution and Organisations	Scope	Amount
Hong Kong Philharmonic Orchestra	Facilitate the development of cultural and art	HK$80,000
HK Anti-Cancer Society	Support health organisation	HK$3,000
Seeds of Art Charity Foundation-elderly service	Support community elderly service	HK$10,659

In future, the Group will continue to cooperate with more organisations and institutions that have the same visions and values, and offer them more support to make greater contributions to the society.

EXECUTIVE DIRECTORS

Mr. Sze Wai, Marco, aged 51, is the Chairman of the Company. He joined the Group in February 2001. Mr. Sze has over 25 years of experience in investing in Hong Kong and China. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading. He is responsible for formulating the Group's business strategies.

Mr. Zhou Wei Feng, aged 47, obtained a bachelor's degree in economics from The Peking University in 1991 and a master's degree in business administration from The University of Fordham in 2003 by way of distanced learning. He was the vice general manager of Shi Jia Zhuang Yin Real Estate Company* (石家莊銀房地產公司) and Qingdao Yin Du Real Estate Company* (青島銀都房地產公司), and the general manager of Qingdao Yin Du Property Management Company* (青島銀都物業管理公司) respectively between 1991 and 1997. Between 1997 and 1999, he was the general manager of Qingdao Wei Xin Home Company Limited* (青島偉信置業有限公司). Between 1999 and 2005, he was the vice general manager of Beijing Sheng Shi Zhao Ye Real Estate Development Company Limited* (北京盛世兆業房地產開發有限公司). From 2005 to 2009, he was the president of AXA Investment Group Company Limited. Since 2009, he has been the vice president of the Company. Mr. Zhou has been appointed as an Executive Director and the Chief Executive Officer on 11 April 2014 and 18 July 2014 respectively.

Mr. Tan Shu Jiang, aged 48, holds a Bachelor Degree of German Language from Shanghai International Studies University. Mr. Tan is the Executive Director of the Company. He joined the Group in January 2007. Mr. Tan has over 20 years of experience in the sales and marketing, technical and general management in the information technology businesses. He was a director of Barwinstart Cultural Communication Co., Limited which is principally engaged in the operation of internet business in the PRC.

Mr. Pan Tingxuan, aged 43, obtained a diploma of computer science and application from Hohai University in Nanjing, the PRC, in 1992. Mr. Pan has over 9 years of experience in project management and strategic planning in investment and asset management. He was appointed as an executive president of Beijing Ju Zhen Investment Management Company Limited between December 2005 and November 2014. Since April 2012, Mr. Pan has been a non-executive director of CECEP COSTIN New Materials Group Limited (stock code: 2228), a company listed on the Main Board of the Stock Exchange. Mr. Pan is an Executive Director of the Company and he joined the Group on 2 January 2015 and left the group on 31 December 2016.

NON-EXECUTIVE DIRECTORS

Mr. Law Fei Shing, aged 57, is a Non-executive Director and a member of Nomination Committee of the Company. He joined the Group in January 2014. He is a member of American Institute of Certified Public Accountants (AICPA), USA and an associate member of Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Law has over 27 years of experience in the audit and accounting services.

Currently, Mr. Law is also an executive director, deputy chief executive officer and the company secretary of Anxian Yuan China Holdings Limited (stock code: 922), and an executive director of China Assurance Finance Group Limited (stock code: 8090) and a non-executive director of Pak Tak International Limited (stock code: 2668) (He was re-designated from executive director to non-executive director of Pak Tak International Limited on 16 December 2014).

Mr. Law was an executive director and a non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) from November 2014 to April 2016 and from April 2016 to December 2016 respectively. He was also the company secretary of Orient Securities International Holdings Limited (stock code: 8001) from February 2009 to May 2016 and an executive director and the company secretary of Bestway International Holdings Limited (now known as "Tai United Holdings Limited") (stock code: 718) from January 2009 to May 2013 and from January 2009 to January 2013 respectively.

Mr. Chen Chun Tung, Jason, aged 33, is an Non-executive Director of the Company. He joined the Group on 19 August 2016. Mr. Chen is currently responsible for direct investments at China Huarong International Holdings Limited. He was previously a director in Corporate Finance Department responsible for leading origination and execution of corporate finance transactions and providing strategic advisory in Greater China at Standard Chartered Securities (Hong Kong) Limited from 2010 to 2015 and an associate at the Investment Banking Department of Citigroup Global Markets Asia Limited from 2006 to 2010. Mr. Chen holds a Bachelor of Science degree in Industrial Engineering Operations Research (cum laude) from Columbia University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chong Yiu Kan, Sherman, aged 53, is an Independent Non-executive Director of the Company. He joined the Group in September 2004. Mr. Chong obtained a Master Degree in Business Administration from the University of Hong Kong. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. Mr. Chong had been an independent non-executive director of China Solar Energy Holdings Limited (Stock code: 155), and he retired on 15 May 2015. He is also an independent non-executive director of Zhi Cheng Holdings Limited (Stock Code: 8130) listed in the GEM Board of the Stock Exchange of Hong Kong Limited since 1 December 2011. He has over 29 years of working experience in auditing, accounting, taxation and management consultancy. He is the sole proprietor of Sherman Chong & Co. (CPA).

Mr. Lum Pak Sum, aged 55, obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002. He has been currently a non-practising fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. U.K. since 1996 and 1993 respectively.

Mr. Lum is an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee and the Chairman of the Nomination Committee of the Company. He joined the Group in January 2014. Mr. Lum has been a non-executive director of Orient Securities International Holdings Limited (stock code: 8001), listed on the GEM Board of the Stock Exchange, since April 2011. He has also been an independent non-executive director of Energy International Investments Holdings Limited (stock code: 353), Bestway International Holdings Limited (stock code: 718) and Radford Capital Investments Limited (stock code: 901), Karce International Holdings Company Limited (stock code: 1159), Pak Tak International Limited (stock code: 2668) and Asia Resources Holdings Limited (stock code: 899), listed on the Main Board of the Stock Exchange, for the period from September 2005 to July 2011, from March 2010 to May 2013, from May 2010 to November 2013, from April 2009 to November 2014, from June 2014 to November 2014, from November 2010 to January 2015, respectively. Since August 2007, December 2014, August 2016 and May 2015, Mr. Lum has been an independent non-executive director of Great China Properties Holdings Limited (formerly known as Waytung Global Group Limited) (stock code: 21), Yu Hua Energy Holdings Limited (stock code: 2728), Kwan On Holdings Ltd (code 1559) and i-Control Holdings Limited (stock code: 8355) listed on the Main Board of the Stock Exchange, respectively. He has also been an independent director of Asia Green Agriculture Corporation, a company trading on the Over-the-Counter Bulletin Board in the United States of America, since September 2011 and privatized in November 2014.

Mr. Liu Liyang, aged 56, holds an MBA degree from Columbia University. Mr. Liu is an Independent Non-executive Director, a member of each of the Audit Committee and the Nomination Committee and Chairman of the Remuneration Committee of the Company. He joined the Group in May 2014. He was appointed as executive Director, Deputy Chairman of the Board and the Chief Executive Officer and a member of the remuneration committee of eForce Holdings Limited (stock code: 943) ("eForce") on 19 August 2010. He was further appointed as a member of the nomination committee of eForce on 29 March 2012. Mr. Liu has 17 years of experience in the investment banking industry. He was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Furthermore, Mr. Liu was appointed as the Executive Director of Munsun Capital Group Limited (stock code: 1194) on 13 October 2015.

SENIOR MANAGEMENT

Mr. Chan Hon To, aged 40, Chief Financial Officer and Company Secretary of the Company. Mr. Chan is also the Qualified Accountant of the Company. Mr. Chan is responsible for the financial management, tax, treasury, corporate finance and company secretarial matters of the Group. Mr. Chan joined the Group on 23 June 2016 and has over 18 years of experience in auditing, accounting and corporate finance. Prior to joining the Company, Mr. Chan held senior management positions in listed companies in Hong Kong. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

The Directors hereby present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 38 to the consolidated financial statements.

The analysis of the segment information is set out in note 18 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 63 to 65 of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 14 of this annual report.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 132 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	65%	Nil
Five largest customers in aggregate	100%	Nil
The largest supplier	Nil	100%
Five largest suppliers in aggregate	Nil	100%

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 32 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 68 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company has no reserve available for cash distribution (2015: HK$Nil) as computed in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account of approximately HK$680,157,000 as at 31 December 2016 (2015: approximately HK$680,157,000) may be distributed in the form of fully paid bonus shares.

EMOLUMENT POLICY

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

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

DIRECTORS

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

Executive Directors

Mr. Sze Wai, Marco, *Chairman*
Mr. Zhou Wei Feng, *Chief Executive Officer*
Mr. Tan Shu Jiang
Mr. Pan Tingxuan (resigned on 31 December 2016)

Non-executive Directors

Mr. Law Fei Shing
Mr. Chen Chun Tung, Jason (appointed on 19 August 2016)

Independent Non-executive Directors

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

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

In accordance with Bye-law 111(A), Mr. Sze Wai, Marco, Mr. Zhou Wei Feng and Mr. Chong Yiu Kan, Sherman will retire by rotation at the forthcoming annual general meeting. Further, pursuant to Bye-law 115, the office of Mr. Chen Chun Tung, Jason will end at the annual general meeting. Each of Mr. Sze Wai, Marco, Mr. Zhou Wei Feng, Mr. Chong Yiu Kan, Sherman and Mr. Chen Chun Tung, Jason will being eligible, offer themselves for re-election at the annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Brief biographical details of directors and senior management are set out on pages 29 to 30 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the share or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name	**Name of company**	**Capacity**	**Number and class of securities** *(note 1)*
Sze Wai, Marco	The Company	Interest of controlled corporation *(note 2)*	2,427,809,906 ordinary shares (L)
	The Company	Beneficial owner	1,500,000 ordinary shares (L) *(note 3)*
Chong Yiu Kan, Sherman	The Company	Beneficial owner	2,150,000 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.

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) 1,500,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.

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

Save as disclosed above, as at 31 December 2016, none of the Directors and the chief executive of the Company had any interest and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

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

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 13 June 2014, a new share option scheme of the Company (the "New Scheme") was adopted by the Company, which will expire on 12 June 2024. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include directors, employees of the Company or any of its subsidiaries and any officers or consultants who will provide or have provided services to the Group.

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

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

SHARE OPTION SCHEME *(Continued)*

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

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

The unexercised outstanding share options under the Old Scheme as at 31 December 2016 are as follows:

			Number of share options				
Grantee	**Date granted**	**Exercisable period**	**Exercise price of options** *HK$*	**Outstanding at 1.1.2016**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.12.2016**
Directors							
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 director							
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
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	18,700,000	–	(5,600,000)	13,100,000
				30,200,000	–	(10,100,000)	20,100,000

SHARE OPTION SCHEME *(Continued)*

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

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

There were no share options exercised under the Old Scheme during the year. The average share price at the exercise date of the share options under the Old Scheme in last year was HK$0.345. The options outstanding under the Old Scheme at the end of the year have a weighted average remaining contractual life of 2.48 years (2015: 3.04 years) and the exercise prices of HK$0.270 (2015: range from HK$0.122 to HK$0.270). The total number of shares available for issue under the New Scheme was 413,808,492 shares, representing 7.88% of the issued shares of the Company as at the date of the annual report.

There was no share-based compensation costs recognised during the year (2015: HK$Nil).

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

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

As at 31 December 2016, the following persons and entities, other than a Director or chief executive of the Company, had an interest or long positions 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	Capacity	Approximate percentage of interest
Leading Value Industrial Limited *(Note 1)*	2,425,769,906	Beneficial owner	46.20
Global Prize Limited *(Note 1)*	2,040,000	Beneficial owner	0.04
The Ministry of Finance of the People's Republic of China *(Note 2)*	737,500,000	Interest in controlled corporation *(Note 3)*	14.04
	2,362,930,000	Having a security interest in shares	45.00
China Huarong Asset Management Co., Ltd. *(Note 2)*	737,500,000	Interest in controlled corporation *(Note 3)*	14.04
	2,362,930,000	Having a security interest in shares	45.00
Huarong Real Estate Co., Ltd. *(Note 2)*	737,500,000	Interest in controlled corporation *(Note 3)*	14.04
	2,362,930,000	Having a security interest in shares	45.00
Huarong Zhiyuan Investment & Management Co., Ltd. *(Note 2)*	737,500,000	Interest in controlled corporation *(Note 3)*	14.04
	2,362,930,000	Having a security interest in shares	45.00
China Huarong International Holdings Limited *(Note 2)*	737,500,000	Interest in controlled corporation *(Note 3)*	14.04
	2,362,930,000	Having a security interest in shares	45.00
New Silkroad Investment Holdings Limited *(Note 2)*	737,500,000	Beneficial owner *(Note 3)*	14.04
	2,362,930,000	Having a security interest in shares	45.00

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO *(Continued)*

Notes:

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

2. New Silkroad Investment Holdings Limited is wholly owned by China Huarong International Holdings Limited, which is in turn owned by Huarong Zhiyuan Investment & Management Co., Ltd. and Huarong Real Estate Co., Ltd. as to approximately 11.90% and 88.10%, respectively. Each of Huarong Zhiyuan Investment & Management Co., Ltd. and Huarong Real Estate Co., Ltd. is wholly owned by China Huarong Asset Management Co., Ltd.. China Huarong Asset Management Co., Ltd. is owned by the Ministry of Finance of the People's Republic of China as to approximately 77.49%. Each of China Huarong International Holdings Limited, Huarong Zhiyuan Investment & Management Co., Ltd., Huarong Real Estate Co., Ltd., China Huarong Asset Management Co., Ltd. and the Ministry of Finance of the People's Republic of China is deemed to be interested in the 3,100,430,000 shares of the Company which New Silkroad Investment Holdings Limited is interested in.

3. These shares were the shares which would be allotted and issued upon exercise in full of the convertible bonds granted to New Silkroad Investment Holdings Limited. Please refer to the announcements of the Company dated 22 June 2016, 5 July 2016, 12 July 2016, 17 August 2016 and 26 August 2016 for further details.

Save as disclosed above, as at 31 December 2016, 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 or its subsidiaries a party to any arrangement to enable the directors of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

PRE-EMPTIVE RIGHTS

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

RETIREMENT SCHEME

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

The retirement benefits costs under the MPF schemes charged to the profit or loss amounted to approximately HK$162,000 (2015: approximately HK$142,000) during the year.

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 25% to 44% (2015: 27% to 44%) of the standard wages determined by the relevant authorities in the PRC.

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

The aggregate employers' contributions by the Group under the PRC pension schemes amounted to approximately HK$1,203,000 (2015: approximately HK$2,627,000) during the year.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

CONNECTED TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult an expert.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers of the Group is currently and was in force throughout the financial year. Throughout the year, the Company has maintained appropriate directors and officers liability insurance cover for the Directors and officers of the Group to indemnify the Directors and officers of the Group against all losses or liabilities sustained or incurred arising from or incidental to execution of duties of his/her offices.

CORPORATE GOVERNANCE

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: HK$Nil).

AUDITOR

The consolidated financial statements have been audited by RSM Hong Kong, who will retire and a resolution for the re-appointment of RSM Hong Kong will be proposed at the forthcoming Annual General Meeting.

By order of the Board
Beautiful China Holdings Company Limited

Sze Wai, Marco
Chairman

Hong Kong, 30 March 2017

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

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

The Board has adopted all the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of the Company (the "Company Code"). The Board consistently monitors and reviews the Company's corporate governance practices to ensure compliance.

During the year ended 31 December 2016, the Company has complied with all the Code Provisions with certain deviations mentioned below. The Company has committed to maintain high corporate governance standards. The Company devotes considerable efforts to identifying and formalizing the best corporate governance practices suitable to the Company's needs. In addition, the Company reviews regularly its organizational structure to ensure operations are corresponding with good corporate governance practices as set out in the Code Provisions.

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

THE BOARD

Corporate Strategy

The primary objective of the Company is to enhance long-term total return for shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Chairman's Statement and the Business Review contain discussions and analyses of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objectives.

Responsibilities

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

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

THE BOARD *(Continued)*

Responsibilities *(Continued)*

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

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

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

Board Composition

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

The Board of the Company comprises the following Directors:

Executive Directors
Mr. Sze Wai, Marco
Mr. Zhou Wei Feng
Mr. Tan Shu Jiang
Mr. Pan Tingxuan (resigned on 31 December 2016)

Non-executive Directors
Mr. Law Fei Shing
Mr. Chen Chun Tung, Jason (appointed on 19 August 2016)

Independent Non-executive Directors
Mr. Chong Yiu Kan, Sherman
Mr. Lum Pak Sum
Mr. Liu Liyang

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

THE BOARD *(Continued)*

Board Composition *(Continued)*

The biographical information of the Directors, and the relationships amongst them, if any, are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 29 to 30 of this annual report.

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the composition and number of Independent Non-executive Directors in the Board by appointing at least three Independent Non-executive Directors with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise at all times. The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Board, on the recommendation of the Nomination Committee, considers all Independent Non-executive Directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

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

Appointment, Re-election and Succession Planning of Directors

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

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

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

THE BOARD *(Continued)*

Appointment, Re-election and Succession Planning of Directors *(Continued)*

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

The Code Provision A.4.1 stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election. Although the Independent Non-executive Directors of the Company are not appointed for a specific term, they are subject to retirement by rotation at least once every three years in accordance with Article 111(A) of the Company's Bye-Laws. Pursuant to Article 111(A) of the Company's Bye-Laws, Mr. Chong Yiu Kan, Sherman and Mr. Chen Chun Tung, Jason will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

COMPANY SECRETARY

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

Mr. Chan Hon To ("Mr. Chan") was appointed as the Company Secretary of the Company on 23 June 2016. The biographical details of Mr. Chan are set out under the section headed "Biographical Details of Directors and Senior Management".

During the year ended 31 December 2016, Mr. Chan has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

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

- To develop, review and update the Company's policies and practices on corporate governance.
- To review and monitor the training and continuous professional development of Directors and senior management.
- To review and monitor the Company's policies and practices in compliance with legal and regulatory requirements.

CORPORATE GOVERNANCE FUNCTIONS *(Continued)*

- To develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors.
- To review the Company's compliance with the Revised Code and disclosure in the corporate governance report.
- To perform such other corporate governance duties and functions set out in the Revised Code for which the Board is responsible.

Training for Directors

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

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

Insurance Cover for Directors

During the year ended 31 December 2016, the Company has arranged appropriate insurance cover in respect of legal action against its Directors to comply with the requirement of the Code Provisions.

BOARD COMMITTEES

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

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

BOARD COMMITTEES *(Continued)*

Remuneration Committee

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

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

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

During the year ended 31 December 2016, the Remuneration Committee met once and reviewed and discussed the remuneration policy and structure of the Group, the current remuneration packages of the Directors and the management of the group for the year under review.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2016 is set out below:

Remuneration bands (HK$)	Number of persons
1,000,001 to 1,500,000	1

Further particulars regarding the Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 13 and 14 to the consolidated financial statements.

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

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

BOARD COMMITTEES *(Continued)*

Audit Committee

The Company has established an audit committee ("AC") with written terms of reference in accordance with Appendix 14 of the Listing Rules. The AC 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 AC is also responsible for reviewing and supervising the financial reporting process, internal control and risk management systems of the Group. The AC has reviewed the audited consolidated annual results for the year ended 31 December 2016.

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

The main duties of the AC include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the management or the external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their independence, fees and terms of engagement, and make recommendations to the Board on the appointment, reappointment and removal of external auditor.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

- To review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company and its subsidiaries (the "Arrangements"), and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

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

The AC has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control procedures, risk management systems and financial reporting matters including review of the annual results of the Group for the year ended 31 December 2016.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

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

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

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

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

Nomination Committee

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

The primary functions of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

- To assess the independence of the Independent Non-executive Directors.

- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

One nomination committee meeting was held during the year ended 31 December 2016 to inter alia, review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors. Attendance of each members at Nomination Committee Meeting held during the year is set out as follows:

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

Number of Meetings and Directors' Attendance

During the year ended 31 December 2016, the Board held four regular meetings. During these meetings, Directors discussed and approved overall strategies and policies of the Group, reviewed and monitored financial and operational performance, approved the annual and interim results of the Group and discussed the business development of the Group.

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

	Attendance	Percentage
Executive Directors		
Mr. Sze Wai, Marco	4/4	100%
Mr. Zhou Wei Feng	4/4	100%
Mr. Tan Shu Jiang	4/4	100%
Mr. Pan Tingxuan (resigned on 31 December 2016)	4/4	100%
Non-executive Directors		
Mr. Law Fei Shing	4/4	100%
Mr. Chen Chun Tung, Jason (appointed on 19 August 2016)	1/1	100%
Independent Non-executive Directors		
Mr. Chong Yiu Kan, Sherman	4/4	100%
Mr. Lum Pak Sum	4/4	100%
Mr. Liu Liyang	4/4	100%

BOARD COMMITTEES *(Continued)*

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

Apart from the above-mentioned Board meetings, the Chairman of the Board held a meeting with all the Independent Non-executive Directors without the presence of the Executive Directors during the year ended 31 December 2016 for discussing, inter alia, Directors' time commitments and contribution in performing their responsibilities to the Company, and the Group's strategy.

Practices and Conduct of Meetings

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

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, as the Code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have compiled with the Model Code throughout the year ended 31 December 2016.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

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

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 57 to 62 of this annual report.

The Audit Committee reviews the appointment of external auditor on an annual basis including a review of the audit scope and audit fee and makes the recommendation to the Board for approval. During the year, the fee payable to the external auditor for the annual audit amounted to HK$1,180,000 and fee for non-audit related activities amounted to HK$50,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control systems of the Group are characterised with clearly-defined governance structure, policy procedures and reporting mechanism, enabling the Group to manage the risk exposures arising from its businesses.

The Group has established the risk management organizational framework, which comprises of the Board, the audit committee and the risk management group. The Board will assess and determine the nature and extent of risks acceptable for the Group in fulfilling its strategic goals, and will ensure the establishment and maintenance of appropriate and effective risk management and internal control systems by the Group. The Board will also supervise the design, implementation and monitoring of the risk management and internal control systems by the management.

The Group has also formulated and adopted the enterprise risk management system, which provides effective policy procedures to identify, evaluate and manage significant risks. The risk management group will, at least once in a year, identify risk exposures that may affect the realization of the Group's business target, assess and rank the risks through a standard mechanism, formulate a risk mitigation plan and identify staff held accountable for the risks, enabling the Group to make rational allocation of resources to cope with the major risks.

Furthermore, the Group has engaged independent professional institutions to provide internal audit services, so as to help the Board and the audit committee to constantly monitor the risk management and internal control systems of the Group, identify defects in the design and operation of the internal control and put forward proper remedies. Serious defects identified in the internal control will be reported to the audit committee and the Board promptly, and efforts will be made to formulate the remedial plan and identify the staff to be held accountable. In addition, timely follow-up will be carried out to ensure improvement of the situation.

Risk management report and internal audit report will, at least on a yearly basis, be submitted to the audit committee for review before submission to the Board for final approval. The Board has conducted annual review on the effectiveness of our risk management and internal control systems, including changes in the nature and extent of significant risks since the last annual review, the ability of the Group to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of risks and the internal control system, the work of internal audit function, the extent and frequency of communication of monitoring results to the Board, significant control failings or weaknesses that have been identified during the period and the relevant impacts, as well as the effectiveness of the Group's processes for financial reporting and Listing Rules compliance, and determined the effectiveness of the existing risk management and internal control systems. The Board has concluded that the internal control and risk management systems of the Group are adequate and operating effectively.

The above-mentioned risk management and internal control systems are designed to manage but not to eliminate the risk of failing to fulfil the business target. Therefore, these systems can only provide reasonable but not absolute assurance that there will not be material misstatement or loss.

PROCEDURES AND INTERNAL CONTROL MEASURES FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

In accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules, the inside information should be announced as soon as reasonably practicable after such information comes to our attention, unless it falls within the Securities and Futures Ordinance safe harbours. The Group will ensure the confidentiality of such information before full disclosure of such information to the public. Where the Group considers it impossible to maintain confidentiality as required, or the information may have been divulged, the Group will disclose such information to the public in no time. However, the Group will make sure that the information contained in the announcement is not false or misleading as to a material fact, or is false or misleading due to the omission of a material fact, enabling the public to obtain inside information in an equal, timely and effective manner.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

The 2016 Annual General Meeting ("AGM") was held on 23 June 2016. The notice of 2016 AGM was sent to Shareholders at least 20 clear business days before the AGM.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

The Company regards the AGM as an important event as it provides an opportunity for direct communication between the Board and its Shareholders. The code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai, Marco was unable to attend the Company's annual general meeting which was held on 23 June 2016 as he had an important engagement that was important to the Company's business. Although he was unable to attend, he had arranged Mr. Zhou Wei Feng, an Executive Director and Chief Executive Officer and Mr. Chan Ying Kay, the Company Secretary of the Company (who has resigned on 23 June 2016) who are well versed in all the business activities and operations of the Group, to attend on his behalf and to chair the meeting and to respond to Shareholders' questions.

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

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

SHAREHOLDERS' RIGHTS

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

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

Convening an Extraordinary General Meeting by Shareholders

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

SHAREHOLDERS' RIGHTS *(Continued)*

Putting Forward Proposals at General Meetings

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

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2016.

Putting Forward Enquiries to the Board

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

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

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

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

RSM

TO THE SHAREHOLDERS OF
BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Beautiful China Holdings Company Limited and its subsidiaries (the "Group") set out on pages 63 to 131, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying amount of biological assets *Refer to note 5(c) and 22 to the consolidated financial statements* The Group's biological assets represented North American red maple tree seedlings (the "Seedlings") located in nurseries in Anhui and Zhejiang, which are held for sale in the ordinary course of business and for use in garden and landscape construction projects. The carrying amount of the Group's biological assets as at 31 December 2016 was approximately HK$177 million and the related gain from changes in fair value less costs to sell of biological assets for the year ended 31 December 2016 was approximately HK$4 million. The carrying amount of biological assets is reviewed annually taking into consideration factors such as changes in species composition, current market prices, physical condition of the biological assets and other natural factors that may affect the actual growth of the biological assets and therefore could have a material impact on any gain/loss from changes in the fair value less costs to sell of biological assets for the year. The determination of the biological assets' fair value less costs to sell involves a significant degree of judgement and estimation by management in considering the nature, timing and likelihood of changes to the factors noted above which may affect both the carrying amount of the Group's biological assets and the gain/loss from changes in the fair value less costs to sell of biological assets for the current year and future years.	Our procedures in relation to management's assessment of the carrying amount of biological assets included: – Evaluating the independent professional valuer and expert consultants' competence, capabilities and objectivity; – Assessing, with the assistance of our in-house valuation experts, the methodologies and calculation basis adopted in the valuation report and market price study report, and the appropriateness of the key assumptions; and – Checking, on a sample basis, the accuracy and relevance of the input data provided by management, the independent professional valuer and the expert consultants.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Impairment of prepaid consulting and maintenance service costs *Refer to note 5(d) and 23 to the consolidated financial statements* As at 31 December 2016, there are prepaid consulting and maintenance service costs of approximately HK$115 million paid to the supplier of the Seedlings (the "Supplier"). The prepayments relate to consultancy and maintenance services that will be received from the Supplier over the next three to four years to support the growth of the Seedlings in order to ensure that the survival rate of the Seedlings is not less than 95%. The prepayments were paid to the Supplier together with the cost of purchase of the Seedlings in 2014 and 2015 in order to secure the services to be provided by the Supplier who has the necessary technical knowledge to achieve the target survival rate. Prepaid consulting and maintenance service costs are attributable to the "Tree plantation" operating segment and this segment made a loss for the year ended 31 December 2016. This has increased the risk that the carrying amount of prepaid consulting and maintenance service costs as at 31 December 2016 may be impaired. Management carried out a review of the recoverable amount of the cash-generating unit to which the prepaid consulting and maintenance service costs belong at the end of the reporting period. The recoverable amount of the cash-generating unit was determined based on a value in use model that required significant management judgement with respect to the discount rate and the assumptions underlying the forecast cash flows.	Our procedures in relation to management's impairment assessment of the cash-generating unit to which prepaid consulting and maintenance service costs belong included: – Assessing, with the assistance of our in-house valuation experts, the integrity of the valuation model and the appropriateness of the discount rate used by management to estimate value in use; – Challenging the reasonableness of the key assumptions based on our knowledge of the business and industry; – Reviewing the sensitivity of the value in use to changes in key assumptions; and – Checking input data to supporting evidence including approved budgets and considering the historical accuracy of management's previous budgets.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chris Wong Wo Cheung.

RSM Hong Kong
Certified Public Accountants
Hong Kong, 30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000 (Re-presented)
Continuing operations			
Revenue	*8*	**23,142**	19,090
Cost of sales		**(12,948)**	(15,366)
Gross profit		**10,194**	3,724
Other income and gains	*9*	**2,309**	3,612
Administrative expenses		**(52,970)**	(57,035)
Other operating expenses		**(517)**	(981)
Biological assets written off	*22*	**(6,394)**	–
Prepaid consulting and maintenance service costs written off	*23*	**(3,375)**	–
Gain/(loss) from changes in fair value less costs to sell of biological assets	*22*	**3,785**	(1,044)
Loss from operations		**(46,968)**	(51,724)
Finance costs	*10*	**(9,553)**	(2,180)
Loss before tax		**(56,521)**	(53,904)
Income tax expense	*11*	**(1,458)**	–
Loss for the year from continuing operations	*12*	**(57,979)**	(53,904)
Discontinued operations			
Loss for the year from discontinued operations	*15*	**(1,261)**	(7,597)
Loss for the year		**(59,240)**	(61,501)
Attributable to:			
Owners of the Company		**(59,137)**	(61,490)
Non-controlling interests		**(103)**	(11)
		(59,240)	(61,501)

	Note	**2016**	2015 (Re-presented)
Loss per share	*17*		
From continuing and discontinued operations			
Basic		**HK(1.12) cents**	HK(1.22) cents
Diluted		**HK(1.12) cents**	HK(1.22) cents
From continuing operations			
Basic		**HK(1.10) cents**	HK(1.07) cents
Diluted		**HK(1.10) cents**	HK(1.07) cents

	Note	**2016** **HK$'000**	2015 HK$'000 (Re-presented)
Loss for the year		**(59,240)**	(61,501)
Other comprehensive income for the year, net of tax	*19*		
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(26,971)**	(21,792)
Total comprehensive income for the year		**(86,211)**	(83,293)
Attributable to:			
Owners of the Company		**(86,111)**	(83,283)
Non-controlling interests		**(100)**	(10)
		(86,211)	(83,293)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	20	**8,265**	6,017
Intangible assets	21	**–**	888
Biological assets	22	**177,144**	160,177
Prepayments	23	**115,339**	167,252
Deposits	24	**23,340**	30,086
		324,088	364,420
Current assets			
Trade and other receivables	25	**35,755**	17,175
Bank and cash balances	26	**208,646**	143,037
		244,401	160,212
Current liabilities			
Trade and other payables	27	**19,330**	12,417
Finance lease payables		**–**	430
Convertible bonds	29	**16,812**	–
Current tax liabilities		**1,400**	–
		37,542	12,847
Net current assets		**206,859**	147,365

	Note	2016 HK$'000	2015 HK$'000
Total assets less current liabilities		**530,947**	511,785
Non-current liabilities			
Convertible bonds	29	**94,706**	14,079
Deferred tax liabilities	31	**–**	48
		94,706	14,127
Net assets		**436,241**	497,658
Capital and reserves			
Share capital	32	**525,108**	525,108
Reserves	34	**(88,757)**	(27,440)
Equity attributable to the owners of the Company		**436,351**	497,668
Non-controlling interests		**(110)**	(10)
Total equity		**436,241**	497,658

Approved by the Board of Directors on 30 March 2017 and are signed on its behalf by:

Sze Wai, Marco
Director

Tan Shu Jiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Share option reserve**	**Translation reserve**	**Convertible bonds reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	456,408	610,917	5,978	42,301	–	(673,719)	441,885	–	441,885
Total comprehensive income for the year	–	–	–	(21,793)	–	(61,490)	(83,283)	(10)	(83,293)
Shares issued under share options	200	740	(400)	–	–	–	540	–	540
Issue of convertible bonds	–	–	–	–	20,783	–	20,783	–	20,783
Shares issued upon conversion of convertible bonds	68,500	68,500	–	–	(19,257)	–	117,743	–	117,743
Changes in equity for the year	68,700	69,240	(400)	(21,793)	1,526	(61,490)	55,783	(10)	55,773
At 31 December 2015	525,108	680,157	5,578	20,508	1,526	(735,209)	497,668	(10)	497,658
At 1 January 2016	**525,108**	**680,157**	**5,578**	**20,508**	**1,526**	**(735,209)**	**497,668**	**(10)**	**497,658**
Total comprehensive income for the year	**–**	**–**	**–**	**(26,974)**	**–**	**(59,137)**	**(86,111)**	**(100)**	**(86,211)**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**24,948**	**–**	**24,948**	**–**	**24,948**
Redemption of convertible bonds	**–**	**–**	**–**	**–**	**(154)**	**–**	**(154)**	**–**	**(154)**
Share options lapsed	**–**	**–**	**(1,558)**	**–**	**–**	**1,558**	**–**	**–**	**–**
Changes in equity for the year	**–**	**–**	**(1,558)**	**(26,974)**	**24,794**	**(57,579)**	**(61,317)**	**(100)**	**(61,417)**
At 31 December 2016	**525,108**	**680,157**	**4,020**	**(6,466)**	**26,320**	**(792,788)**	**436,351**	**(110)**	**436,241**

	Note	2016 HK$'000	2015 HK$'000 (Re-presented)
Cash flows from operating activities			
Loss before tax			
Continuing operations		**(56,521)**	(53,904)
Discontinued operations	15	**(1,309)**	(7,662)
		(57,830)	(61,566)
Adjustments for:			
Amortisation of intangible assets	21	**840**	1,333
Biological assets written off	22	**6,394**	–
Prepaid consulting and maintenance service costs written off	23	**3,375**	–
Depreciation		**1,922**	2,463
Finance costs	10	**9,553**	2,180
Interest income		**(2,092)**	(3,610)
Impairment loss on intangible assets	21	**–**	408
Impairment loss on property, plant and equipment	20	**–**	104
(Gain)/loss from changes in fair value less costs to sell of biological assets	22	**(3,785)**	1,044
Loss on disposal of property, plant and equipment	15	**358**	–
Property, plant and equipment written off	15	**–**	9
Operating loss before changes in working capital		**(41,265)**	(57,635)
Increase in trade receivables		**(11,044)**	(5,643)
(Increase)/decrease in prepayments, deposits and other receivables		**(7,536)**	4,493
Increase in trade payables		**2,115**	229
Increase in other payables and accrued expenses		**4,798**	2,286
Net cash flows used in operating activities		**(52,932)**	(56,270)

	Note	2016 HK$'000	2015 HK$'000 (Re-presented)
Cash flows from investing activities			
Increase in biological assets		**(19,486)**	(158,993)
Decrease/(increase) in prepayments		**48,538**	(167,252)
Decrease in deposits		**6,746**	181,327
Payments for purchases of property, plant and equipment		**(4,902)**	(5,166)
Proceeds from disposals of property, plant and equipment		**18**	–
Interest received		**2,092**	3,610
Net cash flows generated from/(used in) investing activities		**33,006**	(146,474)
Cash flows from financing activities			
Proceeds from issue of shares		**–**	540
Proceeds from issue of convertible bonds		**115,800**	150,480
Redemption of convertible bonds		**(2,000)**	–
Repayment of finance lease payables		**(430)**	(991)
Interest paid		**(1,114)**	–
Finance lease charges paid		**(6)**	(55)
Net cash flows generated from financing activities		**112,250**	149,974
Net increase/(decrease) in cash and cash equivalents		**92,324**	(52,770)
Effect of foreign exchange rates changes, net		**(26,715)**	(21,301)
Cash and cash equivalents at 1 January		**143,037**	217,108
Cash and cash equivalents at 31 December		**208,646**	143,037
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**208,646**	143,037

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

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

2. BASIS OF PREPARATION

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting year of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised HKFRS is relevant to the Group:

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

This development has not had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented.

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

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

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

(b) New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

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

(b) New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements and is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's offices and nurseries leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 35(a), the Group's future minimum lease payments under non-cancellable operating leases for its offices and nurseries amounted to approximately HK$51,328,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

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

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

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

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 and any accumulated foreign currency translation reserve relating to that subsidiary.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

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

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss.

(b) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

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

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

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

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

(c) Property, plant and equipment

Property, plant and equipment, held for use in the supply of services or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

(d) Intangible assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Biological assets

Biological assets represent North American red maple tree seedlings (the "Seedlings") which are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of the Seedlings is determined based on estimated selling prices of the Seedling of similar location species, age and genetic merit in the People's Republic of China (the "PRC"). Gain or loss on initial recognition and from subsequent changes in fair value less costs to sell is included in profit or loss for the period in which it arises.

Costs to sell are incremental costs directly attributable to the disposal of the Seedlings excluding financial cost, income tax and costs necessary to get the Seedlings to market.

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

(f) Leases

(i) Operating leases

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

(ii) Finance leases

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Recognition and derecognition of financial instruments

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

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

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

(h) Financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Trade and other receivables

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

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

(j) Cash and cash equivalents

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

(k) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and

- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial liabilities and equity instruments

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

(m) Convertible bonds

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

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

(n) Trade and other payables

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

(o) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Revenue recognition

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

Revenue from the trading of the Seedlings is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the Seedlings are delivered and the title has passed to the customers.

Revenue from provision of landfill management, treatment services and waste sorting is recognised when the related services are rendered to customers.

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

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

(q) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group operates a Mandatory Provident Fund Scheme (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "Ordinance") for all qualifying employees in Hong Kong. The Group's contributions to the MPF schemes are calculated at 5% of the salaries and wages subject to a monthly maximum amount specified in the Ordinance per employee and vest fully with employees when contributed into the MPF schemes.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Pension obligations (Continued)

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(iii) Termination benefits

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

(r) Share based payments

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

(s) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of non-financial assets

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

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

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

(v) Impairment of financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Impairment of financial assets *(Continued)*

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

(w) 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.

(x) 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 consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 December 2016 was approximately HK$8,265,000 (2015: approximately HK$6,017,000).

(b) Impairment loss for bad and doubtful debts

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

As at 31 December 2016, the accumulated impairment loss for bad and doubtful debts for other receivables amounted to HK$3,500,000 (2015: HK$3,500,000).

5. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Fair value of biological assets

The biological assets are valued at fair value less costs to sell. The fair value is determined at the end of reporting period by independent professional valuer and expert consultants according to a market approach. They have made reference to the species, age, growing condition, costs incurred, stages of growth of biological asset and/or professional valuation. Any change in the estimates may affect the fair value of the biological assets significantly.

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

Change in tree seedlings price	**Increase/ (decrease) in tree seedlings price**	**(Increase)/ decrease in loss before tax 2016**	**(Increase)/ decrease in loss before tax 2015**
	%	*HK$'000*	*HK$'000*
If the tree seedlings price increases	5	8,857	8,009
If the tree seedlings price decreases	(5)	(8,857)	(8,009)

The carrying amount of biological assets as at 31 December 2016 was approximately HK$177,144,000 (2015: approximately HK$160,177,000).

5. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of prepaid consulting and maintenance service costs

Determining whether prepaid consulting and maintenance service costs are impaired requires an estimation of the recoverable amount of the cash-generating unit to which the prepaid consulting and maintenance service costs belong. The recoverable amount of the cash-generating unit was determined based on value in use model that requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. In arriving at the future cash flows of the cash-generating unit, the directors have to make reasonable estimates and assumptions of the future development.

The carrying amount of prepaid consulting and maintenance service costs as at 31 December 2016 was approximately HK$115,339,000 (2015: approximately HK$164,896,000). No impairment of prepaid consulting and maintenance service costs was recognised during the year ended 31 December 2016 (2015: HK$Nil).

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately HK$1,458,000 (2015: HK$Nil) of income tax was charged to profit or loss based on the estimated profit from continuing operations.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

At 31 December 2016, if the Hong Kong dollar had weakened 5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$415,000 lower (2015: approximately HK$15,000 higher), arising mainly as a result of the foreign exchange losses on net of other receivables and payables (2015: net of other receivables and payables) denominated in RMB. If the Hong Kong dollar had strengthened 5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$415,000 higher (2015: approximately HK$15,000 lower), arising mainly as a result of the foreign exchange gains on net of other receivables and payables (2015: net of other receivables and payables) denominated in RMB.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has concentrations of credit risk on the Group's trade receivables as 100% (2015: 100%) of the customers are located in the PRC.

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

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

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

(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 maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year or on demand	Between 1 and 2 years	Between 2-5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016				
Other payables and accrued expenses	**16,962**	**–**	**–**	**16,962**
Trade payables	**2,368**	**–**	**–**	**2,368**
Convertible bonds	**23,680**	**10,030**	**143,960**	**177,670**
At 31 December 2015				
Finance lease payables	436	–	–	436
Other payables and accrued expenses	12,164	–	–	12,164
Trade payables	253	–	–	253
Convertible bonds	750	15,750	–	16,500

(d) Interest rate risk

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

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 December

	2016 *HK$'000*	2015 *HK$'000*
Financial assets:		
Loans and receivables		
Trade and other receivables	**32,785**	12,940
Bank and cash balances	**208,646**	143,037
	241,431	155,977
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	**19,330**	12,417
Liability component of convertible bonds	**111,518**	14,079

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

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

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

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Assets and liabilities measured at fair value:

Disclosures of level in fair value hierarchy at 31 December 2016:

	Fair value measurements using:			Total
Description	**Level 1**	**Level 2**	**Level 3**	**2016**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Consumable biological assets				
The Seedlings	–	–	177,144	**177,144**

	Fair value measurements using:			Total
Description	Level 1	Level 2	Level 3	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Consumable biological assets				
The Seedlings	–	–	160,177	160,177

The reconciliations of the consumable biological assets measured at fair value based on level 3 are disclosed in notes 22.

The Group appointed the independent valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") to value its biological assets at 31 December 2016 and 2015. The valuation report on biological assets is reviewed and acknowledged by management of the Group. JLL and its professional valuers in-charge of this valuation have appropriate qualifications and relevant experiences in various valuation assignments involving biological assets and agricultural produce. The professional valuers of JLL involved in this valuation possess qualifications of the FCPA(HK), the FCPA(Aust), MRICS, CVA and IACVA Member. They have extensive experiences in valuing different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets and have previously performed valuations of biological assets and agricultural produce such as tree plantation, fruit plantation and livestock, etc.

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

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

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

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

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

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

Level 3 fair value measurements

Description	Valuation technique	Key unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 *HK$'000*	Fair value 2015 *HK$'000*
					Assets	
The Seedlings	Market approach	Estimated selling price per unit	2016: RMB62 – RMB400 (2015: RMB48 – RMB325)	Increase	177,144	160,177

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

The carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost in the consolidated statement of financial position approximate their respective fair values as at 31 December 2016 and 2015.

8. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2016 *HK$'000*	2015 *HK$'000* (Re-presented)
Revenue from provision of landfill management, treatment services and waste sorting	**15,001**	–
Sales of the Seedlings	**8,141**	19,090
	23,142	19,090

9. OTHER INCOME AND GAINS

	2016 *HK$'000*	2015 *HK$'000* (Re-presented)
Continuing operations		
Interest income on bank deposits	**2,092**	3,609
Others	**217**	3
	2,309	3,612

10. FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000* (Re-presented)
Continuing operations		
Finance lease charges	**6**	55
Interest on convertible bonds	**9,183**	2,125
Interest on other borrowing	**364**	–
	9,553	2,180

11. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit of loss as following:

	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Current tax – PRC Enterprise Income Tax		
Provision for the year	**1,458**	–

No provision for profits tax in Bermuda, the British Virgin Islands or Hong Kong is required as the Group has no assessable profits arising in or derived from those jurisdictions for the year ended 31 December 2016 and 2015.

The PRC Enterprise Income Tax for the PRC subsidiaries is 25% during the year. No provision for the PRC Enterprise Income Tax had been made in the consolidated financial statements for the year ended 31 December 2015 as the PRC subsidiaries had either no assessable profits or sufficient tax losses brought forward to set off against assessable profits for that year.

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

	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Loss before tax (from continuing operations)	**(56,521)**	(53,904)
Tax at Hong Kong Profits Tax rate of 16.5%	**(9,326)**	(8,894)
Tax effect of expenses that are not deductible	**17,892**	17,195
Tax effect of income that is not taxable	**(7,932)**	(10,689)
Tax effect of temporary differences not recognised	**–**	367
Tax effect of tax losses not recognised	**1,797**	2,236
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(973)**	(215)
Income tax expense (relating to continuing operations)	**1,458**	–

12. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2016 HK$'000	2015 HK$'000 (Re-presented)
Auditor's remuneration	1,336	1,128
Depreciation		
Charge to profit or loss	1,876	2,145
Capitalised in biological assets	90	47
	1,966	2,192
Operating lease charges in respect of land and buildings	8,087	7,591

13. EMPLOYEE BENEFITS EXPENSE

	2016 HK$'000	2015 HK$'000 (Re-presented)
Employee benefits expense (including directors' emoluments) from continuing operations:		
Salaries and other benefits	21,653	21,782
Retirement benefit scheme contributions	1,925	2,568
	23,578	24,350

Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2015: four) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining one (2015: one) individuals are set out below:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	1,160	1,200
Retirement benefit scheme contributions	9	18
	1,169	1,218

13. EMPLOYEE BENEFITS EXPENSE *(Continued)*

Five highest paid individuals *(Continued)*

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
HK$1,000,001 – HK$1,500,000	**1**	1

14. DIRECTORS' EMOLUMENTS AND INTERESTS

(a) Directors' emoluments

The emoluments paid to or receivable by each of the nine (2015: eight) directors and the chief executive whether of the Company or its subsidiary undertaking 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	–	3,468	18	3,486
Zhou Wei Feng	–	1,920	18	1,938
Tan Shu Jiang	–	1,995	18	2,013
Pan Tingxuan *(b)*	–	1,920	18	1,938
Non-executive directors				
Law Fei Shing	144	–	–	144
Chen Chun Tung, Jason *(a)*	53	–	–	53
Independent non-executive directors				
Chong Yiu Kan, Sherman	144	–	–	144
Lum Pak Sum	144	–	–	144
Liu Liyang	144	–	–	144
Total for 2016	629	9,303	72	10,004

14. DIRECTORS' EMOLUMENTS AND INTERESTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Sze Wai, Marco	–	3,399	18	3,417
Zhou Wei Feng	–	1,920	18	1,938
Tan Shu Jiang	–	1,920	18	1,938
Pan Tingxuan *(b)*	–	1,913	8	1,921
Non-executive director				
Law Fei Shing	144	–	–	144
Independent non-executive directors				
Chong Yiu Kan, Sherman	144	–	–	144
Lum Pak Sum	144	–	–	144
Liu Liyang	144	–	–	144
Total for 2015	576	9,152	62	9,790

Notes: (a) Appointed on 19 August 2016.

(b) Appointed on 2 January 2015 and resigned on 31 December 2016.

Mr. Zhou Wei Feng is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive. Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 December 2016 and 2015.

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

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

15. DISCONTINUED OPERATIONS

Due to the shrinking market demand and continuous losses in the ATM business, the Group discontinued the business of provision of ATM services on 28 November 2016 to concentrate its resources to explore the development opportunities in the ecological garden and landscape business and ecological environmental protection business.

	2016	2015
	HK$'000	*HK$'000*
Loss for the year from discontinued operations:		
Revenue from provision of ATM services	**802**	2,983
Other income and gains	**6**	371
Administrative expenses	**(1,757)**	(10,421)
Other operating expenses	**(360)**	(83)
Impairment loss on property, plant and equipment	**–**	(104)
Impairment loss on intangible assets	**–**	(408)
Loss before tax	**(1,309)**	(7,662)
Income tax credit	**48**	65
Loss for the year from discontinued operations (attributable to owners of the Company)	**(1,261)**	(7,597)
Loss for the year from discontinued operations include the following:		
Depreciation and amortisation	**886**	1,651
Auditor's remuneration	**9**	10
Loss on disposal of property, plant and equipment	**358**	–
Property, plant and equipment written off	**–**	9
Operating lease charges in respect of land and buildings	**389**	1,315
Staff costs		
Salaries and other benefits	**429**	823
Retirement benefit scheme contributions	**(560)**	200
Cash flows from discontinued operations:		
Net cash outflows from operating activities	**(329)**	(199)
Net cash inflows/(outflows) from investing activities	**18**	(90)
Net cash outflows	**(311)**	(289)

16. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: HK$Nil).

17. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share is based on the following:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(59,137)**	(61,490)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,251,085**	5,029,573

From continuing operations

The calculation of the basic loss per share from continuing operations is based on the following:

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic earnings per share	**(59,137)**	(61,490)
Loss for the year from discontinued operations	**1,261**	7,597
Loss for the purpose of calculating basic loss per share from continuing operations	**(57,876)**	(53,893)

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same.

17. LOSS PER SHARE *(Continued)*

From discontinued operations

Basic loss per share from the discontinued operations is HK0.02 cents per share (2015: HK0.15 cents per share), based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK$1,261,000 (2015: approximately HK$7,597,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

As the exercise of the Group's outstanding convertible bonds would be anti-dilutive and there were no dilutive potential ordinary shares of the Company's share options for both years, the diluted loss per share was same as the basic loss per share.

18. SEGMENT INFORMATION

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

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

During the year ended 31 December 2016, the CODM has identified the following two reportable segments under HKFRS 8"Operating Segments". No operating segments have been aggregated to form the following reportable segments.

The Group has two operating segments as follows:

Tree plantation - Cultivation and trading of the Seedlings

Landfill management and waste sorting - Provision of landfill management, treatment services and waste sorting

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

Segment profits or losses do not include unallocated administrative expenses, other income and gains, finance costs and income tax expense. Segment assets do not include amounts due from group companies. Segment liabilities do not include amounts due to group companies, liability component of convertible bonds and current tax liabilities.

18. SEGMENT INFORMATION *(Continued)*

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

	Tree plantation HK$'000	Landfill management and waste sorting HK$'000	Total HK$'000
Year ended 31 December 2016			
Revenue from external customers	8,141	15,001	23,142
Segment (loss)/gain	(7,418)	4,358	(3,060)
Interest income	3	3	6
Depreciation and amortisation	(335)	(232)	(567)
Biological assets written off	(6,394)	–	(6,394)
Prepaid consulting and maintenance service costs written off	(3,375)	–	(3,375)
Gain from changes in fair value less costs to sell of biological assets	3,785	–	3,785
Income tax expense	–	(1,458)	(1,458)
Capital expenditure	40	4,649	4,689
As at 31 December 2016			
Segment assets	333,730	15,365	349,095
Segment liabilities	2,874	4,679	7,553

18. SEGMENT INFORMATION *(Continued)*

Information about operating segment profit or loss, assets and liabilities from continuing operations: *(Continued)*

	Tree plantation *HK$'000*	Total *HK$'000*
Year ended 31 December 2015 (re-presented)		
Revenue from external customers	19,090	19,090
Segment loss	(1,174)	(1,174)
Interest income	1	1
Depreciation and amortisation	(261)	(261)
Loss from changes in fair value less costs to sell of biological assets	(1,044)	(1,044)
Capital expenditure	170,918	170,918
As at 31 December 2015		
Segment assets	351,600	351,600
Segment liabilities	1,297	1,297

18. SEGMENT INFORMATION *(Continued)*

Reconciliations of segment revenue and profit or loss from continuing operations:

	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Revenue		
Total revenue of reportable segments	**23,142**	19,090
Profit or loss		
Total loss of reportable segments	**(3,060)**	(1,174)
Unallocated corporate income	**2,157**	3,611
Unallocated corporate expenses	**(57,076)**	(56,341)
Consolidated loss for the year from continuing operations	**(57,979)**	(53,904)

Reconciliations of segment assets and liabilities:

	2016	2015
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**349,095**	351,600
Assets relating to discontinued operations	**–**	1,579
Corporate assets	**219,394**	171,453
Consolidated total assets	**568,489**	524,632

18. SEGMENT INFORMATION *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Liabilities		
Total liabilities of reportable segments	7,553	1,297
Liabilities relating to discontinued operations	41	1,290
Corporate liabilities	124,654	24,387
Consolidated total liabilities	132,248	26,974

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2016 HK$'000	2015 HK$'000 (Re-presented)	2016 HK$'000	2015 HK$'000
Hong Kong	–	–	3,411	19,935
PRC except Hong Kong	23,142	19,090	320,677	344,485
Consolidated total	23,142	19,090	324,088	364,420

Revenue from major customers:

	2016 HK$'000	2015 HK$'000
Tree plantation segment		
Customer a	8,141	15,804
Customer b	–	3,286
Landfill management and waste sorting segment		
Customer a	15,001	–

19. OTHER COMPREHENSIVE INCOME

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

	2016			2015		
	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	**(26,971)**	**–**	**(26,971)**	(21,792)	–	(21,792)
Other comprehensive income	**(26,971)**	**–**	**(26,971)**	(21,792)	–	(21,792)

20. 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 2015	4,511	9,661	7,487	13,247	34,906
Additions	3,398	159	1,293	316	5,166
Written off	(45)	–	(149)	–	(194)
Exchange adjustments	(113)	(502)	(217)	(269)	(1,101)
At 31 December 2015	7,751	9,318	8,414	13,294	38,777
At 1 January 2016	**7,751**	**9,318**	**8,414**	**13,294**	**38,777**
Additions	**–**	**4,689**	**213**	**–**	**4,902**
Disposals	**(665)**	**(8,687)**	**(1,318)**	**–**	**(10,670)**
Exchange adjustments	**(107)**	**(328)**	**(187)**	**(283)**	**(905)**
At 31 December 2016	**6,979**	**4,992**	**7,122**	**13,011**	**32,104**

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

	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment:					
At 1 January 2015	4,077	8,953	6,757	11,229	31,016
Charge for the year	549	254	268	1,439	2,510
Impairment losses	–	104	–	–	104
Written off	(36)	–	(149)	–	(185)
Exchange adjustments	(100)	(267)	(54)	(264)	(685)
At 31 December 2015	4,490	9,044	6,822	12,404	32,760
At 1 January 2016	**4,490**	**9,044**	**6,822**	**12,404**	**32,760**
Charge for the year	**801**	**290**	**389**	**532**	**2,012**
Disposals	**(414)**	**(8,705)**	**(1,175)**	**–**	**(10,294)**
Exchange adjustments	**(84)**	**(122)**	**(176)**	**(257)**	**(639)**
At 31 December 2016	**4,793**	**507**	**5,860**	**12,679**	**23,839**
Carrying amount:					
At 31 December 2016	**2,186**	**4,485**	**1,262**	**332**	**8,265**
At 31 December 2015	3,261	274	1,592	890	6,017

In 2015, the Group carried out reviews of the recoverable amount of its ATM machines in plant and machinery which formed part of the ATM cash-generating units, having regard to the market conditions and the business strategy of the Group's ATM business. These assets were used in the Group's ATM services segment. Based on the review of the Group's management, internet financial services continue to mature and e-transactions gain popularity, demands for cash payment weakened, resulting in a shrinking development space for the ATM industry. In addition, the Group continued to increase ATM numbers in its key regions of operation, leading to a decline in the average transaction volume per ATM and severely damaging its business revenues. Considering the shrinking market demand which resulted in intensified competitions, the Group's management considered that the Group's ATM business had deviated from the core business principle of "cost reduction and revenue enhancement". This led to a decrease in its recoverable amount and a recognition of impairment losses of approximately HK$104,000 for the year ended 31 December 2015, that had been recognised in profit or loss.

In 2016, the Group fully pulled out from its ATM business in order to concentrate its resources to explore the ecological garden and landscape and environmental protection businesses that possess greater potential. These ATM machines and other related property, plant and equipment had been disposed or written off accordingly.

21. INTANGIBLE ASSETS

	Customer contracts *HK$'000*
Cost:	
At 1 January 2015	55,980
Exchange adjustments	(2,952)
At 31 December 2015 and 1 January 2016	53,028
Written off	(52,335)
Exchange adjustments	(693)
At 31 December 2016	–
Accumulated amortisation and impairment:	
At 1 January 2015	53,278
Amortisation for the year	1,333
Impairment losses	408
Exchange adjustments	(2,879)
At 31 December 2015 and 1 January 2016	52,140
Amortisation for the year	840
Written off	(52,335)
Exchange adjustments	(645)
At 31 December 2016	–
Carrying amount:	
At 31 December 2016	–
At 31 December 2015	888

21. INTANGIBLE ASSETS *(Continued)*

In 2015, the Group carried out reviews of the recoverable amount of its intangible assets which formed part of the ATM cash-generating units, having regard to the market conditions and the business strategy of the Group's ATM business. These intangible assets are used in the Group's ATM segment. Based on the review of the Group's management, internet financial services continue to mature and e-transactions gain popularity, demands for cash payment weakened, resulting in a shrinking development space for the ATM industry. In addition, the Group continued to increase ATM numbers in its key regions of operation, leading to a decline in the average transaction volume per ATM and severely damaging its business revenues. Considering the shrinking market demand which resulted in intensified competitions, the Group's management considered that the ATM business of the Company has deviated from the core business principle of "cost reduction and revenue enhancement". This led to a decrease in its recoverable amount and a recognition of impairment losses of approximately HK$408,000 for the year ended 31 December 2015, that have been recognised in profit or loss.

In 2016, the Group fully pulled out from its ATM business in order to concentrate its resources to explore the ecological garden and landscape and environmental protection businesses that possess greater potential. These intangible assets had been written off accordingly.

22. BIOLOGICAL ASSETS

(a) Nature of the Group's agricultural activities

The Group's biological assets are the Seedlings which are held for sale in the ordinary course of business and for use in garden and landscape construction projects. The Seedlings are categorised as consumable biological assets.

The quantities of the Seedlings owned by the Group as at 31 December 2016 and 2015 are listed below:

	2016 ***Unit '000***	2015 *Unit '000*
The Seedlings	**1,112**	1,208

The Group is exposed to risks from environmental and climatic changes, and commodity prices risks.

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

22. BIOLOGICAL ASSETS *(Continued)*

(a) Nature of the Group's agricultural activities *(Continued)*

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

(b) Value of the Group's biological assets

Movements of the Seedlings are summarised as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**160,177**	2,182
Increase due to purchases	**–**	170,408
Increase due to plantation costs *(note 1)*	**38,150**	10,633
Decrease due to sales	**(3,447)**	(15,366)
Decrease due to mortality *(note 2)*	**(12,083)**	–
Changes in fair value less costs to sell of biological assets	**3,785**	(1,044)
Exchange adjustments	**(9,438)**	(6,636)
At 31 December	**177,144**	160,177

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

Note 2: Approximately 91,000 units of the Seedlings with the carrying amount of approximately HK$20,902,000 were removed and written off due to mortality. The supplier had agreed to compensate approximately 65,000 units of the Seedlings of approximately HK$14,508,000. Of these, approximately 20,000 units of approximately HK$8,819,000 had been delivered to the Group and recognised as biological assets during the year. As at 31 December 2016, the remaining approximately 45,000 units of approximately HK$5,461,000 will be delivered to the Group in the spring of 2017 (note 25).

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

23. PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Prepaid consulting and maintenance service costs *(note)*	**115,339**	164,896
Prepaid property, plant and equipment cost	**–**	2,356
	115,339	167,252

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

During the year ended 31 December 2016, approximately 91,000 units of the Seedlings were removed and written off due to mortality and the related prepaid consulting and maintenance service costs of approximately HK$12,253,000 was written off accordingly. The supplier had agreed to compensate approximately 65,000 units of the Seedlings with prepaid consulting and maintenance service costs of approximately HK$8,878,000. Of these, approximately 20,000 units with prepaid consulting and maintenance service costs of approximately HK$2,847,000 had been delivered to the Group and recognised as prepaid consulting and maintenance service costs during the year. As at 31 December 2016, the remaining approximately 45,000 units with prepaid consulting and maintenance service costs of approximately HK$5,792,000 will be delivered to the Group in the spring of 2017 (note 25).

24. DEPOSITS

	2016	2015
	HK$'000	*HK$'000*
Deposit paid for purchase of property, plant and equipment	**8,934**	–
Deposits paid for purchase of the Seedlings	**14,406**	–
Deposits paid for purchase of other tree seedlings	**–**	14,730
Deposits paid for potential projects	**–**	15,356
	23,340	30,086

25. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables *(note 1)*	**17,054**	6,010
Prepayments	**2,970**	4,235
Deposits	**3,129**	2,705
Other receivables *(note 2)*	**12,602**	4,225
	35,755	17,175

Note 1: The Group's trading terms with all customers are mainly on credit. The credit period is ranging from 30 days to 150 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain good relationship. Trade receivables with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2016	2015
	HK$'000	*HK$'000*
Current	**17,054**	6,010

As at 31 December 2016 and 2015, no allowance was made for estimated irrecoverable trade receivables.

As at 31 December 2016 and 2015, there were no past due trade receivables.

The Group's trade receivables as at 31 December 2016 and 2015 are denominated in RMB.

Note 2: Approximately HK$11,253,000 represented the total cost of approximately 45,000 units of the Seedlings that the supplier had agreed to compensate to the Group and will be delivered to the Group in the spring of 2017 (notes 22 and 23).

26. BANK AND CASH BALANCES

As at 31 December 2016, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$196,593,000 (2015: approximately HK$140,119,000). 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.

27. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables *(note)*	**2,368**	253
Accrued expenses	**16,034**	11,624
Other payables	**928**	540
	19,330	12,417

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

	2016	2015
	HK$'000	*HK$'000*
1 to 3 months	**2,298**	188
3 to 12 months	**70**	62
Over 1 year	**–**	3
	2,368	253

The Group's trade payables as at 31 December 2016 and 2015 are denominated in RMB.

28. EMPLOYEE RETIREMENT BENEFITS

The Company and its Hong Kong subsidiaries operate Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employers and employees are each required to make contributions to the MPF schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 with effect from 1 June 2014. 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 approximately HK$162,000 (2015: approximately HK$142,000).

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 25% to 44% (2015: 27% to 44%) 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 approximately HK$1,203,000 (2015: approximately HK$2,627,000).

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

29. CONVERTIBLE BONDS

The convertible bonds are analysed as follows:

	CB 2017	CB 2019	2015 Total
	(note a)	*(note b)*	
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities	14,079	–	14,079

	CB 2017	**CB 2019**	**2016 Total**
	(note a)	***(note b)***	
	HK$'000	***HK$'000***	***HK$'000***
Current liabilities	**13,196**	**3,616**	**16,812**
Non-current liabilities	**–**	**94,706**	**94,706**
	13,196	**98,322**	**111,518**

(a) CB 2017

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

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

29. CONVERTIBLE BONDS *(Continued)*

(a) CB 2017 *(Continued)*

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

	2016	2015
	HK$'000	*HK$'000*
Analysed as:		
Current liabilities	**13,196**	–
Non-current liabilities	**–**	14,079
	13,196	14,079

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

The directors estimate the fair value of the liability component of the convertible bonds at 31 December 2016 to be approximately HK$13,217,000 (2015: approximately HK$13,269,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

(b) CB 2019

The Tranche A and Tranche B of convertible bonds with a nominal value of HK$60,000,000 and HK$58,000,000 were issued on 17 August 2016 and 26 August 2016 respectively. The bonds are convertible into ordinary shares of the Company at any time within 36 months after the date of issue. The bonds are convertible at 737,500,000 shares with conversion price of HK$0.16 per share. The Company may at any time after 31 December 2016 by giving not less than 30 days nor more than 60 days' notice to the bondholder to redeem the convertible bonds in whole or in part.

29. CONVERTIBLE BONDS *(Continued)*

(b) CB 2019 *(Continued)*

If the bonds are not converted, they will be redeemed at par on 17 August 2019 and 26 August 2019 respectively plus an additional amount that would yield an internal rate of return of 13% on the bonds which remain outstanding immediately before the maturity date. Interest of 8.5% will be paid/payable semi annually up until that settlement date.

CB 2019 is a compound financial instrument and the proceeds received from the issue of the convertible bonds have been split between the liability element and an equity component. The Company's early redemption option has been assessed as closely related and is included in the liability component.

	2016	2015
	HK$'000	*HK$'000*
Analysed as:		
Current liabilities	**3,616**	–
Non-current liabilities	**94,706**	–
	98,322	–

The interest charged for the year is calculated by applying an effective interest rate of 24% – 25% to the liability component for the period from the date of issue.

The directors estimate the fair value of the liability component of the convertible bonds at 31 December 2016 to be approximately HK$101,598,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 3 fair value measurements).

The convertible bonds are personally guaranteed by Mr. Sze Wai, Marco, an executive director of the Company in favour of the bondholder.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 13 June 2014, a new share option scheme of the Company (the "New Scheme") was adopted by the Company, which will expire on 12 June 2024. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include directors, employees of the Company or any of its subsidiaries and any officers who will provide or have provided services to the Group.

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

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

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

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

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

Grantee	Date granted	Exercisable period	Note	Exercise price of options (note a) HK$	Number of share options: Outstanding at 1.1.2016	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2016
Directors								
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 director								
Chong Yiu Kan, Sherman	31 Oct 2006	1 May 2007 – 30 Oct 2016	*(d)*	0.250	500,000	–	(500,000)	–
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(e)*	0.270	1,500,000	–	–	1,500,000
Employees	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	*(b)*	0.122	2,000,000	–	(2,000,000)	–
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	*(c)*	0.213	1,000,000	–	(1,000,000)	–
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(e)*	0.270	18,700,000	–	(5,600,000)	13,100,000
					30,200,000	–	(10,100,000)	20,100,000

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

Notes:

(a) The exercise price of the share options is subject to adjustment in the case of a rights or bonus issue, or other similar changes in the Company's share capital.

(b) All of these options have duration of 10 years from the date of grant and the options can be exercised from the date of grant.

(c) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 4 April 2007 and that the options may not be exercised in respect of more than 50% prior to 4 October 2007 respectively.

(d) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 1 May 2007 and that the options may not be exercised in respect of more than 50% prior to 1 November 2007 respectively.

(e) All of these options have duration of 10 years from the date of grant, provided that the options can only be exercised from the date of 24 December 2009.

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

	2016		2015	
	Number of share options	**Weighted average exercise price** *HK$*	Number of share options	Weighted average exercise price *HK$*
Outstanding at the beginning of the year	**30,200,000**	**0.257**	32,200,000	0.258
Exercised during the year	**–**	**–**	(2,000,000)	0.270
Lapsed during the year	**(10,100,000)**	**0.232**	–	–
Outstanding at the end of the year	**20,100,000**	**0.270**	30,200,000	0.257
Exercisable at the end of the year	**20,100,000**	**0.270**	30,200,000	0.257

There were no share options exercised under the Old Scheme during the year. The average share price at the exercise date of the share options under the Old Scheme in last year was HK$0.345. The options outstanding under the Old Scheme at the end of the year have a weighted average remaining contractual life of 2.48 years (2015: 3.04 years) and the exercise prices of HK$0.270 (2015: range from HK$0.122 to HK$0.270). The total number of shares available for issue under the New Scheme was 413,808,492 shares, representing 7.88% of the issued shares of the Company as at the date of the annual report.

There was no share-based compensation costs recognised during the year (2015: HK$Nil).

31. DEFERRED TAX LIABILITIES

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

	Intangible assets
	HK$'000
At 1 January 2015	112
Credit to profit or loss for the year *(note 15)*	(65)
Exchange adjustments	1
At 31 December 2015	48
At 1 January 2016	**48**
Credit to profit or loss for the year *(note 15)*	**(48)**
At 31 December 2016	**–**

As at 31 December 2016, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$50,706,000 (2015: approximately HK$51,849,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of approximately HK$43,899,000 (2015: approximately HK$45,042,000) will expire within 5 years and the remaining cumulative tax losses of approximately HK$6,807,000 (2015: approximately HK$6,807,000) do not expire under current tax legislation.

32. SHARE CAPITAL

		2016		2015	
		No. of shares	**Amount**	No. of shares	Amount
	Note	***'000***	***HK$'000***	*'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.1 each		**12,000,000**	**1,200,000**	12,000,000	1,200,000
Issued and fully paid:					
At 1 January		**5,251,085**	**525,108**	4,564,085	456,408
Shares issued under share option	*(a)*	**–**	**–**	2,000	200
Shares issued upon conversion of convertible bonds	*(b)*	**–**	**–**	685,000	68,500
At 31 December		**5,251,085**	**525,108**	5,251,085	525,108

32. SHARE CAPITAL *(Continued)*

Notes:

(a) In 2015, options to subscribe for 2,000,000 ordinary shares were exercised. The consideration received was HK$540,000 of which HK$200,000 was credited to share capital account and the balance of HK$340,000 was credited to the share premium account.

(b) In 2015, the holders of Company's convertible bonds exercised partially their conversion rights and converted the convertible bonds of HK$137,000,000 into 685,000,000 new ordinary shares with nominal value HK$0.1 each in the share capital of the Company at a conversion price of HK$0.2 per conversion share.

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

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

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

The capital structure of the Group consists of net debts (which represent total debts include convertible bonds (2015: convertible bonds and finance lease payables), net of cash and cash equivalents) and equity attributable to owners of the Company, comprising share capital, share premium and reserves. The capital structure at 31 December 2016 and 2015 was as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Total debts	**111,518**	14,509
Less: Cash and cash equivalents	**(208,646)**	(143,037)
Net debts	**(97,128)**	(128,528)
Equity attributable to owners of the Company	**436,351**	497,668
Net debts and equity attributable to owners of the Company	**339,223**	369,140

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2016, 53.77% (2015: 53.77%) of shares were in public hands.

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**3,348**	4,133
Investments in subsidiaries	**–**	–
Deposits	**8,934**	–
	12,282	4,133
Current assets		
Amounts due from subsidiaries	**520,658**	462,413
Prepayments, deposits and other receivables	**2,973**	21,309
Bank and cash balances	**11,302**	2,082
	534,933	485,804
Current liabilities		
Other payables	**8,406**	4,993
Convertible bonds	**16,812**	–
	25,218	4,993
Net current assets	**509,715**	480,811
Total assets less current liabilities	**521,997**	484,944
Non-current liabilities		
Convertible bonds	**94,706**	14,079
Net assets	**427,291**	470,865
Capital and reserves		
Share capital	**525,108**	525,108
Reserves	**(97,817)**	(54,243)
Total equity	**427,291**	470,865

Approved by the Board of Directors on 30 March 2017 and are signed on its behalf by:

Sze Wai, Marco	**Tan Shu Jiang**
Director	*Director*

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium	Share option reserve	Convertible bonds reserve	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	610,917	5,978	–	(678,246)	(61,351)
Total comprehensive income for the year	–	–	–	(63,258)	(63,258)
Shares issued under share options	740	(400)	–	–	340
Issue of convertible bonds	–	–	20,783	–	20,783
Shares issued upon conversion of convertible bonds	68,500	–	(19,257)	–	49,243
Changes in equity for the year	69,240	(400)	1,526	(63,258)	7,108
At 31 December 2015	680,157	5,578	1,526	(741,504)	(54,243)
At 1 January 2016	**680,157**	**5,578**	**1,526**	**(741,504)**	**(54,243)**
Total comprehensive income for the year	**–**	**–**	**–**	**(68,368)**	**(68,368)**
Issue of convertible bonds	**–**	**–**	**24,948**	**–**	**24,948**
Redemption of convertible bonds	**–**	**–**	**(154)**	**–**	**(154)**
Share options lapsed	**–**	**(1,558)**	**–**	**1,558**	**–**
Changes in equity for the year	**–**	**(1,558)**	**24,794**	**(66,810)**	**(43,574)**
At 31 December 2016	**680,157**	**4,020**	**26,320**	**(808,314)**	**(97,817)**

34. RESERVES

(a) Group

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

34. RESERVES *(Continued)*

(b) Nature and purposes of reserves

(i) Share premium

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

(ii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to executive directors, employees and non-executive directors of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(r) 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 4(b) to the consolidated financial statements.

(iv) Convertible bonds reserve

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

35. COMMITMENTS

(a) Lease commitments

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**11,313**	13,793
In the second to fifth years inclusive	**21,075**	29,314
After five years	**18,940**	17,488
	51,328	60,595

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

(b) Capital commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2016	2015
	HK$'000	*HK$'000*
Property, plant and equipment	**116,565**	–

36. CONTINGENT LIABILITIES

As at 31 December 2016 and 2015, the Group did not have any significant contingent liabilities.

37. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2016	2015
	HK$'000	*HK$'000*
Salaries and other benefits	**12,096**	11,373
Retirement benefit scheme contributions	**36**	36
	12,132	11,409

38. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage Direct	Attributable ownership interest percentage Indirect	Issued and paid up/ registered capital	Principal activities
Win Perfect Limited	British Virgin Islands ("BVI")	100	–	US$11,000	Investment holding
Grandville Global Holdings Limited	BVI	100	–	US$1	Inactive
Swift Trade Holdings Limited	BVI	100	–	US$1	Inactive
Concept Wonderful Limited	BVI	100	–	US$1	Investment holding
Stepping Stones Limited	BVI	–	100	US$11,000	Investment holding
Kayford Investment Limited	BVI	–	100	US$1	Investment holding
Emperor Dragon International Limited	BVI	–	100	US$500	Investment holding
China Star Group (Hong Kong) Corporation Limited	Hong Kong	–	100	HK$100,000	Inactive
Fortune Jet International Limited	Hong Kong	–	100	HK$10,000,000	Investment holding
Smart Goal Development Limited	Hong Kong	–	100	HK$1	Inactive

38. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 31 December 2016 are as follows: *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage Direct	Attributable ownership interest percentage Indirect	Issued and paid up/ registered capital	Principal activities
Beauty China Investment Company Limited	Hong Kong	–	100	HK$1	Investment holding
Beijing Dragon Rising Environmental Protection Technologies Co. Ltd. *(note a)*	PRC	–	100	RMB10,000,000	Provision of landfill management, treatment services and waste sorting
Beijing Sun Leader Technology Co., Ltd. *(note a)*	PRC	–	100	RMB60,000,000	Investment holding
Loten Technology Co., Ltd. *(note a)*	PRC	–	100	RMB50,000,000	Inactive
Shenzhen FinTronics Information Services Ltd. *(note b)*	PRC	–	100	RMB5,000,000	Inactive
Anhui Beautiful Wuhe Ecological Technologies Development Co. Ltd. *(note a)*	PRC	–	100	RMB180,000,000	Cultivation and trading of tree seedlings
Yunnan Fecund Land Environmental Engineering Consulting Co. Ltd. *(note b)*	PRC	–	100	RMB1,000,000	Inactive
Kunming Beautiful National Ecological Technologies Co. Ltd. *(note a)*	PRC	–	85	US$60,000,000	Inactive
Beijing Fecund Land Environmental Protection Technologies Co. Ltd. *(note b)*	PRC	–	70	RMB10,000,000	Inactive

Notes:

(a) Registered as a wholly foreign-owned enterprise under the PRC law.

(b) Registered as a company with limited liability companies under the PRC law.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Re-presented)	2014 HK$'000	2013 HK$'000	2012 HK$'000
Results					
Turnover	**23,142**	19,090	6,013	9,561	12,463
Loss from ordinary activities before tax	**(56,521)**	(53,904)	(51,620)	(44,242)	(41,068)
Income tax (expense)/credit	**(1,458)**	–	503	616	665
Loss from continuing operations	**(57,979)**	(53,904)	(51,117)	(43,626)	(40,403)
Loss from discontinued operations	**(1,261)**	(7,597)	–	–	–
Attributable to:					
Owners of the Company	**(59,137)**	(61,490)	(51,117)	(43,626)	(40,403)
Non-controlling interests	**(103)**	(11)	–	–	–
	(59,240)	(61,501)	(51,117)	(43,626)	(40,403)
Loss per share (cents)					
Basic	**(1.12)**	(1.22)	(1.22)	(2.04)	(1.89)
Diluted	**(1.12)**	(1.22)	(1.22)	(2.04)	(1.89)

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Assets and liabilities					
Property, plant and equipment	**8,265**	6,017	3,890	6,476	16,491
Intangible assets	**–**	888	2,702	5,884	9,395
Biological assets	**177,144**	160,177	2,182	–	–
Prepayments	**115,339**	167,252	–	–	–
Deposits	**23,340**	30,086	211,413	–	–
Net current assets	**206,859**	147,365	222,240	122,043	149,319
Total assets less current liabilities	**530,947**	511,785	442,427	134,403	175,205
Non-current liabilities	**(94,706)**	(14,127)	(542)	(2,034)	(3,587)
Net assets	**436,241**	497,658	441,885	132,369	171,618
Capital and reserves					
Share capital	**525,108**	525,108	456,408	213,808	213,808
Reserves	**(88,757)**	(27,440)	(14,523)	(81,439)	(42,190)
Equity attributable to the owners of the Company	**436,351**	497,668	441,885	132,369	171,618
Non-controlling interests	**(110)**	(10)	–	–	–
Total equity	**436,241**	497,658	441,885	132,369	171,618