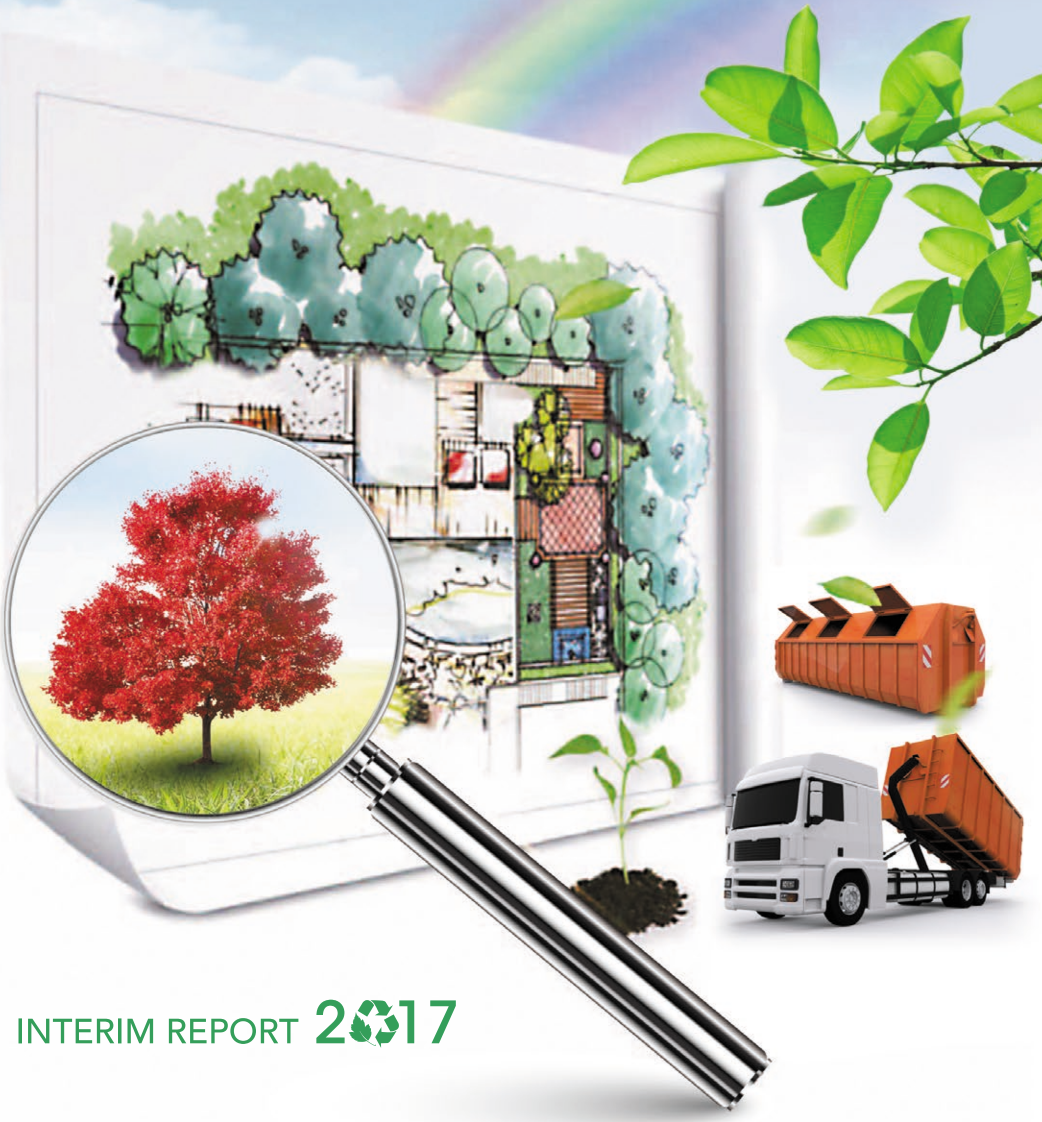
美丽中国
BEAUTIFUL CHINA

BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706



INTERIM REPORT 2017

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*3*	**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other income and gains	*4*	**238**	1,271
Administrative expenses		**(25,304)**	(26,424)
Biological assets written off		**–**	(4,900)
Prepaid consulting and maintenance service cost written off		**–**	(4,747)
Loss from operations		**(25,066)**	(34,800)
Finance costs	*5*	**(11,548)**	(1,065)
Loss before tax		**(36,614)**	(35,865)
Income tax expense	*6*	**–**	–
Loss for the period from continuing operations	*7*	**(36,614)**	(35,865)
Discontinued operations	*8*		
Loss for the period from discontinued operations		**–**	(960)
Loss for the period		**(36,614)**	(36,825)
Attributable to:			
Owners of the Company		**(36,576)**	(36,805)
Non-controlling interests		**(38)**	(20)
		(36,614)	(36,825)
Loss per share	*10*		
From continuing and discontinued operations			
Basic		**(0.70) cents**	(0.70) cents
Diluted		**(0.70) cents**	(0.70) cents
From continuing operations			
Basic		**(0.70) cents**	(0.68) cents
Diluted		**(0.70) cents**	(0.68) cents

The notes on pages 7 to 23 form part of this interim financial report.

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Loss for the period		**(36,614)**	(36,825)
Other comprehensive income for the period, net of tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**11,804**	(5,360)
Total comprehensive income for the period		**(24,810)**	(42,185)
Attributable to:			
Owners of the Company		**(24,772)**	(42,165)
Non-controlling interests		**(38)**	(20)
		(24,810)	(42,185)

The notes on pages 7 to 23 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**At 30 June 2017 (Unaudited) *HK$'000***	At 31 December 2016 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*11*	**30,263**	8,265
Biological assets	*12*	**201,934**	177,144
Prepayments	*13*	**103,821**	115,339
Deposits	*14*	**42,307**	23,340
		378,325	324,088
Current assets			
Trade and other receivables	*15*	**38,427**	35,755
Bank and cash balances		**132,602**	208,646
		171,029	244,401
Current liabilities			
Trade and other payables	*16*	**17,970**	19,330
Convertible bonds		**18,029**	16,812
Current tax liabilities		**1,456**	1,400
		37,455	37,542
Net current assets		**133,574**	206,859
Total assets less current liabilities		**511,899**	530,947
Non-current liabilities			
Convertible bonds		**100,468**	94,706
Net assets		**411,431**	436,241
Capital and reserves			
Share capital	*17*	**525,108**	525,108
Reserves		**(113,529)**	(88,757)
Equity attributable to the owners of the Company		**411,579**	436,351
Non-controlling interests		**(148)**	(110)
Total equity		**411,431**	436,241

The notes on pages 7 to 23 form part of this interim financial report.

	(Unaudited) Attributable to owners of the Company								
	Share capital	Share premium	Share option reserve	Translation reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	525,108	680,157	5,578	20,508	1,526	(735,209)	497,668	(10)	497,658
Total comprehensive income for the period	–	–	–	(5,360)	–	(36,805)	(42,165)	(20)	(42,185)
Redemption of convertible bonds	–	–	–	–	(154)	–	(154)	–	(154)
Shares option lapsed	–	–	(1,325)	–	–	1,325	–	–	–
At 30 June 2016	525,108	680,157	4,253	15,148	1,372	(770,689)	455,349	(30)	455,319
At 1 January 2017	**525,108**	**680,157**	**4,020**	**(6,466)**	**26,320**	**(792,788)**	**436,351**	**(110)**	**436,241**
Total comprehensive income for the period	**–**	**–**	**–**	**11,804**	**–**	**(36,576)**	**(24,772)**	**(38)**	**(24,810)**
At 30 June 2017	**525,108**	**680,157**	**4,020**	**5,338**	**26,320**	**(829,364)**	**411,579**	**(148)**	**411,431**

The notes on pages 7 to 23 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(52,092)**	(39,801)
Net cash (used in)/generated from investing activities	**(22,829)**	1,008
Net cash (used in)/generated from financing activities	**(4,569)**	26,922
Net decrease in cash and cash equivalents	**(79,490)**	(11,871)
Effect of foreign exchange rates changes, net	**3,446**	(2,155)
Cash and cash equivalents at 1 January	**208,646**	143,037
Cash and cash equivalents at 30 June	**132,602**	129,011

The notes on pages 7 to 23 form part of this interim financial report.

1 BASIS OF PREPARATION

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

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

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2016. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the HKFRSs.

2 ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016 except in relation to the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are adopted for the first time for the current period's financial statements. The adoption of these new HKFRSs has had no material impact on the unaudited condensed consolidated financial statements.

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 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
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. As the Group has not completed its assessment, significant impacts may be identified in due course.

3 SEGMENT INFORMATION

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

The CODM has identified the following two reportable segments under HKFRS 8 "Operating Segments". No operating segments have been aggregated to form the following reportable segments.

The Group has two reporting segments from continuing operations 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.

All operating assets and operations of the Group during the periods ended 30 June 2017 and 2016 were substantially located and carried out in the People's Republic of China (the "PRC").

3 SEGMENT INFORMATION (CONTINUED)

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

	(Unaudited)		
	Tree plantation *HK$'000*	Landfill management and waste sorting *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2017			
Revenue from external customers	–	–	–
Segment loss	(1,299)	(2,731)	(4,030)
Interest income	1	–	1
Depreciation and amortisation	(110)	(452)	(562)
Biological assets written off	–	–	–
Prepaid consulting and maintenance service cost written off	–	–	–
Capital expenditure	1,069	19,562	20,631
As at 30 June 2017			
Segment assets	346,602	36,827	383,429
Segment liabilities	2,896	4,558	7,454

3 SEGMENT INFORMATION (CONTINUED)

	(Unaudited)		
	Tree plantation *HK$'000*	Landfill management and waste sorting *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2016			
Revenue from external customers	–	–	–
Segment loss	(10,319)	–	(10,319)
Interest income	–	–	–
Depreciation and amortisation	(126)	–	(126)
Biological assets written off	(4,900)	–	(4,900)
Prepaid consulting and maintenance service cost written off	(4,747)	–	(4,747)
Capital expenditure	41	–	41
As at 31 December 2016			
Segment assets (audited)	333,730	15,365	349,095
Segment liabilities (audited)	2,874	4,679	7,553

4 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017 (Unaudited) *HK$'000*	2016 (Unaudited) *HK$'000*
Continuing operations		
Interest income	**238**	1,090
Others	**–**	181
	238	1,271

5 FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Finance lease charges	**–**	26
Interest on convertible bonds	**11,548**	878
Interest on other borrowing	**–**	161
	11,548	1,065

6 INCOME TAX EXPENSE

No provision for profits tax in Bermuda, the British Virgin Islands or Hong Kong are required as the Group has no assessable profits arising in or derived from those jurisdictions for the six months ended 30 June 2017 and 2016.

The PRC Enterprise Income Tax rate for the PRC subsidiaries is 25% (2015: 25%) during the period. No provision for the PRC Enterprise Income Tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2017 and 2016 as the PRC subsidiaries have either no assessable profits or sufficient tax losses brought forward to set off against assessable profits for the periods.

7 LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation:		
– Owned assets	**1,163**	610
– Leased asset	**–**	383
Staff costs including directors' emoluments	**9,239**	9,885

8 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.

	Six months ended 30 June 2016 (Unaudited) *HK$'000*
Loss for the period from discontinued operations:	
Revenue from provision of ATM services	814
Other income and gains	5
Administrative expenses	(1,779)
Loss before tax	(960)
Income tax credit	–
Loss for the period from discontinued operations (attributable to owners of the Company)	(960)

9 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 and 2016.

10 LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(36,576)**	(36,805)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,251,085**	5,251,085

10 LOSS PER SHARE (CONTINUED)

From continuing operations

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(36,576)**	(36,805)
Loss for the year from discontinued operations	**–**	960
Loss for the purpose of calculating basic loss per share from continuing operations	**(36,576)**	(35,845)

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

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.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group had additions of property, plant and equipment at a total cost of HK$23,351,000 (six months ended 30 June 2016: HK$87,000), and wrote off of property, plant and equipment with a total net carrying amount of HK$284,000 (six months ended 30 June 2016: Nil).

12 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 30 June 2017 and 31 December 2016 are listed below:

	At 30 June 2017 (Unaudited) *Unit'000*	At 31 December 2016 (Audited) *Unit'000*
The Seedlings:	**1,112**	1,112

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. The Group has strong environmental policies and procedures in place to comply with environmental and other laws.

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.

12 BIOLOGICAL ASSETS (CONTINUED)

(b) Value of the Group's biological assets

The amounts of the Seedlings are as follow:

	At 30 June 2017 (Unaudited) ***HK$'000***	At 31 December 2016 (Audited) *HK$'000*
At the beginning of the reporting period	**177,144**	160,177
Increase due to plantation costs *(note 1)*	**19,569**	38,150
Decrease due to sales	**–**	(3,447)
Changes in fair value less costs to sell of biological assets	**–**	3,785
Written off of the Seedlings	**–**	(12,083)
Exchange adjustments	**5,221**	(9,438)
At the end of the reporting period	**201,934**	177,144

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

The directors estimate the fair values of the Group's biological assets are not materially different from their carrying values as at 30 June 2017.

13 PREPAYMENTS

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Prepaid consulting and maintenance service costs *(note)*	**103,821**	115,339

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

14 DEPOSITS

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Deposits paid for purchase of property, plant and equipment	**9,184**	8,934
Deposits paid for potential projects	**13,263**	–
Deposits paid for purchase of tree seedlings	**19,860**	14,406
	42,307	23,340

15 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Trade receivables *(note)*	**17,532**	17,054
Prepayments, deposits and other receivables	**20,895**	18,701
Total trade and other receivables	**38,427**	35,755

Note: The Group's trading terms with all customers are mainly on credit. The credit period is ranging from 30 days to 180 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. Trade receivables with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Current	**–**	17,054
3 to 12 months	**17,532**	–
	17,532	17,054

16 TRADE AND OTHER PAYABLES

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Trade payables *(note)*	**2,450**	2,368
Other payables and accrued expenses	**15,520**	16,962
Total trade and other payables	**17,970**	19,330

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

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
1 to 3 months	**16**	2,298
3 to 12 months	**2,362**	70
Over 1 year	**72**	–
	2,450	2,368

17 SHARE CAPITAL

	At 30 June 2017 (Unaudited)		At 31 December 2016 (Audited)	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**12,000,000**	**1,200,000**	12,000,000	1,200,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**5,251,085**	**525,108**	5,251,085	525,108

18 COMMITMENTS

(a) Lease commitments

As at 30 June 2017, the total future minimum lease payments under operating leases are payable as follows:

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Within one year	**9,014**	11,313
In the second to fifth years inclusive	**18,421**	21,075
After five years	**16,075**	18,940
	43,510	51,328

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.

18 COMMITMENTS (CONTINUED)

(b) Capital commitments

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

	At 30 June 2017 (Unaudited) *HK$'000*	At 31 December 2016 (Audited) *HK$'000*
Property, plant and equipment	**68,547**	116,565

19 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 30 June 2017 and 31 December 2016.

20 RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group during the periods ended 30 June 2017 and 2016.

21 EVENTS AFTER THE REPORTING PERIOD

On 19 July 2017, the Company entered into the underwriting agreement with Leading Value Industrial Limited, pursuant to which, the Company proposes to raise gross proceeds of approximately HK$263.9 million by way of the rights issue on the basis of three (3) rights shares for every four (4) existing shares of the Company held on the record date (assuming no further issue of new share(s) and no repurchase of share(s) by the Company on or before the record date) (the "Rights Issue"). The Company will allot and issue 3,938,313,691 rights shares at the subscription price of HK$0.067 per rights share. The estimated net proceeds from the Rights Issue will be approximately HK$256.7 million. The Rights Issue is conditional on, among other things, the passing of the ordinary resolutions by the independent Shareholders at the special general meeting of the Company to approve the Rights Issue, the underwriting agreement and the transactions contemplated thereunder, and the whitewash waiver. The Rights Issue (excluding the rights shares subject to the irrevocable undertakings) will be fully underwritten by the underwriter. The underwriter together with parties acting in concert with it (including Mr. Sze and Global Prize), are interested in an aggregate of 2,427,809,906 shares, representing approximately 46.23% of the existing issued share capital of the Company. The underwriter and Global Prize are wholly owed by Mr. Sze, and Mr. Sze holds share options which entitle him to subscribe for 1,500,000 new Shares.

The net proceeds from the Rights Issue is expected to be approximately HK$256.7 million. The Company intends to apply such proceeds as to (i) approximately HK$8.9 million (together with the remaining proceeds from the placing of the convertible bonds on 12 and 24 August 2016 in the amount of approximately HK$91.2 million) for capital injections for the development of plastic waste pyrolysis business in cooperation with Shandong Kaiyuan (the "Kaiyuan Project"); (ii) approximately HK$194.4 million for the co-operation with the local government in Shouguang City, Shandong Province in a project relating to treatment and recycling of plastic wastes in Weifang City, Shangdong Province, PRC (the "Weifang Project"); and (iii) approximately HK$53.4 million for the general working capital of the Group. Details of the Right Issue were disclosed in the announcement and circular of the Company dated 19 July 2017 and 18 August 2017.

BUSINESS REVIEW

In recent years, environment pollution issues have become a high-priority concern. The Chinese government continued to tighten its control on pollution treatment and issued a series of environmental protection policies following the launch of the "Thirteenth Five-year Plan" in 2016. In 2017, as we step into the second year of the "Thirteenth Five-Year Plan", the new policies will be implemented on full scale. In the 2017 Central Budget published by the Ministry of Finance early this year, the budget expenses on energy saving and environmental protection amounted to RMB29.707 billion, which was RMB158 million more than the actual expenses in 2016, indicating the environmental protection industry in China would enter a golden era.

In the first half of 2017, the environmental protection industry in China maintained a rapid growth momentum and continued to be a significant driver of current industry structure adjustment and economic development model in China. The Chinese government reiterated the necessity of prioritizing "Ecological Civilization Construction" in the national works and continuing to increase investment in environmental pollution treatment. In support of national environmental protection policies and to promote green development and to build a "Beautiful China", the Group took the initiative to proactively cooperate with leading enterprises in different fields to achieve resource complementarities and to advance project implementation and business layout.

On the other hand, the Public-Private Partnership (PPP) policy strongly encouraged and supported in recent years by the state have resulted in the launch of a multitude of environmental protection projects, creating a large market for the rapid development of the environmental protection industry and thus the exponential growth of the industry size and corporate performance. It is expected that PPP will become the pivotal point for the development of environmental protection and utilities industries over the next 3-5 years whereas 2017 is expected to witness the quick explosion of performance by relevant companies who are able to realize achievement transformation. Currently, all utilities projects led and invested in by the government use the PPP model. The Group will continue to actively participate in the investment and construction of municipal ecology landscape projects, and continuously carry out and deepen cooperation with governments of different provinces, cities, and counties using the PPP model.

BUSINESS REVIEW *(Continued)*

Ecological Garden and Landscape Business

During the Period, the ecological garden and landscape business continued to be affected by the slowdown in the development of the real estate industry. Moreover, governments at all levels reduced expenses on construction of municipal landscape facilities, and the market competition intensified, leading to a shortage of high-quality landscape projects. Leveraging its advantages and resources and adopting such innovative models as "investment and construction combined", the Group won the bid for "Kunming Dian Lake West Coast Ecological Wetland" last year by establishing strategic cooperation with qualified enterprises to capitalize in the dominant complementation effect. However, due to recent personnel change in relevant government departments, additional time is required for the parties to finalise the terms of the agreement. The Group will continue to follow up the progress of the "Kunming Dian Lake West Coast Ecological Wetland" construction project.

As for the tree plantation business segment, our colour seedling nursery base in Bangduankou, Anhui, occupying an area of 6,832 mu, plants approximately 1.15 million North American red maple tree seedlings which are divided in two categories: Sunset Glow and October Glory. The products have been sold to Shanxi Province, Shandong Province, and other areas. While maintaining the planting size at the beginning of the year, the colour seedling business continues to enhance the nursery and management of seedlings. As a result, seedlings are growing healthily, without diseases, pests or other threats.

Ecological Environmental Protection Business

The Group's ecological environmental protection business focuses on solid waste renewable resources recycling, and develops integrated domestic waste treatment, capacity expansion of renewable waste landfill, and industrial pollution third-party treatment services to meet the needs for the construction of a solid waste collection system relating to the core business.

BUSINESS REVIEW *(Continued)*

Ecological Environmental Protection Business *(Continued)*

In view of the introduction of various policies and measures to promote environmental protection and the strong demand for plastic waste recycling in various regions in the PRC, the Group focused on market development for plastic wastes renewable resources recycling projects and relating waste treatment projects in Shandong region, and conducted research and assessment on the implementation conditions of plastic waste pyrolysis projects in such key regions as Weifang and Zouping during the period. Meanwhile, as the regulation on environmental protection tightened, opportunities arose from waste tyre oilation. Given the similarity between the oilation of waste tyre and that of waste plastics in terms of process principle and equipment structure, the Company took the opportunities to research and assess the feasibility of simultaneously conducting waste tyre oilation projects. As of the first half of the year, we have selected Zouping and Weifang's waste pyrolysis projects as our preliminary implementation projects. For Weifang Project, preparatory works for obtaining necessary approvals have been conducted. The Company worked with Shandong Kaiyuan in Zouping at the end of March 2017 to install and test run a production line capable of handling the thermal cracking of 12,500 tons of plastic wastes annually, and continued to negotiate for the cooperation plan with Shandong Kaiyuan (the "Kaiyuan Project"). In accordance with the implementation plan, the initial planned handling capacity is 75,000 tons of plastic waste for both Weifang Project and Kaiyuan Project. For further details of the development plan of the Kaiyuan Project and Weifang Project, please refer to the announcement and circular of the Company dated 19 July 2017 and 18 August 2017.

PROSPECTS

Numerous uncertainties are clouding the prospects of the global economy. In the second half of the year, concerns about the slowdown of the Chinese economy significantly heighten. However, as green development is one of the policies most vigorously promoted by the state, we believe resource investment in this area will continue to increase. 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", becoming a leading integrated environment service operator in China. The Group focused on business layout in the first half of the year by opportunely adjusting the business strategy and seizing opportunities to vigorously develop the ecological environmental protection business. Major business breakthroughs are expected in the second half of the year.

PROSPECTS *(Continued)*

For ecological garden and landscape business, the Group 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. For regional expansion in key markets, as there will be several subsequent construction projects for the wetland park on Kunming Dian Lake West Bank, the Company will continue to develop subsequent ecological wetland development projects on Kunming Dian Lake West Bank.

Meanwhile, we will continue to adhere to the business development plan for colour seedlings and invest in and construct the colour seedling base in Wuhe of Bengbu, Anhui, enhance the nursery and management of existing seedlings, stably expand the size of the base, and continue to advance the construction of the rare seedling base with a million seedlings represented by North America red staple, in an attempt to achieve our goal of becoming the largest colour seedling supplier in Asia.

For ecological environmental protection business, we will continue to focus on solid waste renewable resources recycling businesses (including plastic waste and tyre waste pyrolysis business), and develops integrated domestic waste treatment, capacity expansion of renewable waste landfill, and industrial pollution third-party treatment services to meet the needs for the construction of a solid waste collection system relating to the core business. For the expansion in key markets, the Company will focus on developing the market in Shandong and Weifang, mainly through self-directed investment and supplemented with acquisition and cooperation, so as to accelerate the launch and implementation of certain high-quality projects.

The full implementation of the Ten Measures to Improve Soil Quality in the year drove the construction of the pilot project on the application of soil pollution treatment and restoration technology and the pioneering zone for comprehensive prevention and treatment of soil pollution, which will certainly boost the development of the multi-trillion RMB soil pollution treatment market. Expecting the capacity expansion of renewable waste landfill and polluted land treatment business our environmental protection sector to benefit from the increase in demand driven by the launch of policies, the Company will take the opportunity to enhance its comprehensive treatment business in the waste landfill. Meanwhile, the emphasis on soil pollution prevention and treatment measures by the Ten Measures to Improve Soil Quality will tremendously facilitate the development of the Company's recycling business for such renewable resources as waste plastics accumulated in the waste landfill and the comprehensive processing business for newly generated wastes.

PROSPECTS *(Continued)*

Looking ahead, the ecological environmental protection industry faces both opportunities and challenges in its future development. Having emerged near the end of the "Twelfth Five-Year Plan" when the Chinese government began to intensify environment governance and increase investment in environmental protection, the industry will enter the later part of its growth during the "Thirteenth Five-year Plan". After ten years of rapid development and aided by the capital market, the ecological environmental protection industry gradually matures with well-defined market space and clear business model. Although the competition becomes increasingly fierce due to significant increase in the number of players in the market, some of whom central enterprises and leaders in other fields, the Group's advantages from early environmental protection layout are manifest as the market separates the weak from the strong on its way to maturity. In light of the mix of opportunities and challenges, the Group draws on its advantages, pursues differentiated development strategies, focuses on developing the business of comprehensive waste treatment and recycling, renewal, and reuse of energies, and innovate business models to achieve development breakthroughs and rapid growth in segment markets and establish first-mover competitive advantage in the market.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, due to the Group's completely pulling out of the ATM business last year, the current continuing operations (i.e. ecological and environmental construction business) were at the early stage and had yet to generate revenue during the period; and as the sales period for North American red maple typically starts in the second half of the year when the leaves change colour, the seedling nursery base in Anhui had no sales in the first half of the year.

Administrative expenses

For the six months ended 30 June 2017, administrative expenses decreased from approximately HK$26.4 million in the same period last year to approximately HK$25.3 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 from discontinued operations.

Finance costs

For the six months ended 30 June 2017, finance costs increased from approximately HK$1.1 million in the same period last year to approximately HK$11.5 million this year, mainly attributable to two issues of convertible bonds last year with a combined principal of HK$118 million, which increased the interest costs of convertible bonds during the period.

FINANCIAL REVIEW *(Continued)*

Loss attributable to owners of the Company

For the six months ended 30 June 2017, loss attributable to owners of the Company was approximately HK$36.6 million, whereas loss of approximately HK$36.8 million was recorded for the same period last year.

Fund raising activities

On 19 July 2017, the Company entered into the underwriting agreement with Leading Value Industrial Limited, pursuant to which, the Company proposes to raise gross proceeds of approximately HK$263.9 million by way of the rights issue on the basis of three (3) rights shares for every four (4) existing shares of the Company held on the record date (assuming no further issue of new share(s) and no repurchase of share(s) by the Company on or before the record date) (the "Rights Issue"). The Company will allot and issue 3,938,313,691 rights shares at the subscription price of HK$0.067 per rights share. The estimated net proceeds from the Rights Issue will be approximately HK$256.7 million. The Rights Issue is conditional on, among other things, the passing of the ordinary resolutions by the independent Shareholders at the special general meeting of the Company to approve the Rights Issue, the underwriting agreement and the transactions contemplated thereunder, and the whitewash waiver. The Rights Issue (excluding the rights shares subject to the irrevocable undertakings) will be fully underwritten by the underwriter. The underwriter together with parties acting in concert with it (including Mr. Sze and Global Prize), are interested in an aggregate of 2,427,809,906 shares, representing approximately 46.23% of the existing issued share capital of the Company. The underwriter and Global Prize are wholly owed by Mr. Sze, and Mr. Sze holds share options which entitle him to subscribe for 1,500,000 new Shares.

The net proceeds from the Rights Issue is expected to be approximately HK$256.7 million. The Company intends to apply such proceeds as to (i) approximately HK$8.9 million (together with the remaining proceeds from the placing of the convertible bonds on 12 and 24 August 2016 in the amount of approximately HK$91.2 million) for capital injections for the development of plastic waste pyrolysis business in cooperation with Shandong Kaiyuan (the "Kaiyuan Project"); (ii) approximately HK$194.4 million for the co-operation with the local government in Shouguang City, Shandong Province in a project relating to treatment and recycling of plastic wastes in Weifang City, Shangdong Province, PRC (the "Weifang Project"); and (iii) approximately HK$53.4 million for the general working capital of the Group. Details of the Right Issue were disclosed in the announcement and circular of the Company dated 19 July 2017 and 18 August 2017.

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources

As at 30 June 2017, the Group had cash and bank balances approximately HK$132.6 million (31 December 2016: approximately HK$208.6 million).The Group had no bank borrowing but had convertible bonds amounting approximately HK$118.5 million as at 30 June 2017 (31 December 2016: approximately HK$111.5 million).As at 30 June 2017, the total asset value of the Group was approximately HK$549.4 million (31 December 2016: approximately HK$568.5 million) whereas the total liabilities was approximately HK$137.9 million (31 December 2016: approximately HK$132.2 million).The gearing ratio of the Group, calculated as total liabilities over total assets, was 25.1% (31 December 2016: 23.3%).

The Group maintained a net cash (being the total cash and bank balances net of liability portion of convertible bonds) to total equity ratio of 3.43% (31 December 2016: 22.3%) as at 30 June 2017. With net cash approximately HK$14.1 million (31 December 2016: approximately HK$97.1 million) and net current assets approximately HK$133.6 million (31 December 2016: approximately HK$206.9 million) as at 30 June 2017, the Directors of the Group ("Directors") believe that the Group is in a healthy financial position.

Capital Structure and Pledge on Assets

As at 30 June 2017, the value of convertible bonds issued by the Group (but had not been converted) was approximately HK$118.5 million (31 December 2016: approximately HK$111.5 million).

Segmental Information

Segmental information is presented for the Group as disclosed in note 3 of the notes to the consolidated financial statements.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the six months ended 30 June 2017, the Group did not have any significant investments and material acquisitions and disposal of subsidiaries.

Contingent Liabilities

As at 30 June 2017, the Group had no significant contingent liabilities.

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.

PROSPECTS *(Continued)*

Charges on Assets

As at 30 June 2017, the Group had no charges on assets.

Employees, Training and Remuneration Policies

As at 30 June 2017, the Group had 62 (31 December 2016: 62) employees. Employees' costs (including directors' emoluments) amounted to approximately HK$9.2 million (for the six months ended 30 June 2016: approximately HK$9.9 million) for the Period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

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

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

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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

As at 30 June 2017, 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 and "S" represents a short position in the Director's interests in the Shares and underlying shares of the Company.

2. These shares were held by Leading Value Industrial Limited and Global Prize Limited, companies wholly owned by Sze Wai, Marco.

3. These shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director under the share option schemes of the Company.

4. Included in these shares were (i) 650,000 issued shares and (ii) 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.

Save as disclosed above, as at 30 June 2017, 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.

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.

SHARE OPTION SCHEME *(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 unexercised outstanding share options under the Old Scheme as at 30 June 2017 are as follows:

				Number of share options			
Grantee	**Date granted**	**Exercisable period**	**Exercise price of options** *HK$*	**Outstanding at 1.1.2017**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30.6.2017**
Directors							
Sze Wai, Marco	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	4,000,000	–	–	4,000,000
Independent non-executive directors							
Chong Yiu Kan, Sherman	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
Employees	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	13,100,000	–	–	13,100,000
				20,100,000	–	–	20,100,000

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

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**
24.06.2009	24.06.2009 – 23.12.2009	Nil
	24.12.2009 – 23.06.2019	100%

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

As at 30 June 2017, 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 *(Notes 2 and 4)*	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. *(Notes 2 and 4)*	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. *(Notes 2 and 4)*	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. *(Notes 2 and 4)*	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 *(Notes 2 and 4)*	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 *(Notes 2 and 4)*	737,500,000	Beneficial owner *(Note 3)*	14.04
Quick Run Limited *(Note 4)*	2,362,930,000	Having a security interest in shares	45.00
Right Select International Limited *(Note 4)*	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 737,500,000 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, assuming no adjustment. 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.

4. Quick Run Limited is wholly owned by Right Select International Limited, which is in turn wholly owned by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned by Huarong Zhiyuan Investment & Management Co., Ltd. and Huarong Real Estate Co. Ltd. as to approximately 11.90% and approximately 88.10%. Both Huarong Zhiyuan Investment & Management Co., Ltd. and Huarong Real Estate Co., Ltd. are wholly owned by China Huarong Asset Management Co., Ltd. which is in turn owned by The Ministry of Finance of the People's Republic of China as to approximately 77.49%. Each of Right Select International Limited, 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 2,362,930,000 shares of the Company which Quick Run Limited is interested in.

Save as disclosed above, as at 30 June 2017, 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.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out as follow:

Mr. Lum Pak Sum was appointed as the chief executive officer of Roma Group Limited (a company listed on the Stock Exchange, stock code: 8072) on 5 June 2017, and an independent non-executive director of Anxian Yuan China Holdings Limited (a company listed on the Stock Exchange, stock code: 922) and S. Culture International Holdings Limited (a company listed on the Stock Exchange, stock code: 1255) on 15 May 2017 and 17 June 2017 respectively.

Mr. Law Fei Shing was appointed as a non-executive director of S. Culture International Holdings Limited (a company listed on the Stock Exchange, stock code: 1255) on 17 June 2017.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and compiled with the Code Provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2017, except for the following deviations:

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

2. The Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai, Marco was unable to attend the Company's annual general meeting which was held on 29 June 2017 as he had an important engagement that was important to the Company's business. Although he was unable to attend, he had arranged for Mr. Tan Shu Jiang, an Executive Director of the Company who is 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.

After the resignation of Mr. Chan Hon To as the Company Secretary of the Company (the "Company Secretary") on 2 June 2017 and up to the date of this announcement, the day-to-day tasks of the Company Secretary has been carried out by personnel at the Company who possess relevant experience to deal with such tasks. This is a deviation from code provision F.1.1 of the CG Code which stipulates that the Company Secretary should be an employee of the issuer or external service provider. The Company is looking for a potential suitable candidate to take up the position of the Company Secretary as soon as reasonably practicable and will make an announcement if and when an appointment is made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, as a Code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises three independent non-executive Directors, Mr. Chong Yiu Kan, Sherman ("Mr. Chong"), Mr. Lum Pak Sum and Mr. Liu Liyang. Mr. Chong takes the chair of the AC. Terms of reference of the audit committee have been updated in compliance with the Code. The AC is responsible to review with management the financial reporting system and provides accounting and financial 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 had reviewed the unaudited interim results of the Group for the six months ended 30 June 2017 prior to the submission to the Board for approval.

BOARD OF DIRECTORS

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

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

Hong Kong, 30 August 2017