美丽中国
BEAUTIFUL CHINA

BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706

ANNUAL REPORT

2017

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Sze Wai, Marco *(Chairman)*
Mr. Zhou Wei Feng *(Chief Executive Officer)*
Mr. Tan Shu Jiang

Non-executive Directors

Mr. Law Fei Shing
(resigned on 1 January 2018)
Mr. Chen Chun Tung, Jason
(resigned on 3 November 2017)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Chan Ying Kay, CPA
(appointed on 1 October 2017)

QUALIFIED ACCOUNTANT

Mr. Chan Ying Kay, CPA
(appointed on 1 October 2017)

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

Ever Bloom Investment Consultants Company Limited
www.everbloom.com.cn

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

Units 2003 and 2005, 20th Floor
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) 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

CHAIRMAN'S STATEMENT

To Our Shareholders:

Green development, energy preservation, and environmental protection have been one of the key focuses of the Chinese government in recent years. The State Council of the People's Republic of China issued a series of 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"). The recently-passed 19th National Congress of the Communist Party of China ("19th CPC National Congress") stressed the importance of winning "the tough battle on tackling pollution", set the building of a "Beautiful China" as an important goal in the all-out efforts to build a great modern country, and proposed a series of new concepts, new requirements, new goals, and new deployments focusing on ecological civilization construction and ecological environmental protection.

In response to the state's policies, we have had in the past few years actively endeavoured to transform ourselves aiming to become a leading ecological environmental protection operation service provider in China. Our industry layout has almost been completed. We provide integrated ecological environmental protection operation solutions from seedling planting to ecological environmental protection design, construction, repair, and maintenance, and to waste treatment and recycling and reuse of resources.

For the ecological environment construction, in 2017, the Group continued to stably construct "one of Asia's largest colour seedling nursery base" in Bengbu, Anhui, the People's Republic of China (the "**PRC**"). So far, we have planted approximately 1 million colour seedlings, including North American red maples, and the sales volume and sales revenue have significantly increased. In addition, we closely communicated with the local government on the investment and construction project of Dian Lake Wetland of the Kunming Dian Lake Vacation Zone, and will commence construction as soon as our construction and design plan is approved by relevant government authorities. We expect the successful development of this project would help the Group to secure more similar projects in the future.

Regarding the environmental protection treatment service business, we have laid a business foundation in Shandong Province and are preparing plans for projects of pyrolysis processing in respect of plastic waste in Shouguang, Weifang and Zouping, Binzhou, the PRC. We improved our capability for treating "Black and White Pollutants", typified by waste rubber, by making capital injection to Shandong Kaiyuan Runfeng Environmental Protection Technology Company Limited which specialized in treatment of waste tyres and recycling and reuse of resources.

For the year ended 31 December 2017 (the "**Reporting Period**"), the revenue of the Group was approximately HK$55,670,000, representing a year-on-year growth of approximately 140.6%; the gross profit was approximately HK$18,276,000, representing a year-on-year growth of approximately 79.3%; and the loss attributable to owners of the Company was approximately HK$72,260,000.

Looking ahead, with the great importance attached to environmental protection reiterated at the 19th CPC National Congress, we expect specific measures under the various policies on environmental protection will be published one by one, and the development of the environmental protection industry is expected to accelerate. In light of this development, we will continue to implement the "ecological environmental protection" business development strategy. For the ecological environment construction business segment, with colour seedlings fully grown and entering the optimal sales stage, we will form a product structure covering the entire life cycle comprising special seed cultivation, seedling planting, and sale of grown-up seedlings, thereby becoming one of the largest providers of special colour seedling in China. We will endeavour to promote the Kunming project as our demonstration project laying a solid foundation for taking up more other projects under the Kunming project and other national large-scale ecological greenery projects in China.

For environment protection treatment service, we will expand our waste treatment to reach upstream and downstream, continue to focus on developing treatment business of "Black and White Pollutants" such as waste rubber and waste plastic, and quickly expand the pyrolysis processing business in respect of rubber and waste plastic, so as to become a leading company in China in harmless treatment and renewable resources recycling of solid waste. We expect to improve our value and profitability through the above measures and bring fruitful returns to our shareholders and investors.

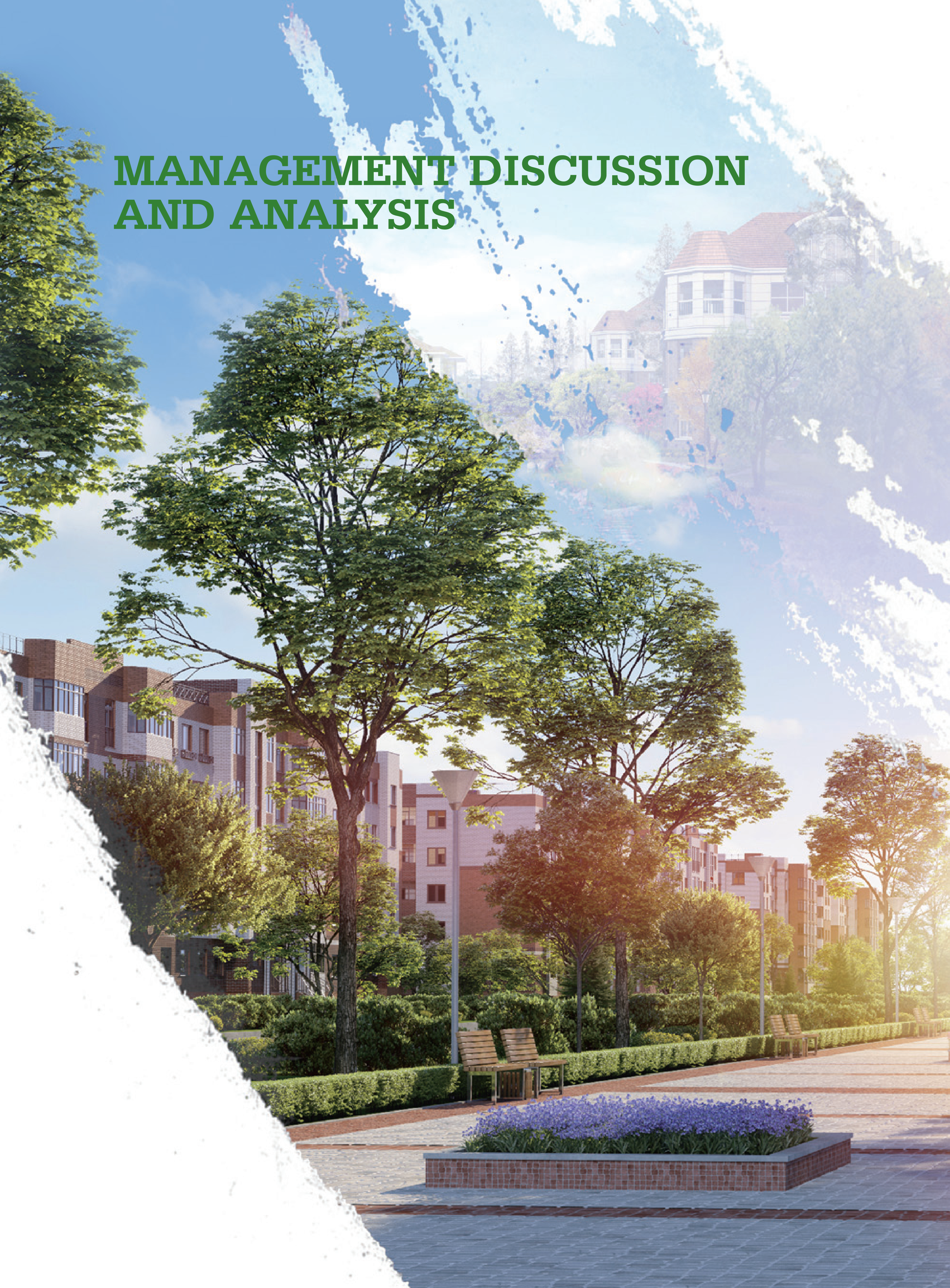
APPRECIATION

On behalf of the board of directors of Beautiful China Holdings Company Limited, 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, 28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2017, against the backdrop where the government actively promoted the building of a "Beautiful China", 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. According to the Ministry of Finance of the PRC, expenses on energy saving and environmental protection amounted to approximately RMB567.2 billion nationally in 2017, representing an increase of approximately 19.8% as compared with 2016.

The 19th CPC National Congress held at the end of 2017 promoted "Ecological Civilization Construction" is a crucial strategy for a millennium to come, and has regarded pollution prevention and control as one of the "Three Critical Battles" to be achieved by 2020 in order to complete the building of a moderately prosperous society in all respects, and set the construction of a "Beautiful China" as an important goal in the all-out efforts to build a great modern socialist country.

In support of national environmental protection policies and to promote green development and build a "Beautiful China", the Company and its subsidiaries (the "Group") took the initiative to pro-actively cooperate with leading enterprises in different fields to achieve resource complementarities and enhance project implementation and business layout. The PPP policy, which has been strongly encouraged and supported in recent years by the state, has 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. Therefore, the Company will continuously carry out and cooperate closely with governments of different provinces, cities and counties using the PPP model.

(I) Ecological Environment Construction Business

For the tree seedlings business segment, the Group has North American red maple tree seedlings of approximately 1 million units planted in the nursery bases in Anhui, Jiangsu and Zhejiang, the PRC which represent the biological assets of the Group. The North American red maple tree seedlings are divided in two categories: Sunset Glow and October Glory. Of these, approximately 0.6 million units of North American red maple tree seedlings are cultivated and planted at the Group's colour seedling nursery base which occupies an area of approximately 5,879 mu in aggregate in Bengbu, Anhui, the PRC. As disclosed in the announcement of the Company dated 7 September 2017, the "**2017 Interim Results Supplemental Announcement**"), the tree plantation business of the Group is subject to seasonal factors. Since the Company is engaged in the sale of maple tree seedlings, the sales usually occur in autumn of each year. The products have been sold to Shanxi Province, Shandong Province, and other areas of the PRC. During the year, while maintaining the cultivating and planting size at the beginning of the previous year, the Group continued to enhance the nursery and management of seedlings. As a result, seedlings grew healthily. During the year, the Group sold a total of 107,000 units of seedlings, generating sales revenue of approximately HK$55,210,000.

With regards to the construction of ecological landscape projects, as governments at all levels in the PRC reduced expenses on construction of municipal landscape facilities and the market competition was intensified, there has been a shortage of high-quality landscape projects. Therefore, the Group did not undertake any new landscape construction projects during the year. During the year, the Group continued to follow up with the progress of the Kunming Dian Lake West Coast Ecological Wetland construction project. The Yunnan provincial government issued new Dianchi Lake protection regulations at the end of 2016, which caused the Kunming municipal government to adjust its planning design and construction plan for the Kunming Dian Lake West Coast Ecological Wetland construction project. Therefore, the Group has not officially commenced the engineering construction of the project since the tender has been awarded to the Group in the second half of 2016. As at the date of this report, it is expected that the Kunming municipal government will determine the new implementation plan for project construction in the first to second quarter of 2018.

(II) Environmental Protection Treatment Service Business

The Group focuses its environmental protection treatment service business with recycling solid waste into renewable resources, and aims to develop integrated domestic waste treatment, expand renewable waste landfill processing capacity, and enhance the provision of industrial pollution third-party treatment services to meet the needs of the construction of a solid waste collection system.

Based on the development plan of the Group's environmental protection business segment and the Group's development strategy of undertaking the treatment of "Black and White Pollutants" such as waste rubber and waste plastic side-by-side, the Group continued to focus on exploring environmental protection markets in Shandong and other key areas in the PRC.

On 6 December 2017, Smart Harvest Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Zouping Yuanrun Carbon Black Technology Limited (鄒平元潤炭黑科技有限公司) in relation to capital injection, under which the Group shall inject a sum of RMB46,660,000 (equivalent to approximately HK$57,000,000) into Shandong Kaiyuan Runfeng Environmental Protection Technology Company Limited ("**Shandong Kaiyuan Runfeng**") whereby the Group would become interested in 70% of the interest in Shandong Kaiyuan Runfeng. The injection of capital was completed on 24 January 2018. Despite the capital injection was completed in January 2018, given two representatives of the Group were appointed as member of the board of directors (consisting a total of three members) of Shandong Kaiyuan Runfeng in December 2017, the Group has control over Shandong Kaiyuan Runfeng and the financial information of Shandong Kaiyuan Runfeng was consolidated to the financial statements of the Company in December 2017 according to the relevant accounting standards. The injection of capital into Shandong Kaiyuan Runfeng allowed the Group to achieve a pyrolysis processing capacity of 20,000 tonnes in respect of tyre waste. Together with the capacity expansion of 40,000 tonnes intended to be achieved by Shandong Kaiyuan Runfeng in the second to third quarter of 2018, the Group will obtain a total pyrolysis processing capacity of 60,000 tonnes in respect of tyre waste, becoming one of the companies with the largest pyrolysis processing capacity in respect of tyre waste in China.

In addition to the above, during the year the Group continued to push forward the installation and test running of the trial production line for pyrolysis processing in respect of plastic waste with a capacity of 12,500 tonnes, so as to test and verify the indicative data on the production and operation of the large-scale pyrolysis processing production line in respect of plastic waste, thereby laying a foundation for the development of the pyrolysis processing business in respect of plastic waste.

In addition, affected by the transformation and upgrade policies of the chemical industry in Shandong Province and the suspension of approval of new projects by the local government, the Group's plans for scheduled construction of new pyrolysis processing projects in respect of plastic waste in Shouguang, Weifang and Zouping, Binzhou have been suspended and we expect to resume development of new projects after the relevant local government authorities accepts application for approval of new projects in 2018.

As for waste treatment projects, we only received the 1st payment and had not received payment from counterparty in respect of the provision of waste treatment for the year ended 31 December 2016. As a result, we has commenced legal proceedings ("**Proceedings**") against 中國環境保護集團有限公司 (China National Environmental Protection Group*) ("**CNEPG**") during the year for the purpose of recovery of payment from CNEPG. As the Proceedings was initiated by the Group and also considered to be a method for recovering the outstanding sum from CNEPG, the directors of the Company ("**Directors**") do not considered the Proceedings to be material. As disclosed in the 2017 Interim Results Supplemental Announcement, the Directors acknowledged and have anticipated that the landfill treatment business in Qiqihar is subject to seasonal factors, particularly the extreme cold weather and rainy seasons in Qiqihar. As disclosed in the announcement of the Company dated 3 November 2017 (the "**Business Update Announcement**"), personnel of the Group were on-site making preparations for resumption of work at the Hongxing landfill. As the result of the Proceedings remain outstanding and also because of the adverse weather condition, we only performed minimal waste treatment at the Hongxing landfill during the year. Since Hongxing landfill has been suffering from extreme cold weather, the treatment project at the Hongxing landfill has been suspended after the end of the year and as at the date of this report. The Company will further update its shareholders as and when further information regarding the provision of waste treatment at Hongxing landfill is available.

* *For identification purposes only*

(III) Certain additional information regarding historical financial information

Discrepancy regarding revenue

It is noted that there may be discrepancy in the revenue derived from (i) sales of seedlings and (ii) landfill management, treatment service and waste sorting between those set out in our annual reports for each of the two years ended 31 December 2016 ("**Reported Revenue**") and those set out in the State Administration Industry & Commerce of the People's Republic of China ("**SAIC**") Filings of the major operating subsidiaries of the Company ("**PRC Subsidiaries**") in the PRC for each of the two years ended 31 December 2016.

The discrepancy between the Reported Revenue and the revenue reflected in the SAIC filings of the PRC Subsidiaries is mainly due to the difference between the revenue recognition method for HKFRSs applied in respect of the Report Revenue and the revenue recognition method (being the PRC Revenue Recognition Policy (as defined below)) applied when preparing the accounts for the PRC Subsidiaries. When preparing the accounts for the two PRC Subsidiaries for SAIC filings, in terms of revenue recognition (the "**PRC Revenue Recognition Policy**"), revenue from the sale of goods shall be recognised upon the issuance of tax invoices. Therefore, the revenue reflected in the SAIC filings of the PRC Subsidiaries only reflected revenue with tax invoices being issued. On the other hand, according to the accounting principle of the HKFRSs at the material time, revenue from the sale of goods shall be recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers. In light of the difference between the HKFRSs and PRC Revenue Recognition Policy, there was a delay in recognising revenue in the PRC for the PRC Subsidiaries.

Taxes levied on certain transactions

The PRC Subsidiary has obtained an approval from the PRC local tax authority and enjoyed value added tax and enterprise profits tax exemptions for the proceeds obtained from the sales of tree seedlings. As required by the PRC local tax authority, the PRC Subsidiary will have to report to the local tax authority and obtain approvals from them before it issues tax invoices for its relevant sales. As there were certain developments in the tax policy in the PRC regarding value-added tax in lieu of business tax in the past recent years, and the implementation of the new tax policy nationwide in May 2016, it was understood by the Directors that the PRC local tax authority has been adjusting to the new tax policy and they have not yet approved the tax invoices submitted to them since the implementation of such new tax policy. The Company have submitted the tax invoices to the PRC local tax authorities and as at the date of this report, the Group has liaised with the PRC local tax authorities to organise a meeting with them to discuss matters including (i) the progress of the Group's current business on sale of tree seedlings; (ii) application of the relevant tax policy on the sale of tree seedlings by the Group after the tax reform in 2016; and (iii) the application of the relevant tax policy on the Group's future sale of tree seedlings. The Company will further update its shareholders as and when the conclusion of the discussion is available.

The PRC legal advisers of the Company ("**PRC Legal Advisers**") noted that, pursuant to the relevant tax laws in the PRC, tax levied on certain transactions regarding the sale of tree seedlings by the PRC Subsidiary should become payable in 2015, 2016 and 2017, due to completion of delivery of goods to the buyers and receipt of total consideration or deposit by the PRC Subsidiary. However, the SAIC filings submitted by such PRC Subsidiary in 2015, 2016 and 2017 did not reflect those transactions, which may result in a maximum penalty of RMB10,000 per incident being imposed on the PRC Subsidiary. However, since the business of sale of tree seedlings was exempted from value added tax and enterprise profits tax payment, the PRC Legal Advisers are of the view that the late filings to SAIC will not constitute tax evasions by the PRC Subsidiary.

Tax levied on transactions regarding the provision of waste treatment services by the relevant PRC Subsidiary should become payable in 2016 after the services had been delivered and the receipt of prepayment by the PRC Subsidiary. However, the SAIC filing submitted by such PRC Subsidiary in 2016 did not reflect transactions regarding services that had been delivered without tax invoices being issued. To the best of the Directors' knowledge and belief, tax invoices will only be issued upon completion of further assessment being done by the government. As the further assessment by the government has not been done, and therefore relevant tax invoices were not issued prior to the submission of the SAIC filing by such PRC Subsidiary for the financial year ended 31 December 2016, payment of considerations for such transactions cannot be facilitated at the time of filing of the 2016 SAIC filing by the PRC Subsidiary. As such, the PRC Legal Advisers are of the view that, the failure to reflect such transactions in the SAIC filing was due to the aforesaid reason which was beyond the Group's control, the same could be a mitigating factor for any penalty to be imposed on the PRC Subsidiary (if any).

Further, according to the PRC Legal Advisers, there are currently no laws governing the time limit of issuing tax invoices for the outstanding balances under the Reported Revenue in 2016 and 2017. Also, there are no laws imposing a time limit requirement on PRC companies to issue tax invoices for each relevant transaction.

Discrepancy between inventory balance and prepayment

It is noted that there may be discrepancies in the inventory and prepayment in relation to the sale of seedlings between those set out in our annual report for the year ended 31 December 2015 (the "**2015 Annual Report**") and those set out in the SAIC Filings of the PRC Subsidiaries in the PRC for the year ended 31 December 2015.

Since the aggregate of biological assets and prepaid consulting and maintenance service costs represented the total cost of the Group's seedlings as at 31 December 2015, the inventory and prepayment as set out in the SAIC Filings should be considered as a whole. The said amount can be reconciled with the aggregate of the (a) inventory; (b) PRC prepayment; (c) other amount receivables, all being reflected in the SAIC filings of one of the PRC Subsidiaries; and (d) prepayment for the purchase of seedlings made by the Company on behalf of the PRC Subsidiary.

Based on information available to the Company and presented to the audit committee of the Company ("**AC**"), including the opinion of the PRC Legal Advisers, the AC is of the view that nothing needs to bring the attention of The Stock Exchange of Hong Kong Limited and the shareholders of the Company regarding the matters mentioned in this section above.

(IV) Prospects

As China's economic growth stabilized, uncertainties in the global economy gradually subsided. The report delivered at the 19th CPC National Congress once again expressly set "Speeding up Reform of the System for Developing an Ecological Civilization, and Building a Beautiful China" as a goal and proposed a series of new concepts, new requirements, new goals, and new deployments for ecological civilization construction and ecological environmental protection, indicating that green development remained one of the policies most intensively promoted by the state at the moment. We believe that governments in various regions in the PRC will increase resource investment in this area on an on-going basis in the future.

Over the past few years, the Group's dual-driver business layout of "Ecoenvironment Construction + Environmental Protection Treatment Service" has gradually matured. In the future, we will opportunely adjust the business strategy to seize opportunities and vigorously develop the ecological environmental protection business.

For ecological environment construction business, the Group will centre on such vertical expansion and development strategies as "seedling nursery and project construction" and 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, invest in the nursery and management of existing seedlings, enhance the reproductive capacity of colour seedlings, stably expand the size of the base, and shorten the sales process of existing seedlings. Meanwhile, we will continue to advance the construction of the rare seedling base with a million seedlings represented by North America red maple, in an attempt to achieve our goal of becoming one of the largest colour seedling suppliers in Asia.

Moreover, 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. The Group will closely communicate with relevant government authorities in the PRC and commence construction as soon as the local government in the PRC determines the design and construction planning for the Kunming Dian Lake West Bank project. In addition to continue developing subsequent ecological wetland development projects on Kunming Dian Lake West Bank, the Group will seek opportunities to take on new investment and construction projects on ecology landscape.

For environmental protection treatment service business, the Group will continue to develop the integrated waste treatment and renewable resources recycling business, and focus on one of its business in respect of pyrolysis processing of rubber and plastic waste, and develop solid waste treatment such as integrated waste treatment, and provision of industrial and agriculture pollution third-party treatment services to meet the demand in the construction of a solid waste collection system. In addition, we will adopt the strategy that combines organic growth with mergers and acquisitions as well as cooperation to quickly establish and implement businesses and achieve economies of scale.

For expansion in key markets, the Group's businesses concentrate in Shandong Province. So far, the pyrolysis processing projects in respect of waste tyre and plastics and the renewable resources recycling projects scheduled to take place in Binzhou, Weifang, Laizou and other regions will be gradually launched and put into operation. In addition, it is the Group's intention that the pyrolysis processing projects in respect of waste tyre and plastics and the renewable resources recycling projects will be gradually launched and put into operation in other provinces, cities, and regions, driving the national expansion of the businesses.

Looking ahead, the Group will draw on its advantages, pursue differentiated development strategies, and innovate business models to achieve development breakthroughs and rapid growth in segment markets and establish first-mover competitive advantage in the market. While expanding the waste tyre and plastics "Black and White Pollutants" treatment business, we will opportunely promote the strategy of extending the product value chain as well as deepen and develop the business of renewable energies and deep processing of industrial raw material in order to improve product quality, expand market application space, and further increase economic benefits.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The Group's total revenue increased by approximately 140.6% from approximately HK$23.1 million in 2016 to approximately HK$55.7 million this year. Gross profit significantly increased by approximately 79.3% from approximately HK$10.2 million in 2016 to approximately HK$18.3 million this year. The increase in revenue and gross profit were mainly due to the increase in revenue brought by the sale of tree seedlings.

Gross profit margin decreased to approximately 32.8% this year from approximately 44.0% in 2016, which was mainly due to the decrease in landfill management and waste sorting business, which has a higher gross profit margin.

Administrative expenses

Administrative expenses increased by approximately 9.4%, from approximately HK$53.0 million in 2016 to approximately HK$57.9 million this year, the increase was mainly due to increase in share-based compensation costs recognised due to the grant of share options during the year.

Finance costs

Finance costs increased from approximately HK$9.6 million in 2016 to approximately HK$23.6 million this year, which was mainly attributable to the interest of convertible bonds 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 2017, loss attributable to owners of the Company was approximately HK$72.3 million, which recorded an increase as compared with approximately HK$59.1 million in 2016.

Fund raising activities

On 19 July 2017, the Company proposed to raise gross proceeds of approximately HK$263.9 million by way of issuing 3,938,313,691 rights shares at the subscription price of HK$0.067 per rights share on the basis of three rights shares for every four existing shares. As the underwriter was the controlling shareholder which held approximately 46.19% of the issued capital of the Company as at the date of the special general meeting of the Company held on 8 September 2017 and had a material interest in the underwriting agreement, the underwriter had abstained from voting in favour of the relevant resolution approving the rights issue and the underwriting agreement.

The Board believed that it was in the best interest of the Company and its shareholders to strengthen the capital base of the Company through the rights issue as it provided the shareholders of the Company with an opportunity to maintain their respective pro rata shareholding interest in the Company, while supporting the Group's development and diversification of its business.

The rights issue was completed on 17 October 2017 and the net proceeds of approximately HK$257.9 million was raised. Among the net proceeds of the rights issue, (i) approximately 13.4% of the net proceeds, ie. approximately HK$34.6 million has been utilised as intended for general working capital of the Group, while the remaining 7.4% of the net proceeds intended for general working capital of the Group (equivalent to approximately HK$19.0 million) has still not been utilised as at the date hereof; (ii) out of approximately 3.5% of net proceeds from the rights issue (equivalent to approximately HK$9.0 million) together with the remaining proceeds, i.e. 80% of the net proceeds from the placing of convertible bonds in 2016 (the "Placing"), being approximately HK$91.2 million for capital injection for the Kaiyuan Project (as defined in the circular (the "Circular") of the Company dated 18 August 2017), approximately HK$57.0 million has been utilised as intended (i.e. all approximately 3.5% of net proceeds from the rights issue and approximately 42.1% of the net proceeds from the Placing, equivalent to approximately HK$48.0 million), with approximately 37.9% of the net proceeds for the Placing remained utilised as at the date hereof; and (iii) approximately 75.7% of the net proceeds from the rights issue (equivalent to approximately HK$195.3 million) for the Weifang Project (as defined in the Circular), which has still not been utilised as at the date hereof.

Liquidity and Financial Resources

As at 31 December 2017, the Group had cash and bank balances approximately HK$335.0 million (31 December 2016: approximately HK$208.6 million). The Group had no bank borrowing but had convertible bonds and finance lease payable of approximately HK$127.7 million as at 31 December 2017 (31 December 2016: convertible bonds of approximately HK$111.5 million). As at 31 December 2017, the total asset value of the Group was approximately HK$815.5 million (31 December 2016: approximately HK$568.5 million) whereas the total liabilities was approximately HK$157.3 million (31 December 2016: approximately HK$132.2 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 19.3% (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 and finance lease payable) to total equity ratio of 31.5% (31 December 2016: 22.3%) as at 31 December 2017. With net cash approximately HK$207.2 million (31 December 2016: approximately HK$97.1 million) and net current assets approximately HK$341.0 million (31 December 2016: approximately HK$206.9 million) as at 31 December 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 31 December 2017, the value of convertible bonds issued by the Group (but had not been converted) was approximately HK$125.5 million (31 December 2016: approximately HK$111.5 million).

Segmental Information

Segmental information is presented for the Group as disclosed on note 19 of this Report.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2017, 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 2017 and 2016.

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 2017 and 2016, the Group had no charges on assets.

Employees, Training and Remuneration Policies

As at 31 December 2017, the Group had 67 (31 December 2016: 62) employees. Employees' costs (including directors' emoluments) amounted to approximately HK$29.1 million (2016: approximately HK$23.4 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, 307,800,000 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 Report, the Group had no significant event.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE SCOPE, MATERIALITY AND REPORTING PERIOD

This report was prepared for an overview of the performance of Beautiful China Holdings Company Limited and its subsidiaries (together the "Group") on environmental, social and governance ("ESG Report"). This ESG Report has been published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guidelines") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Main Board of Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the "comply or explain" provisions contained therein.

Unless otherwise stated, the ESG Report covers the overall performance, risk, strategy, measure and commitment of the Group in four areas, namely, working environment quality, environmental protection, operating practices and community during the Reporting Period for the year ended 31 December 2017 (the "Reporting Period").

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 Non-hazardous Solid waste treatment, renewable resources recycling, 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 comes from the official documents or statistical reports of the Company.

For the corporate governance structure of the Group and other relevant information, please refer to pages 17 to 32 of this annual report.

STAKEHOLDERS' FEEDBACK

We welcome opinions on the Group's approaches on the environmental, social, and governance aspects upon reading the ESG Report. Please share with us via:

Postal address:	Units 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Tel No.:	(852) 2234 9723
Fax No.:	(852) 2164 9993
Email:	bch@beautifulchina.com.hk

MISSION AND VISION

The Chinese government put forward the proposal to "accelerate the reform of ecological conservation system to build a beautiful China" in the report of the 19th National Congress of the Communist Party of China, reflecting the state's determination to promote the environmental protection industry. 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, waste treatment and its renewable resources recycling.

For the ecological garden and landscape business segment, the Group invested and constructed "one of the largest colour seedling nursery bases 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.

For ecological environmental protection business, the Group committed to cooperating with the State to solve the embarrassing situation of "waste siege". 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. We 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, plastic and rubber are 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.

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

The Group is principally engaged in the ecological garden and landscape business and ecological environmental protection business and 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.

1. Emissions

The Group inspects every business process in the ordinary course of business and proactively improves our operating efficiency and implement environmental measures to reduce direct and indirect emission as well as the negative impact on the environment during the operation process of our business. Seedling nursery helps to absorb carbon dioxide. The Group invests and constructs "one of Asia's largest colour seedling nursery bases" project, and extensively plants over 1 million quality colour seedling, only helping the afforestation and beautification of large and small cities in China, but also effectively protecting the environment and reducing carbon dioxide and other greenhouse gases. We also establish strict rules on the process of planting seedlings, including the technologies we adopted, fertilizers, processes and the utilization of resources such as water and electricity to ensure that they do not cause damage or pollution to the environment such as land and air.

During the Reporting Period, there was no incident of non-compliance with local relevant environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group. The Group also confirmed that during the Reporting Period, our business operation had not encountered any punishment by respective governmental authorities due to violation of the above laws and regulations.

2. Use of Resources

The Group took effective measures to save energy and reduce waste in strict accordance with the local environmental protection laws and rules. During the Reporting Period, 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, including:

   - 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;

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

3. Implemented measures on reducing waste, such as:

   - Reused paper, reclaimed waste papers, and used computers and tablets to reduce paper printing, so as to achieve a "PAPERLESS ENVIRONMENT" gradually;

   - 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.

The Group also provides in-house training or guidelines for every employee when joining the Group, so as to enhance their environmental consciousness. The Group also 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.

3. The Environment and Natural Resources

We are committed to protecting the environment and natural resources. Taking an example of seedling planting, we implemented a series of codes at the colour 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;

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.

SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

1. *Employment*

Employment Policies

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.

In order to attract and retain employees, the Group has formulated a set of competitive remuneration and welfare system. The Group determines employee remuneration and welfare package according to the job nature, qualification, performance, market conditions, and based on the laws and industrial practice of the region, with reference to his/her performance appraisal, including basic remuneration and overtime salary as well as staff benefits and interests. The Group 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.

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:

a. Such professional accounting qualifications as the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants

b. Certificate of accounting professional and taxation professional in china

c. Civil engineer

d. Certificate of chemical industry

e. Licence for filling specialty gases

Employee Communication

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.

During the Reporting Period, there was no incident of non-compliance with laws and regulations relating to employment that had a significant impact on the Group.

2. *Employee Health and Safety*

Safety Work

The Group puts employee health and safety as top priority, aiming at providing staff with a safe working environment. 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.

In order to encourage employees to attach greater importance to occupational health and safety, the Group offers employees training and holds safety meetings, including inviting third-party testing organisations to conduct formaldehyde test at the workplace, equipping offices with sufficient first-aid appliances and fire prevention equipment and participating in fire drills held by relative departments and institutions on a regular basis. The benefits also provided by the Group to its long-term employees include annual physical examination, medical, pension and other conventional insurances.

Physical and Mental 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.

During the Reporting Period, no major safety or occupational injury occurred in the Group, and there was no matter relating to safe working environment and protecting employees from occupational hazards. During the Reporting Period, the Group found no violations of health and safety laws and regulations.

3. *Development and Training*

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.

During the Reporting Period, 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

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.

4. *Labour Standards*

The Group is in strict compliance with Employment Ordinance, 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 to stamp out child labour and forced labour, as well as discriminating incident involving race, religion, age and disability. The Group will conduct investigations promptly when any illegal behaviour is being discovered and will further improve the labour mechanism against illegal behaviours.

During the Reporting Period, the Group had no child or forced labour in the Group's operations, nor any discriminating incident involving race, religion, age and disability.

OPERATING PRACTICES

Supply Chain Management

During the Reporting Period, we had a total of 6 major suppliers, all of which are located in Mainland China. 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.

Procurement Policy

The Group sets up a stringent procurement system. Before procuring services, the Group conducts 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 Responsibility

Our products and services include:

1. tree seedling (North American Red Maple);

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

3. waste pyrolysis.

For the products and services provided by the Group, customers are very rigorous in monitoring the products and services of the Group. 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.

Privacy Policy

In respect of commercially confidential information and intellectual property accessed in the course of business, employees are required to exercise due caution, ensuring that all the important information of our customers, suppliers and business partner are fully protected.

Customer Communication

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.

Advertising and Labelling

In respect of marketing and advertising campaigns, we will ensure such campaigns comply with the Advertisement Law of the People's Republic of China(《中華人民共和國廣告法》), the Interim Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) and other applicable laws and regulations in relation to advertising and labeling. Such marketing and advertising campaigns shall exactly reflect the quality and efficiency of the products and services provided by the Group.

During the Reporting Period, the Group has complied with all relevant laws and regulations that have significant impacts on the Group relating to health and safety, advertising, labelling and privacy matters relating to our products and services provided.

Anti-corruption

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.

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.

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

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.

Whistle-blowing Policy

We promote important anti-corruption awareness to all employees and encourage our employees to report any corruption or fraud incident. We will conduct immediate investigation and take necessary and appropriate actions. Meanwhile, we promise to protect the whistle-blower's identity. During the Reporting Period, we had not identified any illegal event involving in corruption, bribery, extortion, fraud and money laundering, which had a significant impact on the Group.

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

Community Investment

During the Reporting Period, the Group actively communicated with different institutions in the community where they locate, understood their situation, organized and participated 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.

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
HK Anti-Cancer Society	Support health organisation	HK$3,000
Seeds of Art Charity Foundation-elderly service	Support community elderly service	HK$6,240

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.

THE STOCK EXCHANGE OF HONG KONG LIMITED'S ESG GUIDE CONTENT INDEX

Subject Areas	Content	Relevant section in this report
A. Environmental		
A1 Emissions		
General Disclosure	Information on the policies and compliance with compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection – 1. Emissions
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection – 2. Use of Resources
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection – 3. The Environmental and Natural Resources
B. Social		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices – 1. Employment

Subject Areas	Content	Relevant section in this report
B1.1		
KPI	Total workforce by gender, employment type, age group and geographical region	Summarised data
B1.2		
KPI	Employee turnover rate by gender, age group and geographical region	Summarised data
B2 Health and Safety		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labour Practices – 2. Health and Safety
B2.1		
KPI	Total lost days due to work injury	Summarised data
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities	Employment and Labour Practices – 3. Development and Training
B4 Labour Standards		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Practices – 4. Labour Standards

Subject Areas	Content	Relevant section in this report
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices – Supply Chain Management
B6 Product Responsibility		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices – Product Responsibility
B7 Anti-corruption		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering	Operating Practices – Anti-corruption
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community – Community Investment

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sze Wai, Marco, aged 52, 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 48, 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 49, 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 21 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.

NON-EXECUTIVE DIRECTORS

Mr. Law Fei Shing, aged 58, is a Non-executive Director and a member of Nomination Committee of the Company. He joined the Group in January 2014 and left the group on 1 January 2018. 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 28 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).

* *For identification purposes only*

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 34, is an Non-executive Director of the Company. He joined the Group on 19 August 2016 and left the group on 3 November 2017. Mr. Chen was 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 54, 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 and he has retired on 28 September 2017. He has over 30 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 56, 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. Lum has also been the chief executive officer of Roma Group Limited (stock code: 8072) on 5 June 2017 and an independent non-executive director of Anxian Yuan China Holdings Limited (stock code: 922), S.Culture International Holdings Limited (stock code:1255) and Pearl Oriental Oil Limited (stock code: 632) on 15 May 2017, 17 June 2017 and 6 December 2017 respectively.

Mr. Liu Liyang, aged 57, 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 Ying Kay, aged 54, Company Secretary and Qualified Accountant of the Company. Mr. Chan is also the Chief Financial Officer of the Company. Mr. Chan is responsible for the financial management, corporate finance and company secretarial matters of the Group. Mr. Chan previously joined the Group between April 2003 and June 2016 as company secretary and chief financial officer and re-joined the Group in October 2017 with the same position. He has over 28 years of experience in accounting and finance. Mr. Chan is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

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 2017.

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 43 to the consolidated financial statements.

The analysis of the segment information is set out in note 19 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 69 to 71 of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the section headed "Management Discussion and Analysis" on pages 5 to 16 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 146 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	42%	Nil
Five largest customers in aggregate	100%	Nil
The largest supplier	Nil	99%
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 2017 are set out in note 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 35 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on page 74 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company has no reserve available for cash distribution (2016: HK$Nil) as computed in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, the Company's share premium account of approximately HK$544,239,000 as at 31 December 2017 (2016: 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.

REPORT OF THE DIRECTORS

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

Non-executive Directors

Mr. Law Fei Shing (resigned on 1 January 2018)
Mr. Chen Chun Tung, Jason (resigned on 3 November 2017)

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. Tan Shu Jiang and Mr. Lum Pak Sum will retire by rotation at the forthcoming annual general meeting. Further, Ms. Chai Lin was appointed on 18 April 2018 and pursuant to Bye-law no.115, the office of Ms. Chai Lin will end at the forthcoming annual general meeting. Please refer to the announcement of the Company dated 18 April 2018 for the biographical details of Ms. Chai Lin. Each of Mr. Tan Shu Jiang, Mr. Lum Pak Sum and Ms. Chai Lin, 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 33 to 35 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 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)*	4,941,963,905 ordinary shares (L)
	The Company	Beneficial owner	1,687,500 ordinary shares (L) *(note 3)*
Chong Yiu Kan, Sherman	The Company	Beneficial owner	8,025,000 ordinary shares (L) *(note 4)*
Lum Pak Sum	The Company	Beneficial owner	5,200,000 ordinary shares (L) *(note 3)*
Liu Liyang	The Company	Beneficial owner	5,200,000 ordinary shares (L) *(note 3)*
Law Fei Shing *(Note 5)*	The Company	Beneficial owner	5,200,000 ordinary shares (L) *(note 3)*
Tan Shu Jiang	The Company	Beneficial owner	4,500,000 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) 1,137,500 issued shares and (ii) 6,887,500 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.

5. With effect from 1 January 2018, Law Fei Shing has resigned as a non-executive director.

Save as disclosed above, as at 31 December 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 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 OPTION SCHEME *(Continued)*

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.

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.

SHARE OPTION SCHEME *(Continued)*

The unexercised outstanding share options under the Old Scheme and New Scheme as at 31 December 2017 are as follows:

Grantee	Date granted	Exercisable period	Exercise price of options HK$	Number of share options: Outstanding at 1.1.2017	Granted during the year	Outstanding at 31.12.2017
Directors						
Sze Wai, Marco	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.240*	1,687,500*	–	1,687,500
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.240*	4,500,000*	–	4,500,000
Independent non-executive director						
Chong Yiu Kan, Sherman	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.240*	1,687,500*	–	1,687,500
	10 Nov 2017	10 May 2018 – 9 Nov 2027	0.100	–	5,200,000	5,200,000
Lam Pak Sum	10 Nov 2017	10 May 2018 – 9 Nov 2027	0.100	–	5,200,000	5,200,000
Liu Liyang	10 Nov 2017	10 May 2018 – 9 Nov 2027	0.100	–	5,200,000	5,200,000
Non-executive director						
Law Fei Shing	10 Nov 2017	10 May 2018 – 9 Nov 2027	0.100	–	5,200,000	5,200,000
Employees	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.240*	14,737,500*	–	14,737,500
	10 Nov 2017	10 May 2018 – 9 Nov 2027	0.100	–	287,000,000	287,000,000
				22,612,500	307,800,000	330,412,500

* The number of share options and exercise prices have been adjusted to reflect the rights issue during the year ended 31 December 2017.

SHARE OPTION SCHEME *(Continued)*

The share options under the Old Scheme and New 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%
10.11.2017	10.11.2017 – 09.05.2018	Nil
	10.05.2018 – 09.11.2027	100%

There were no share options exercised under the Old Scheme and New Scheme during the years ended 31 December 2017 and 2016. The options outstanding under the Old Scheme and New Scheme at the end of the year have a weighted average remaining contractual life of 9.29 years (2016: 2.48 years) and the exercise prices range from HK$0.100 to HK$0.240 (2016: HK$0.240 (as restated)). The total number of shares available for issue under the New Scheme was 106,008,492 shares, representing 1.15% of the issued shares of the Company as at the date of the annual report.

The total share-based compensation costs recognised during the year amounted to approximately HK$3,605,000 (2016: HK$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 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)*	4,938,393,905	Beneficial owner	53.74
Global Prize Limited *(Note 1)*	3,570,000	Beneficial owner	0.04
The Ministry of Finance of the People's Republic of China *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.29
	4,875,546,570	Having a security interest in shares	53.06
China Huarong Asset Management Co., Ltd. *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.29
	4,875,546,570	Having a security interest in shares	53.06
Huarong Real Estate Co., Ltd. *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.29
	4,875,546,570	Having a security interest in shares	53.06
Huarong Zhiyuan Investment & Management Co., Ltd. *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.29
	4,875,546,570	Having a security interest in shares	53.06
China Huarong International Holdings Limited *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.29
	4,875,546,570	Having a security interest in shares	53.06
New Silkroad Investment Holdings Limited *(Note 2)*	853,604,067	Beneficial owner *(Note 3)*	9.29
Right Select International Limited *(Note 2)*	4,875,546,570	Having a security interest in shares	53.06
Quick Run Limited *(Note 2)*	4,875,546,570	Having a security interest in shares	53.06
CM Asset Management (Hong Kong) Company Limited	478,542,500	Investment manager	5.21
Shareholder Value Fund	478,542,500	Beneficial owner	5.21

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%. Quick Run Limited is wholly owned by Right Select International Limited, which is in turn wholly owned by China Huarong International Holdings Limited. 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 853,604,067 shares of the Company which New Silkroad Investment Holdings Limited is interested in and the 4,875,546,570 shares of the Company which Quick Run Limited is interest 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 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.

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 2017, 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$169,000 (2016: approximately HK$162,000) 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 34% to 44% (2016: 25% 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$2,432,000 (2016: approximately HK$1,203,000) 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 2017 (2016: 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, 28 March 2018

CORPORATE GOVERNANCE REPORT

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 2017.

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 2017, the Company has complied with all the Code Provisions. 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

During the financial year and up to the date of this report, the Board comprised eight members, consisting of three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The number of Independent Non-executive Directors represented more than one-third of the Board as required by Rule 3.10A of the Listing Rules.

During the financial year and up to the date of this report, the Board of the Company comprised the following Directors:

Executive Directors
Mr. Sze Wai, Marco
Mr. Zhou Wei Feng
Mr. Tan Shu Jiang

Non-executive Directors
Mr. Law Fei Shing (resigned on 1 January 2018)
Mr. Chen Chun Tung, Jason (resigned on 3 November 2017)

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 33 to 35 of this annual report.

During the year ended 31 December 2017, 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 and 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. Tan Shu Jiang and Mr. Lam Pak Sum will retire by rotation at the forthcoming annual general meeting. Further, Ms. Chai Lin was appointed on 18 April 2018 and pursuant to Bye-law no.115, the office of Ms. Chai Lin will end at the forthcoming annual general meeting. Please refer to the announcement of the Company dated 18 April 2018 for the biographical details of Ms. Chai Lin. Each of Mr. Tan Shu Jiang, Mr. Lum Pak Sum and Ms. Chai Lin, being eligible, offer themselves for re-election at the 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 Ying Kay ("Mr. Chan") was appointed as the Company Secretary of the Company on 1 October 2017. 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 2017, 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 2017, 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 2017, 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 2017 is set out below:

Remuneration band (HK$)	**Number of persons**
1,500,001 to 2,000,000	2

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 14 and 15 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)*	2/2	100%
Mr. Lum Pak Sum	2/2	100%
Mr. Chong Yiu Kan, Sherman	2/2	100%
Executive Director		
Mr. Sze Wai, Marco	2/2	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 2017.

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 2017.

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 2017 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 2017, 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	5/5	100%
Mr. Zhou Wei Feng	5/5	100%
Mr. Tan Shu Jiang	5/5	100%
Non-executive Directors		
Mr. Law Fei Shing (resigned on 1 January 2018)	5/5	100%
Mr. Chen Chun Tung, Jason (resigned on 3 November 2017)	4/4	100%
Independent Non-executive Directors		
Mr. Chong Yiu Kan, Sherman	5/5	100%
Mr. Lum Pak Sum	5/5	100%
Mr. Liu Liyang	5/5	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 2017 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 2017.

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 2017.

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 63 to 68 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 and non-audit related services amounted to HK$1,211,000 and HK$603,000 respectively.

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, it is the Group policy to engage independent professional institution 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 2017 Annual General Meeting ("AGM") was held on 29 June 2017. The notice of 2017 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 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 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.

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 2017.

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.

INDEPENDENT AUDITOR'S REPORT

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 69 to 145, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 23 to the consolidated financial statements* The Group's biological assets represented North American red maple tree seedlings (the "Seedlings") located in nurseries in Anhui, Jiangsu 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 2017 was approximately HK$276 million and the related loss from changes in fair value less costs to sell of biological assets for the year ended 31 December 2017 was approximately HK$6 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 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 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 24 to the consolidated financial statements* As at 31 December 2017, there are prepaid consulting and maintenance service costs of approximately HK$106 million paid to the supplier of the Seedlings (the "Supplier"). The prepayments relate to consultancy and maintenance services that will be provided by the Supplier over the next two to five 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 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. This segment made a profit but suffered a loss from changes in fair value less costs to sell of biological assets for the year ended 31 December 2017. This has increased the risk that the carrying amount of prepaid consulting and maintenance service costs as at 31 December 2017 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 belonged 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 belonged 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; – Critically assessing 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 Wong Tak Man, Stephen.

RSM Hong Kong
Certified Public Accountants
Hong Kong, 28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Continuing operations			
Revenue	8	**55,670**	23,142
Cost of sales		**(37,394)**	(12,948)
Gross profit		**18,276**	10,194
Other income	9	**1,735**	2,309
Other gains and losses	10	**(2,906)**	–
Administrative expenses		**(57,926)**	(52,970)
Other operating expenses		**(1,000)**	(517)
Biological assets written off	23	**(985)**	(6,394)
Prepaid consulting and maintenance service costs written off	24	**–**	(3,375)
(Loss)/gain from changes in fair value less costs to sell of biological assets	23	**(5,891)**	3,785
Loss from operations		**(48,697)**	(46,968)
Finance costs	11	**(23,625)**	(9,553)
Loss before tax		**(72,322)**	(56,521)
Income tax expense	12	**–**	(1,458)
Loss for the year from continuing operations	13	**(72,322)**	(57,979)
Discontinued operations			
Loss for the year from discontinued operations	16	**–**	(1,261)
Loss for the year		**(72,322)**	(59,240)
Attributable to:			
Owners of the Company		**(72,260)**	(59,137)
Non-controlling interests		**(62)**	(103)
		(72,322)	(59,240)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Loss per share	*18*		(Restated)
From continuing and discontinued operations			
Basic		**HK(1.19) cents**	HK(1.00) cents
Diluted		**HK(1.19) cents**	HK(1.00) cents
From continuing operations			
Basic		**HK(1.19) cents**	HK(0.98) cents
Diluted		**HK(1.19) cents**	HK(0.98) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Loss for the year		**(72,322)**	(59,240)
Other comprehensive income for the year, net of tax	*20*		
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**32,791**	(26,971)
Total comprehensive income for the year		**(39,531)**	(86,211)
Attributable to:			
Owners of the Company		**(39,469)**	(86,111)
Non-controlling interests		**(62)**	(100)
		(39,531)	(86,211)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		2017	2016
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment	*21*	**33,201**	8,265
Intangible assets	*22*	**–**	–
Biological assets	*23*	**276,377**	177,144
Prepayments	*24*	**105,649**	115,339
Deposits	*25*	**10,855**	23,340
		426,082	324,088
Current assets			
Inventories	*26*	**1,805**	–
Trade and other receivables	*27*	**52,688**	35,755
Bank and cash balances	*28*	**334,960**	208,646
		389,453	244,401
Current liabilities			
Trade and other payables	*29*	**28,097**	19,330
Finance lease payable	*30*	**513**	–
Convertible bonds	*32*	**18,321**	16,812
Current tax liabilities		**1,494**	1,400
		48,425	37,542
Net current assets		**341,028**	206,859

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Total assets less current liabilities		**767,110**	530,947
Non-current liabilities			
Finance lease payable	*30*	**1,694**	–
Convertible bonds	*32*	**107,188**	94,706
Deferred tax liabilities	*34*	**–**	–
		108,882	94,706
Net assets		**658,228**	436,241
Capital and reserves			
Share capital	*35*	**918,939**	525,108
Reserves	*37*	**(260,539)**	(88,757)
Equity attributable to the owners of the Company		**658,400**	436,351
Non-controlling interests		**(172)**	(110)
Total equity		**658,228**	436,241

Approved by the Board of Directors on 28 March 2018 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 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity 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 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
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 year	**–**	**–**	**–**	**32,791**	**–**	**(72,260)**	**(39,469)**	**(62)**	**(39,531)**
Rights issue *(note 35)*	**393,831**	**(135,918)**	**–**	**–**	**–**	**–**	**257,913**	**–**	**257,913**
Share-based payments *(note 33)*	**–**	**–**	**3,605**	**–**	**–**	**–**	**3,605**	**–**	**3,605**
Changes in equity for the year	**393,831**	**(135,918)**	**3,605**	**32,791**	**–**	**(72,260)**	**222,049**	**(62)**	**221,987**
At 31 December 2017	**918,939**	**544,239**	**7,625**	**26,325**	**26,320**	**(865,048)**	**658,400**	**(172)**	**658,228**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Loss before tax			
Continuing operations		**(72,322)**	(56,521)
Discontinued operations	16	**–**	(1,309)
		(72,322)	(57,830)
Adjustments for:			
Amortisation of intangible assets	22	**–**	840
Biological assets written off	23	**985**	6,394
Prepaid consulting and maintenance service costs written off	24	**–**	3,375
Depreciation		**3,747**	1,922
Equity-settled share-based payments		**3,605**	–
Finance costs	11	**23,625**	9,553
Interest income	9	**(1,275)**	(2,092)
Allowance for trade receivables	10	**3,006**	–
Loss/(gain) from changes in fair value less costs to sell of biological assets	23	**5,891**	(3,785)
(Gain)/loss on disposals of property, plant and equipment		**(88)**	358
Property, plant and equipment written off		**290**	–
Operating loss before working capital changes		**(32,536)**	(41,265)
Increase in inventories		**(1,805)**	–
Increase in trade receivables		**(25,751)**	(11,044)
Decrease/(increase) in prepayments, deposits and other receivables		**5,720**	(7,536)
Increase in trade payables		**1,627**	2,115
Increase in accrued expenses and other payables		**7,140**	4,798
Net cash used in operating activities		**(45,605)**	(52,932)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Increase in biological assets		**(106,017)**	(19,486)
Decrease in prepayments		**9,690**	48,538
Decrease in deposits		**12,485**	6,746
Purchases of property, plant and equipment		**(25,379)**	(4,902)
Proceeds from disposals of property, plant and equipment		**88**	18
Interest received		**1,275**	2,092
Net cash (used in)/generated from investing activities		**(107,858)**	33,006
Cash flows from financing activities			
Net proceeds from issue of shares		**257,913**	–
Net proceeds from issue of convertible bonds		**–**	115,800
Redemption of convertible bonds		**–**	(2,000)
Repayment of finance lease payable		**(455)**	(430)
Interest paid		**(9,559)**	(1,114)
Finance lease charges paid		**(75)**	(6)
Net cash generated from financing activities		**247,824**	112,250
Net increase in cash and cash equivalents		**94,361**	92,324
Effect of foreign exchange rates changes, net		**31,953**	(26,715)
Cash and cash equivalents at 1 January		**208,646**	143,037
Cash and cash equivalents at 31 December		**334,960**	208,646
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**334,960**	208,646

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 43 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 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 38(b).

(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 2017. These new 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 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. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

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

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

– **Impairment**

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would increase by approximately 6% as compared with that recognised under HKAS 39.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in accumulated losses as of 1 January 2018 and that comparatives will not be restated.

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)*

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of landfill management, treatment services and waste sorting is recognised over time, whereas revenues from sales of tree seedlings, pyrolysis oils and other materials are generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of landfill management, treatment services and waste sorting.

For contracts with customers in which sales of tree seedlings, pyrolysis oils and other materials are generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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)*

(b) Warranty obligations

The Group generally provides for warranties for repairs to non-qualified products and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under HKFRS 15, which will continue to be accounted for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property and nursery 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 39(a), the Group's future minimum lease payments under non-cancellable operating leases for its office properties and nurseries amounted to approximately HK$71,478,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

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.

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 production or supply of goods or 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) 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 but exclude finance costs, income taxes and costs necessary to get the Seedlings to market.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

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 sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods 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.

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 scheme") 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 scheme 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 scheme.

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

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 the initial recognition of 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 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 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 2017 was approximately HK$33,201,000 (2016: approximately HK$8,265,000).

(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 2017, the accumulated impairment loss for bad and doubtful debts amounted to approximately HK$6,598,000 (2016: 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 2017**	**(Increase)/ decrease in loss before tax 2016**
	%	*HK$'000*	*HK$'000*
If the tree seedlings price increases	5	13,819	8,857
If the tree seedlings price decreases	(5)	(13,819)	(8,857)

The carrying amount of biological assets as at 31 December 2017 was approximately HK$276,377,000 (2016: approximately HK$177,144,000).

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 belonged. 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 2017 was approximately HK$105,649,000 (2016: approximately HK$115,339,000). No impairment of prepaid consulting and maintenance service costs was recognised during the year ended 31 December 2017 (2016: HK$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, no income tax was charged to profit or loss based on the estimated profit from continuing operations (2016: approximately HK$1,458,000).

(f) *Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 December 2017 (2016: HK$Nil).

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 2017, if the Hong Kong dollar had weakened 5 per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$4,695,000 higher (2016: approximately HK$415,000 lower), arising mainly as a result of the foreign exchange losses on other payables (2016: foreign exchange gains on other receivables) denominated in RMB. If the Hong Kong dollar had strengthened 5 per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$4,695,000 lower (2016: approximately HK$415,000 higher), arising mainly as a result of the foreign exchange gains on other payables (2016: foreign exchange losses on other receivables) 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% (2016: 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 2017				
Accrued expenses and other payables	**24,102**	**–**	**–**	**24,102**
Trade payables	**3,995**	**–**	**–**	**3,995**
Convertible bonds	**24,362**	**145,489**	**–**	**169,851**
Finance lease payable	**578**	**578**	**1,202**	**2,358**
At 31 December 2016				
Accrued expenses and other payables	16,962	–	–	16,962
Trade payables	2,368	–	–	2,368
Convertible bonds	23,680	10,030	143,960	177,670

(d) Interest rate risk

The Group's bank deposits, finance lease payable and convertible bonds 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

	2017 HK$'000	2016 HK$'000
Financial assets:		
Loans and receivables		
Trade and other receivables	**49,905**	32,785
Bank and cash balances	**334,960**	208,646
	384,865	241,431
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	**28,097**	19,330
Liability component of convertible bonds	**125,509**	111,518

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.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Assets and liabilities measured at fair value:

(i) Disclosures of level in fair value hierarchy at 31 December:

	Fair value measurements using:			Total
Description	**Level 1**	**Level 2**	**Level3**	**2017**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Consumable biological assets				
The Seedlings	**–**	**–**	**276,377**	**276,377**

	Fair value measurements using:			Total
Description	Level 1	Level 2	Level3	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Consumable biological assets				
The Seedlings	–	–	177,144	177,144

There are no transfers into and transfers out of any of the three levels during the years ended 31 December 2017 and 2016.

(ii) Reconciliation of assets measured at fair value based on level 3:

The reconciliation of the consumable biological assets measured at fair value based on level 3 is disclosed in note 23.

Fair value adjustment on the Seedlings is recognised in profit or loss and presented in the line item "(Loss)/gain from changes in fair value less costs to sell of biological assets" on the face of the consolidated statement of profit or loss.

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

(iii) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December:

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.

The Group appointed the independent valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") to value its biological assets at 31 December 2017 and 2016. 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.

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.

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

(iii) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December: *(Continued)*

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.

Level 3 fair value measurements

Description	Valuation technique	Key unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 *HK$'000*	2016 *HK$'000*
The Seedlings	Market approach	Estimated selling price per unit	2017: RMB62 – RMB420 (2016: RMB62 – RMB400)	Increase	**276,377**	177,144

During the two years, there were no changes in the valuation techniques used.

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

Except as disclosed in note 7(a) to the consolidated financial statements, 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 2017 and 2016.

8. REVENUE

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

	2017 *HK$'000*	2016 *HK$'000*
Revenue from provision of landfill management, treatment services and waste sorting	**112**	15,001
Sales of the Seedlings	**55,210**	8,141
Sales of pyrolysis oils and other materials	**348**	–
	55,670	23,142

9. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Interest income on bank deposits	**1,275**	2,092
Others	**460**	217
	1,735	2,309

10. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Gain on disposals of property, plant and equipment	**88**	–
Net foreign exchange gains	**12**	–
Allowance for trade receivables	**(3,006)**	–
	(2,906)	–

11. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Finance lease charges	**75**	6
Interest on convertible bonds	**23,550**	9,183
Interest on other borrowing	**–**	364
	23,625	9,553

12. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as follows:

	2017	2016
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax ("EIT")		
Provision for the year	**–**	1,458

No provision for profits tax in Bermuda, the British Virgin Islands or Hong Kong is required since the Group has no assessable profits arising in or derived from those jurisdictions for the years ended 31 December 2017 and 2016.

No provision for the PRC EIT has been made in the consolidated financial statements for the year ended 31 December 2017 since the PRC subsidiaries either have no assessable profits or are exempted from EIT on profits derived from seedlings cultivation for the year. The exemption is subject to annual review by the local PRC tax authority of the PRC subsidiary and any future changes in the relevant tax exemption policies or regulation. The PRC EIT for the PRC subsidiaries had been provided at a rate of 25% for the year ended 31 December 2016.

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

	2017	2016
	HK$'000	*HK$'000*
Loss before tax (from continuing operations)	**(72,322)**	(56,521)
Tax at Hong Kong Profits Tax rate of 16.5%	**(11,933)**	(9,326)
Tax effect of expenses that are not deductible	**22,858**	17,892
Tax effect of income that is not taxable	**(14,076)**	(7,932)
Tax effect of tax losses not recognised	**3,347**	1,797
Tax effect of utilisation of tax losses not previously recognised	**(68)**	–
Tax effect of temporary differences not recognised	**(6)**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(122)**	(973)
Income tax expense	**–**	1,458

13. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2017 *HK$'000*	2016 *HK$'000*
Allowance for trade receivables	**3,006**	–
Auditor's remuneration		
Statutory audit	**1,211**	1,336
Non-audit services	**603**	–
	1,814	1,336
Cost of inventories sold	**319**	–
Depreciation		
Charge to profit or loss	**3,747**	1,876
Capitalised in biological assets	**92**	90
	3,839	1,966
Gain on disposals of property, plant and equipment	**(88)**	–
Operating lease charges		
Land and buildings	**7,697**	8,087
Nurseries (capitalised in biological assets)	**5,147**	4,362
	12,844	12,449
Property, plant and equipment written off	**290**	–

14. EMPLOYEE BENEFITS EXPENSE

	2017 *HK$'000*	2016 *HK$'000*
Employee benefits expense (including directors' emoluments) from continuing operations:		
Salaries and other benefits	**22,848**	21,653
Equity-settled share-based payments	**3,605**	–
Retirement benefit scheme contributions	**2,601**	1,925
	29,054	23,578

14. EMPLOYEE BENEFITS EXPENSE *(Continued)*

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2016: four) directors whose emoluments are reflected in the analysis presented in note 15(a). The emoluments of the remaining two (2016: one) individuals are set out below:

	2017	2016
	HK$'000	*HK$'000*
Salaries and allowances	**2,634**	1,160
Equity-settled share-based payments	**585**	–
Retirement benefit scheme contributions	**118**	9
	3,337	1,169

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	–

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid or receivable by each of the eight (2016: nine) directors and the chief executive whether of the Company or its subsidiary undertaking are as follows:

	Fees	Salaries and allowances	Equity-settled share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Sze Wai, Marco	–	3,470	–	18	3,488
Zhou Wei Feng	–	1,922	–	18	1,940
Tan Shu Jiang	–	1,997	–	18	2,015
Non-executive directors					
Law Fei Shing	144	–	61	–	205
Chen Chun Tung, Jason *(a)*	121	–	–	–	121
Independent non-executive directors					
Chong Yiu Kan, Sherman	144	–	61	–	205
Lum Pak Sum	144	–	61	–	205
Liu Liyang	144	–	61	–	205
Total for 2017	697	7,389	244	54	8,384

15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fees	Salaries and allowances	Equity-settled share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'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

Notes: (a) Appointed on 19 August 2016 and resigned on 3 November 2017.
(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 during the year (2016: HK$Nil).

(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.

16. 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 *HK$'000*
Loss for the year from discontinued operations:	
Revenue from provision of ATM services	802
Other income and gains	6
Administrative expenses	(1,757)
Other operating expenses	(360)
Loss before tax	(1,309)
Income tax credit	48
Loss for the year from discontinued operations (attributable to owners of the Company)	(1,261)
Loss for the year from discontinued operations include the following:	
Depreciation and amortisation	886
Auditor's remuneration	9
Loss on disposals of property, plant and equipment	358
Operating lease charges in respect of land and buildings	389
Employee benefits expense	
Salaries and other benefits	429
Retirement benefit scheme contributions	(560)
Cash flows from discontinued operations:	
Net cash outflows from operating activities	(329)
Net cash inflows from investing activities	18
Net cash outflows	(311)

17. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: HK$Nil).

18. LOSS PER SHARE

From continuing and discontinued operations

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(72,260)**	(59,137)

	2017	2016
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares (after adjusting the effects of rights issue) for the purpose of calculating basic loss per share	**6,071,117**	5,896,968

From continuing operations

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(72,260)**	(59,137)
Loss for the year from discontinued operations	**–**	1,261
Loss for the purpose of calculating basic loss per share from continuing operations	**(72,260)**	(57,876)

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

18. LOSS PER SHARE *(Continued)*

From discontinued operations

Basic loss per share from the discontinued operations was HK0.02 cents per share (as restated), based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK$1,261,000 and the denominators used were 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.

19. 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 2017, the CODM has identified the following three reportable segments under HKFRS 8"Operating Segments". No operating segments have been aggregated to form the following reportable segments.

The Group has three reportable 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

Waste pyrolysis – Production and trading of pyrolysis oils and other materials

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, other gains and losses and finance costs. 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 finance lease payable.

19. 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*	Waste pyrolysis *HK$'000*	Total *HK$'000*
Year ended 31 December 2017				
Revenue from external customers	55,210	112	348	55,670
Segment (loss)/gain	8,852	(9,103)	(2,436)	(2,687)
Interest income	3	–	1	4
Depreciation and amortisation	(275)	(924)	(1,147)	(2,346)
Biological assets written off	(985)	–	–	(985)
Prepaid consulting and maintenance service costs written off	–	–	–	–
Loss from changes in fair value less costs to sell of biological assets	(5,891)	–	–	(5,891)
Income tax expense	–	–	–	–
Capital expenditure	94,732	–	24,131	118,863
As at 31 December 2017				
Segment assets	425,295	81,967	27,874	535,136
Segment liabilities	3,434	4,283	1,828	9,545

19. SEGMENT INFORMATION *(Continued)*

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

	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

19. SEGMENT INFORMATION *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Revenue		
Total revenue of reportable segments and consolidated revenue from continuing operations	**55,670**	23,142
Profit or loss		
Total loss of reportable segments	**(2,687)**	(3,060)
Unallocated corporate income	**33,193**	2,157
Unallocated corporate expenses	**(102,828)**	(57,076)
Consolidated loss for the year from continuing operations	**(72,322)**	(57,979)

Reconciliations of segment assets and liabilities:

	2017 HK$'000	2016 HK$'000
Assets		
Total assets of reportable segments	**535,136**	349,095
Unallocated corporate assets	**280,399**	219,394
Consolidated total assets	**815,535**	568,489

19. SEGMENT INFORMATION *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Liabilities		
Total liabilities of reportable segments	**9,545**	7,553
Liabilities relating to discontinued operations	**–**	41
Unallocated corporate liabilities	**147,762**	124,654
Consolidated total liabilities	**157,307**	132,248

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	
	2017 ***HK$'000***	2016 *HK$'000*	**2017** ***HK$'000***	2016 *HK$'000*
Hong Kong	**–**	–	**5,832**	3,411
PRC except Hong Kong	**55,670**	23,142	**420,250**	320,677
Consolidated total	**55,670**	23,142	**426,082**	324,088

Revenue from major customers:

	2017 HK$'000	2016 HK$'000
Tree plantation segment		
Customer a	**23,305**	–
Customer b	**21,501**	–
Customer c	**10,404**	8,141
Landfill management and waste sorting segment		
Customer d	**112**	15,001

20. OTHER COMPREHENSIVE INCOME

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

	2017			2016		
	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	**32,791**	**–**	**32,791**	(26,971)	–	(26,971)
Other comprehensive income	**32,791**	**–**	**32,791**	(26,971)	–	(26,971)

21. 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 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
At 1 January 2017	**6,979**	**4,992**	**7,122**	**13,011**	**32,104**
Additions	**56**	**24,127**	**102**	**3,756**	**28,041**
Disposals	**–**	**–**	**–**	**(565)**	**(565)**
Write off	**(561)**	**–**	**–**	**–**	**(561)**
Exchange adjustments	**103**	**1,074**	**217**	**343**	**1,737**
At 31 December 2017	**6,577**	**30,193**	**7,441**	**16,545**	**60,756**

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

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation and impairment:					
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
At 1 January 2017	**4,793**	**507**	**5,860**	**12,679**	**23,839**
Charge for the year	**696**	**2,126**	**419**	**598**	**3,839**
Disposals	**–**	**–**	**–**	**(565)**	**(565)**
Write off	**(271)**	**–**	**–**	**–**	**(271)**
Exchange adjustments	**90**	**99**	**205**	**319**	**713**
At 31 December 2017	**5,308**	**2,732**	**6,484**	**13,031**	**27,555**
Carrying amount:					
At 31 December 2017	**1,269**	**27,461**	**957**	**3,514**	**33,201**
At 31 December 2016	2,186	4,485	1,262	332	8,265

As at 31 December 2017, the carrying amount of a motor vehicle held by the Group under finance lease amounted to approximately HK$2,694,000 (2016: HK$Nil).

22. INTANGIBLE ASSETS

	Customer contracts *HK$'000*
Cost:	
At 1 January 2016	53,028
Written off	(52,335)
Exchange adjustments	(693)
At 31 December 2016 and 2017	–
Accumulated amortisation and impairment:	
At 1 January 2016	52,140
Amortisation for the year	840
Written off	(52,335)
Exchange adjustments	(645)
At 31 December 2016 and 2017	–
Carrying amount:	
At 31 December 2016 and 2017	–

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.

23. BIOLOGICAL ASSETS

(a) Nature and risks 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 2017 and 2016 are listed below:

	2017	2016
	Unit '000	*Unit '000*
The Seedlings	**1,047**	1,112

107,000 (2016: 25,000) units of the Seedlings were sold during the year.

The Group is exposed to a variety of risks related to its tree seedlings cultivation:

(i) *Regulatory and environmental risks*

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(ii) *Climate and other 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, etc. The Group has agreements in place with the supplier of the Seedlings who support the growth of the Seedlings in order to ensure that the survival rate of the Seedlings is not less than 95%.

(iii) *Commodity price risk*

The Group is exposed to commodity price risk arising from fluctuations 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 commodity price risk management.

23. BIOLOGICAL ASSETS *(Continued)*

(b) Value of the Group's biological assets

Movements of the Seedlings are summarised as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**177,144**	160,177
Increase due to exchange *(note 1)*	**70,761**	–
Increase due to compensation	**5,048**	–
Increase due to purchases	**7,890**	–
Increase due to plantation costs *(note 2)*	**39,682**	38,150
Decrease due to sales	**(28,046)**	(3,447)
Decrease due to mortality *(note 3)*	**(4,680)**	(12,083)
Changes in fair value less costs to sell of biological assets	**(5,891)**	3,785
Exchange adjustments	**14,469**	(9,438)
At 31 December	**276,377**	177,144

Note 1: During the year, 260,000 units of short tree seedlings were exchanged for tall tree seedlings, price difference of approximately HK$70,761,000 was paid.

Note 2: The plantation costs comprise consulting and maintenance service costs, staff costs, depreciation, rental expenses of nurseries and other incidental costs.

Note 3: During the year ended 31 December 2017, approximately 27,000 (2016: approximately 91,000) units of the Seedlings with the carrying amount of approximately HK$6,711,000 (2016: approximately HK$20,902,000) were removed and written off due to mortality. Pursuant to the sales and purchase agreements with the supplier stated in note 24, the supplier is required to compensate approximately 27,000 (2016: approximately 65,000) units of the Seedlings of approximately HK$5,726,000 (2016: approximately HK$14,508,000). Of these, approximately 4,000 (2016: approximately 20,000) units of approximately HK$1,994,000 (2016: approximately HK$8,819,000) had been delivered to the Group and were recognised as biological assets during the year. As at 31 December 2017, the remaining approximately 23,000 (2016: approximately 45,000) units of approximately HK$3,846,000 (2016: approximately HK$5,461,000) will be delivered to the Group in 2018 and were recognised as other receivables (note 27).

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(a).

24. PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Prepaid consulting and maintenance service costs *(note)*	**105,649**	115,339

Note: Pursuant to several sales and purchase agreements entered into between the Group and a supplier, the supplier agreed to sell the Seedlings; 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 2017, approximately 27,000 (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$1,861,000 (2016: approximately HK$12,253,000) was written off accordingly. The supplier is required to compensate approximately 27,000 (2016: approximately 65,000) units of the Seedlings with prepaid consulting and maintenance service costs of approximately HK$1,861,000 (2016: approximately HK$8,878,000). Of these, approximately 4,000 (2016: approximately 20,000) units with prepaid consulting and maintenance service costs of approximately HK$343,000 (2016: approximately HK$2,847,000) had been delivered to the Group and were recognised as prepaid consulting and maintenance service costs during the year. As at 31 December 2017, the remaining approximately 23,000 (2016: approximately 45,000) units with prepaid consulting and maintenance service costs of approximately HK$1,565,000 (2016: approximately HK$5,792,000) will be delivered to the Group in 2018 and were recognised as other receivables (note 27).

25. DEPOSITS

	2017	2016
	HK$'000	*HK$'000*
Deposits paid for purchase of property, plant and equipment	**9,830**	8,934
Deposits paid for purchase of the Seedlings	**1,025**	14,406
	10,855	23,340

26. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**1,000**	–
Finished goods	**805**	–
	1,805	–

27. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables *(note 1)*	**42,805**	17,054
Allowance for trade receivables	**(3,098)**	–
	39,707	17,054
Prepayments	**2,783**	2,970
Deposits	**2,337**	3,129
Other receivables *(note 2)*	**7,861**	12,602
	52,688	35,755

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 the invoice date and net of allowance, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Current	**30,742**	17,054
0 to 90 days	**420**	–
181 to 365 days	**8,545**	–
	39,707	17,054

As at 31 December 2017, an allowance was made for estimated irrecoverable trade receivables of approximately HK$3,098,000 (2016: HK$Nil).

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Note 1: *(Continued)*

Reconciliation of allowance for trade receivables:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**–**	–
Allowance for the year	**3,006**	–
Exchange adjustments	**92**	–
At 31 December	**3,098**	–

As of 31 December 2017, trade receivables of approximately HK$8,965,000 (2016: HK$Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An aging analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Up to 3 months	**420**	–
6 to 12 months	**8,545**	–
	8,965	–

The Group's trade receivables as at 31 December 2017 and 2016 are denominated in RMB.

Note 2: Approximately HK$5,411,000 (2016: approximately HK$11,253,000) represented the total cost of approximately 23,000 (2016: approximately 45,000) units of the Seedlings that the supplier is required to compensate to the Group and will be delivered to the Group in 2018 (notes 23 and 24).

28. BANK AND CASH BALANCES

As at 31 December 2017, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$162,075,000 (2016: approximately HK$196,593,000). 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.

29. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(note)*	**3,995**	2,368
Accrued expenses	**23,025**	16,034
Other payables	**1,077**	928
	28,097	19,330

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

	2017	2016
	HK$'000	*HK$'000*
1 to 3 months	**2,163**	2,298
3 to 12 months	**–**	70
Over 1 year	**1,832**	–
	3,995	2,368

The Group's trade payables as at 31 December 2017 and 2016 are denominated in RMB.

30. FINANCE LEASE PAYABLE

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**577**	–	**513**	–
In the second to fifth years, inclusive	**1,781**	–	**1,694**	–
	2,358	–	**2,207**	–
Less: Future finance charges	**(151)**	–	**N/A**	–
Present value of lease obligations	**2,207**	–	**2,207**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(513)**	–
Amount due for settlement after 12 months			**1,694**	–

It is the Group's policy to lease its motor vehicle under finance lease. The lease term is 5 years. As at 31 December 2017, the effective borrowing rate was 4.11% (2016: Nil). Interest rate is fixed at the contract date and thus exposes the Group to fair value interest rate risk. The lease is on fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of lease term, the Group has the option to purchase the motor vehicle at nominal price.

The Group's finance lease payable is denominated in Hong Kong dollars.

The Group's finance lease payable is secured by the lessor's title to the leased asset.

31. 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.

31. EMPLOYEE RETIREMENT BENEFITS *(Continued)*

The retirement benefits costs under the MPF schemes charged to the profit or loss during the year amounted to approximately HK$169,000 (2016: approximately HK$162,000).

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 34% to 44% (2016: 25% 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$2,432,000 (2016: approximately HK$1,203,000).

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

32. CONVERTIBLE BONDS

The convertible bonds are analysed as follows:

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

	CB 2017 ***(note a)*** ***HK$'000***	**CB 2019** ***(note b)*** ***HK$'000***	**2017** **Total** ***HK$'000***
Current liabilities	**14,151**	**4,170**	**18,321**
Non-current liabilities	**–**	**107,188**	**107,188**
	14,151	**111,358**	**125,509**

32. CONVERTIBLE BONDS *(Continued)*

(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. On 11 April 2017, the bondholders elected to and the board of directors resolved to extend the maturity date of the convertible bonds by one year to 8 April 2018. The bonds are convertible at 75,037,250 shares with conversion price of HK$0.17 per share to reflect the rights issue during the year ended 31 December 2017.

If the bonds are not converted, they will be redeemed at par on 9 April 2018. Interest of 5% will be paid/payable annually up until that settlement date.

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

	2017	2016
	HK$'000	*HK$'000*
Analysed as:		
Current liabilities	**14,151**	13,196

The interest charged for the year is calculated by applying an interest rate of 5% 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 2017 to be approximately HK$13,956,000 (2016: approximately HK$13,217,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 3 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 853,604,067 shares with conversion price of HK$0.14 per share to reflect the rights issue during the year ended 31 December 2017. 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.

32. 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.

	2017	2016
	HK$'000	*HK$'000*
Analysed as:		
Current liabilities	**4,170**	3,616
Non-current liabilities	**107,188**	94,706
	111,358	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 2017 to be approximately HK$129,384,000 (2016: 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.

33. 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.

33. 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 and New Scheme during the year:

Grantee	Date granted	Exercisable period	Note	Exercise price of options *(note a)* HK$	Number of share options Outstanding at 1.1.2017	Granted during the year	Outstanding at 31.12.2017
Directors							
Sze Wai, Marco	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(b)*	0.240*	1,687,500*	–	1,687,500
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(b)*	0.240*	4,500,000*	–	4,500,000
Independent non-executive directors							
Chong Yiu Kan, Sherman	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(b)*	0.240*	1,687,500*	–	1,687,500
	10 Nov 2017	10 May 2018 – 9 Nov 2027	*(c)*	0.100	–	5,200,000	5,200,000
Lum Pak Sum	10 Nov 2017	10 May 2018 – 9 Nov 2027	*(c)*	0.100	–	5,200,000	5,200,000
Liu Liyang	10 Nov 2017	10 May 2018 – 9 Nov 2027	*(c)*	0.100	–	5,200,000	5,200,000
Non-executive director							
Law Fei Shing	10 Nov 2017	10 May 2018 – 9 Nov 2027	*(c)*	0.100	–	5,200,000	5,200,000
Employees	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	*(b)*	0.240*	14,737,500*	–	14,737,500
	10 Nov 2017	10 May 2018 – 9 Nov 2027	*(c)*	0.100	–	287,000,000	287,000,000
					22,612,500	307,800,000	330,412,500

* The number of share options and exercise prices have been adjusted to reflect the rights issue during the year ended 31 December 2017.

33. 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, provided that the options can only be exercised from the date of 24 December 2009.

(c) 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 10 May 2018.

(d) Options are forfeited if the director or employee leaves the Group.

(e) When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium, when share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

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

	2017		2016	
	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	**22,612,500***	**0.240***	30,200,000	0.257
Granted during the year	**307,800,000**	**0.100**	–	–
Lapsed during the year	**–**	**–**	(10,100,000)	0.232
Outstanding at the end of the year	**330,412,500**	**0.110**	20,100,000	0.270
Exercisable at the end of the year	**22,612,500**	**0.240**	20,100,000	0.270

* The number of share options and exercise prices have been adjusted to reflect the rights issue during the year ended 31 December 2017.

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

There were no share options exercised under the Old Scheme and New Scheme during the years ended 31 December 2017 and 2016. The options outstanding under the Old Scheme and New Scheme at the end of the year have a weighted average remaining contractual life of 9.29 years (2016: 2.48 years) and the exercise prices range from HK$0.100 to HK$0.240 (2016: HK$0.240 (as restated)). In 2017, options under the New Scheme were granted on 10 November 2017. The estimated fair value of the options on this date is approximately HK$12,547,000.

The total number of shares available for issue under the New Scheme was 106,008,492 shares, representing 1.15% of the issued shares of the Company as at the date of the annual report.

These fair values were calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

	10 November 2017
Option value	HK$0.041
Total fair value	HK$12,547,000
Share price at date of grant	HK$0.087
Exercisable price	HK$0.100
Expected volatility	76.585%
Expected life	10 years
Risk-free interest rate	2.141%
Suboptimal exercise factor	2.2 – 2.8
Dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non- transferability, exercise restrictions and behavioural considerations.

The binominal option pricing model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the best assessment of the directors of the Company on the valuer's estimation. Changes in variables and assumptions may result in changes in the fair value of the share options.

The total share-based compensation costs recognised during the year amounted to approximately HK$3,605,000 (2016: HK$Nil).

34. DEFERRED TAX LIABILITIES

The following is the deferred tax liability recognised by the Group.

	Intangible assets *HK$'000*
At 1 January 2016	48
Credit to profit or loss for the year *(note 16)*	(48)
At 31 December 2016 and 2017	–

As at 31 December 2017, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$61,779,000 (2016: approximately HK$50,706,000) 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$54,972,000 (2016: approximately HK$43,899,000) will expire within 5 years and the remaining cumulative tax losses of approximately HK$6,807,000 (2016: approximately HK$6,807,000) may be carried forward indefinitely under current tax legislation.

At the end of the reporting period, none of the subsidiaries had undistributed earnings.

35. SHARE CAPITAL

		2017		2016	
		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**	5,251,085	525,108
Shares issued under rights issue	*(a)*	**3,938,314**	**393,831**	–	–
At 31 December		**9,189,399**	**918,939**	5,251,085	525,108

Notes:

(a) On 17 October 2017, 3,938,313,691 ordinary shares of HK$0.1 each of the Company were issued at HK$0.067 per share by way of rights issue. The gross proceeds of approximately HK$263,867,000 are intended for the business development of the Group. The excess of the nominal value of the share issued net of expenses over the consideration received, in the amount of approximately HK$135,918,000 was debited to the share premium account.

As disclosed in the announcement of the Company dated 26 March 2018 (the "**Proposed Capital Reorganisation Announcement**"), the rights shares were issued at the subscription price which was below the par value of the existing shares of HK$0.1. Hence, there was a technical breach of the Companies Act 1981 of Bermuda. Any deficit arising from the issuance of the rights shares at the subscription price will be extinguished as a result of the proposed capital reduction. As advised by the Company's Bermuda legal counsel, the rights of the holders of the rights shares will not be adversely affected by the proposed capital reduction.

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.

35. SHARE CAPITAL *(Continued)*

The capital structure of the Group consists of net debts (which represent total debts include convertible bonds and finance lease payable (2016: convertible bonds), 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 2017 and 2016 was as follows:

	2017	2016
	HK$'000	*HK$'000*
Total debts	**127,716**	111,518
Less: Cash and cash equivalents	**(334,960)**	(208,646)
Net debts	**(207,244)**	(97,128)
Equity attributable to owners of the Company	**658,400**	436,351
Net debts and equity attributable to owners of the Company	**451,156**	339,223

The only externally imposed capital requirement for the Group is 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 2017, 46.22% (2016: 53.77%) of shares were in public hands.

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

(a) Statement of financial position of the Company

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**3,074**	3,348
Investments in subsidiaries	**–**	–
Deposits	**9,830**	8,934
	12,904	12,282
Current assets		
Amounts due from subsidiaries	**620,309**	520,658
Prepayments, deposits and other receivables	**2,694**	2,973
Bank and cash balances	**172,158**	11,302
	795,161	534,933
Current liabilities		
Other payables	**14,603**	8,406
Convertible bonds	**18,321**	16,812
	32,924	25,218
Net current assets	**762,237**	509,715
Total assets less current liabilities	**775,141**	521,997
Non-current liabilities		
Convertible bonds	**107,188**	94,706
Net assets	**667,953**	427,291
Capital and reserves		
Share capital	**918,939**	525,108
Reserves	**(250,986)**	(97,817)
Total equity	**667,953**	427,291

Approved by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Sze Wai, Marco
Director

Tan Shu Jiang
Director

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

(b) Reserve movement of the Company

	Share premium HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
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)
At 1 January 2017	**680,157**	**4,020**	**26,320**	**(808,314)**	**(97,817)**
Total comprehensive income for the year	**–**	**–**	**–**	**(20,856)**	**(20,856)**
Rights Issue	**(135,918)**	**–**	**–**	**–**	**(135,918)**
Share-based payments	**–**	**3,605**	**–**	**–**	**3,605**
Changes in equity for the year	**(135,918)**	**3,605**	**–**	**(20,856)**	**(153,169)**
At 31 December 2017	**544,239**	**7,625**	**26,320**	**(829,170)**	**(250,986)**

37. 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.

(b) Nature and purpose 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 Group 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.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Additions to property, plant and equipment during the year of approximately HK$2,662,000 (2016: HK$Nil) were financed by finance lease.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017	New lease	Cash flows	Interest expenses/ finance lease charges	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Convertible loans – liability component (note 32)	111,518	–	(9,559)	23,550	125,509
Finance lease (note 30)	–	2,662	(530)	75	2,207
	111,518	2,662	(10,089)	23,625	127,716

39. COMMITMENTS

(a) Lease commitments

As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**14,199**	11,313
In the second to fifth years inclusive	**42,990**	21,075
After five years	**14,289**	18,940
	71,478	51,328

Operating lease payments represent rentals payable by the Group for its offices and nurseries. Leases are negotiated for terms ranging from 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:

	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment *(note)*	**104,852**	116,565

Note: During the year ended 31 December 2016, a sale and purchase agreement (the "Agreement") was signed by the Group and a supplier in relation to the purchase of production lines for plastic wastes pyrolysis. In January 2018, the Agreement has been cancelled and substituted by another sale and purchase agreement for the purchase of production lines for rubber wastes pyrolysis.

40. LITIGATION

In September 2016, the Group entered into an agreement with China Energy Conservation And Environmental Protection Limited (the "Defendant") regarding the provision of waste landfill treatment services for Hongxing Landfill.

The Group had provided the related services and revenue of approximately HK$15,001,000 was recognised based on a surveyor report during the year ended 31 December 2016 and trade receivable of approximately HK$10,912,000 was recognised as at 31 December 2016. After repeated demands from the Group, the Defendant failed to pay the overdue receivable.

In June 2017, the Group submitted a claim to the People's Court of Hai Dian, Beijing (the "Court") for the overdue receivable plus interests and costs against the Defendant. The Court advised both parties to consider an out-of-court settlement.

In September 2017, the Group and the Defendant agreed to engage an independent surveyor to reassess and provide a surveyor report ("New Surveyor Report") on the volume of works performed by the Group. Based on the New Surveyor Report in October 2017, there is a shortfall of approximately HK$3,006,000 from the Group's original claimed amount. The Group has sought the repayment of the overdue receivable from the Defendant based on the New Surveyor Report but the Defendant still failed to pay the overdue receivable.

In November 2017, the New Surveyor Report was submitted to the Court and there has been no development in the case still then. As at the date of approval of these consolidated financial statements, the judgement from the Court has not been available.

The directors, based on legal advice, consider that it is highly probable for the Court to conclude the final settlement amount based on the New Surveyor Report. An allowance for trade receivables of approximately HK$3,006,000 was made in the consolidated financial statements accordingly.

Saved as disclosed above, no other litigation or claim of material importance is known to the directors to be pending or threatened by or against the Group.

41. CONTINGENT LIABILITIES

As at 31 December 2017 and 2016, the Group did not have any significant contingent liabilities.

42. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**9,766**	12,096
Equity-settled share-based payments	**585**	–
Retirement benefit scheme contributions	**32**	36
	10,383	12,132

43. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2017 are as follows:

Name of subsidiaries	**Place of incorporation/ establishment and operation**	**Attributable ownership interest percentage**		**Issued and paid up/ registered capital**	**Principal activities**
		Direct	**Indirect**		
Win Perfect Limited	British Virgin Islands ("BVI")	100	–	US$11,000	Investment holding
Grandville Global Holdings Limited	BVI	100	–	US$1	Investment holding
Swift Trade Holdings Limited	BVI	100	–	US$1	Investment holding
Concept Wonderful Limited	BVI	100	–	US$1	Investment holding
Amber Profit Group Limited	BVI	100	–	US$1	Investment holding
Billion Max Investments 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

43. SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage Direct	Indirect	Issued and paid up/ registered capital	Principal activities
Fortune Jet International Limited	Hong Kong	–	100	HK$10,000,000	Investment holding
Smart Goal Development Limited	Hong Kong	–	100	HK$1	Inactive
Smart Harvest Holdings Limited	Hong Kong	–	100	HK$1	Investment holding
Crown World Holdings Limited	Hong Kong	–	100	HK$1	Inactive
Global Profit Holdings Limited	Hong Kong	–	100	HK$1	Investment holding
Charm Best Holdings Limited	Hong Kong	–	100	HK$1	Investment holding
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

43. SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage Direct	Indirect	Issued and paid up/ registered capital	Principal activities
Yunnan Fecund Land Environmental Engineering Consulting Co. Ltd. *(note b)*	PRC	–	100	RMB1,000,000	Inactive
Kunming Beautiful National Ecological Technologies Co. Ltd. *(note b)*	PRC	–	85	US$60,000,000	Inactive
Beijing Fecund Land Environmental Protection Technologies Co. Ltd. *(note b)*	PRC	–	70	RMB10,000,000	Inactive
Weifang Shengbang Environmental Protection Technologies Co., Ltd. *(note a)*	PRC	–	100	US$20,000,000	Provision of waste renewable resource recycling
Laizhou Shengbang Environmental Protection Technologies Co., Ltd. *(note a)*	PRC	–	100	US$40,000,000	Inactive
Shandong Kaiyuan Runfeng Environmental Protection Technology Co., Ltd. *(note b)*	PRC	–	70	RMB66,660,000	Provision of waste renewable resource recycling

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 2017

	2017 HK$'000	2016 HK$'000	2015 HK$'000 (Re-presented)	2014 HK$'000	2013 HK$'000
Results					
Revenue	**55,670**	23,142	19,090	6,013	9,561
Loss from ordinary activities before tax	**(72,322)**	(56,521)	(53,904)	(51,620)	(44,242)
Income tax (expense)/credit	**–**	(1,458)	–	503	616
Loss from continuing operations	**(72,322)**	(57,979)	(53,904)	(51,117)	(43,626)
Loss from discontinued operations	**–**	(1,261)	(7,597)	–	–
Attributable to:					
Owners of the Company	**(72,260)**	(59,137)	(61,490)	(51,117)	(43,626)
Non-controlling interests	**(62)**	(103)	(11)	–	–
	(72,322)	(59,240)	(61,501)	(51,117)	(43,626)
Loss per share (cents)		(Restated)			
Basic	**(1.19)**	(1.00)	(1.22)	(1.22)	(2.04)
Diluted	**(1.19)**	(1.00)	(1.22)	(1.22)	(2.04)

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Assets and liabilities					
Property, plant and equipment	**33,201**	8,265	6,017	3,890	6,476
Intangible assets	**–**	–	888	2,702	5,884
Biological assets	**276,377**	177,144	160,177	2,182	–
Prepayments	**105,649**	115,339	167,252	–	–
Deposits	**10,855**	23,340	30,086	211,413	–
Net current assets	**341,028**	206,859	147,365	222,240	122,043
Total assets less current liabilities	**767,110**	530,947	511,785	442,427	134,403
Non-current liabilities	**(108,882)**	(94,706)	(14,127)	(542)	(2,034)
Net assets	**658,228**	436,241	497,658	441,885	132,369
Capital and reserves					
Share capital	**918,939**	525,108	525,108	456,408	213,808
Reserves	**(260,539)**	(88,757)	(27,440)	(14,523)	(81,439)
Equity attributable to the owners of the Company	**658,400**	436,351	497,668	441,885	132,369
Non-controlling interests	**(172)**	(110)	(10)	–	–
Total equity	**658,228**	436,241	497,658	441,885	132,369