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

(incorporated in Bermuda with limited liability)
(Stock code: 706)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board (the "Board") of Directors (the "Directors") of Beautiful China Holdings Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue	*3*	**48,398**	55,670
Cost of sales		**(36,953)**	(37,394)
Gross profit		**11,445**	18,276
Other income	*4*	**1,265**	1,735
Other gains and losses	*5*	**(11,484)**	100
Impairment losses on trade receivables		**(159)**	(3,006)
Administrative expenses		**(88,237)**	(57,926)
Other operating expenses		**(1,273)**	(1,000)
Biological assets written off	*12*	**(792)**	(985)
Loss from changes in fair value less costs to sell of biological assets	*12*	**(22,363)**	(5,891)
Loss from operations		**(111,598)**	(48,697)
Finance costs	*6*	**(25,883)**	(23,625)
Loss before tax		**(137,481)**	(72,322)
Income tax expense	*7*	**–**	–
Loss for the year	*8*	**(137,481)**	(72,322)

	Note	2018 HK$'000	2017 HK$'000
Attributable to:			
Owners of the Company		**(135,758)**	(72,260)
Non-controlling interests		**(1,723)**	(62)
		(137,481)	(72,322)
Loss per share	*10*		
Basic		**HK(1.47) cents**	HK(1.19) cents
Diluted		**HK(1.47) cents**	HK(1.19) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Loss for the year		**(137,481)**	(72,322)
Other comprehensive income for the year, net of tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(31,244)**	32,791
Total comprehensive income for the year		**(168,725)**	(39,531)
Attributable to:			
Owners of the Company		**(166,966)**	(39,469)
Non-controlling interests		**(1,759)**	(62)
		(168,725)	(39,531)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**71,913**	33,201
Biological assets	*12*	**308,511**	276,377
Prepayments	*13*	**93,504**	105,649
Deposits		**–**	10,855
		473,928	426,082
Current assets			
Inventories		**5,203**	1,805
Trade and other receivables	*14*	**36,432**	52,688
Bank and cash balances		**153,983**	334,960
		195,618	389,453
Current liabilities			
Trade and other payables	*15*	**29,493**	28,097
Finance lease payable	*16*	**531**	513
Convertible bonds	*17*	**127,017**	18,321
Current tax liabilities		**1,425**	1,494
		158,466	48,425
Net current assets		**37,152**	341,028

	Note	2018 HK$'000	2017 HK$'000
Total assets less current liabilities		**511,080**	767,110
Non-current liabilities			
Finance lease payable	*16*	**1,163**	1,694
Convertible bonds	*17*	**–**	107,188
		1,163	108,882
Net assets		**509,917**	658,228
Capital and reserves			
Share capital	*18*	**92,644**	918,939
Reserves		**419,204**	(260,539)
Equity attributable to the owners of the Company		**511,848**	658,400
Non-controlling interests		**(1,931)**	(172)
Total equity		**509,917**	658,228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. 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).

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 2 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 year reflected in these consolidated financial statements.

2. 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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial asset carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognsied in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the consolidated statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amoristed cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognsied in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summaries the impact on the Group's opening accumulated losses as at 1 January 2018 is as follows:

	Note	*HK$'000*
Increase in impairment losses on trade receivables and adjustment to accumulated losses from the adoption of HKFRS 9 on 1 January 2018	*(i)*	723

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets at 1 January 2018.

Financial assets	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** *HK$'000*	**Carrying amount under HKFRS 9** *HK$'000*
Trade and other receivables	*(i)*	Loans and receivables	Amortised cost	44,494	43,771
Bank and cash balances		Loans and receivables	Amortised cost	334,960	334,960

The reclassification from measurement categories under HKAS 39 to those under HKFRS 9 for financial assets has no effect on the Group's accumulated losses and other components of equity.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

The Group did not designate any financial assets or financial liabilities at FVTPL at 1 January 2018.

Note:

(i) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK$723,000 in the impairment losses on trade receivables was recognised in opening accumulated losses at 1 January 2018 on transition to HKFRS 9.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 loss model requirements at 1 January 2018 results in an additional loss allowance as follows:

	Note	*HK$'000*
Loss allowance at 31 December 2017 under HKAS 39		3,098
Additional impairment recognised at 1 January 2018 on trade receivables	*(i)*	723
Loss allowance at 1 January 2018 under HKFRS 9		3,821

Impairment losses related to trade receivables are presented separately in the consolidated statement of profit or loss. As a result, the Group reclassified impairment losses amounting to approximately HK$3,006,000, recognised under HKAS 39, from "other gains and losses" to "impairment losses on trade receivables" in the consolidated statement of profit or loss for the year ended 31 December 2017.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

The Group manufactures and sells a range of waste pyrolysis products to the customer. Sales are recognised when control of the products has transferred, being when the customer collects the products from the Group's factory, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Payment of the transaction price is due and settled at the point the customer collects the products.

The Group cultivates and sells tree seedlings to the customer. Sales are recognsied when control of the products has transferred, being when the products are delivered to the customer or inspected and accepted by the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

A receivable is recognised when the products are delivered or inspected and accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group provides landfill management, treatment services and waste sorting. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised as services are rendered, based on the certified monthly completion report.

A receivable is recognised based on the certified monthly completion report in which the services are performed representing the Group's unconditional right to consideration for the services performed to date.

The adoption of HKFRS 15 does not have any impact on the Group's opening accumulated losses at 1 January 2018.

The Group applies the practical expedient in paragraph 63 of the HKFRS 15 and does not adjust the promised transaction price for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised product to a customer and when the customer pays for that product will be one year or less.

There is no impact of the adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if that superseded standard had continued to apply to 2018 instead of HKFRS 15.

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK (IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 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 16, 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 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

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 leases for offices, factory, equipment and nursery 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.

The Group's future minimum lease payments under non-cancellable operating leases for its offices, factory, equipment and nursery amounted to approximately HK$60,192,000 at 31 December 2018. 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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

3. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contract with customers by major products or service line for the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products or service line		
Sales of the tree seedlings	**34,643**	55,210
Sales of pyrolysis oils and other materials	**13,755**	348
Revenue from provision of landfill management, treatment services and waste sorting	**–**	112
	48,398	55,670

The Group derived revenue from the transfer of products and services over time and at a point in time in the following major product lines and geographical regions.

For the year ended 31 December	Seedlings		Pyrolysis oils and other materials		Landfill management, treatment services and waste sorting		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical markets								
PRC except Hong Kong	**34,643**	55,210	**13,755**	348	**–**	112	**48,398**	55,670
Segment revenue and revenue from external customers	**34,643**	55,210	**13,755**	348	**–**	112	**48,398**	55,670
Timing of revenue recognition								
Products transferred at a point in time	**34,643**	55,210	**13,755**	348	**–**	–	**48,398**	55,558
Services transferred over time	**–**	–	**–**	–	**–**	112	**–**	112
Total	**34,643**	55,210	**13,755**	348	**–**	112	**48,398**	55,670

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,153**	1,275
Others	**112**	460
	1,265	1,735

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Gain on disposals of property, plant and equipment	**206**	88
Impairment losses on property, plant and equipment	**(13,061)**	–
Net foreign exchange gains	**1,371**	12
	(11,484)	100

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Finance lease charges	**65**	75
Interest on convertible bonds	**25,818**	23,550
	25,883	23,625

7. INCOME TAX EXPENSE

No provision for profits tax in Bermuda, the British Virgin Islands or Hong Kong is required since the Company and certain of its subsidiaries incorporated in those countries have no assessable profits arising in or derived from those jurisdictions for the years ended 31 December 2018 and 2017.

No provision for the PRC EIT has been made in the consolidated financial statements for the years ended 31 December 2018 and 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 reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(137,481)**	(72,322)
Tax at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**(22,684)**	(11,933)
Tax effect of expenses that are not deductible	**31,078**	22,858
Tax effect of income that is not taxable	**(8,831)**	(14,076)
Tax effect of tax losses not recognised	**4,548**	3,347
Tax effect of utilisation of tax losses not previously recognised	**(2)**	(68)
Tax effect of temporary differences not recognised	**–**	(6)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(4,109)**	(122)
Income tax expense	**–**	–

8. LOSS FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration		
Statutory audit	**1,850**	1,211
Non-audit services	**386**	603
	2,236	1,814
Cost of inventories sold	**13,522**	319
Depreciation		
Charged to profit or loss	**6,626**	3,747
Capitalised in biological assets	**104**	92
	6,730	3,839
Gain on disposals of property, plant and equipment	**(206)**	(88)
Impairment losses on property, plant and equipment	**13,061**	–
Impairment losses on trade receivables	**555**	3,006
Inventory written off	**200**	–
Operating lease charges		
Factory and equipment	**3,704**	–
Land and buildings	**8,280**	7,697
Nursery (capitalised in biological assets)	**4,730**	5,147
	16,714	12,844
Property, plant and equipment written off	**–**	290
Reversal of impairment losses on trade receivables	**(396)**	–

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$5,277,000 (2017: HK$Nil) which are included in the amounts disclosed separately.

9. DIVIDENDS

The Board of Directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: HK$Nil).

10. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(135,758)**	(72,260)

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**9,243,467**	6,071,117

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

11. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies 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 products 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 2018, 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.

(a) Tree plantation – Cultivation and trading of the tree seedlings

(b) Landfill management and waste sorting – Provision of landfill management, treatment services and waste sorting

(c) Waste pyrolysis – Production and trading of pyrolysis oils and other materials

The directors judge that the landfill management and waste sorting segment is of continuing significance, information about this segment shall continue to be reported separately in the current year even if it no longer meets any of the quantitative thresholds for determining reportable segment.

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 unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities, liability component of convertible bonds and finance lease payable.

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

	Tree plantation *HK$'000*	Landfill management and waste sorting *HK$'000*	Waste pyrolysis *HK$'000*	Total *HK$'000*
Year ended 31 December 2018				
Revenue from external customers	34,643	–	13,755	48,398
Segment loss	(14,286)	(4,542)	(22,112)	(40,940)
Interest income	8	864	20	892
Depreciation and amortisation	(153)	(473)	(2,524)	(3,150)
Biological assets written off	(792)	–	–	(792)
Loss from changes in fair value less costs to sell of biological assets	(22,363)	–	–	(22,363)
Impairment losses on property, plant and equipment	–	–	(13,061)	(13,061)
Income tax expense	–	–	–	–
Capital expenditure	65,150	–	60,943	126,093
At 31 December 2018				
Segment assets	445,784	95,557	80,386	621,727
Segment liabilities	4,980	1,816	9,660	16,456

Information about reportable segment profit or loss, assets and liabilities: (Continued)

	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)
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
At 31 December 2017				
Segment assets	425,295	81,967	27,874	535,136
Segment liabilities	3,434	4,283	1,828	9,545

Reconciliations of segment revenue and profit or loss:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments and consolidated revenue	**48,398**	55,670
Profit or loss		
Total loss of reportable segments	**(40,940)**	(2,687)
Unallocated corporate income	**29,208**	33,193
Unallocated corporate expenses	**(125,749)**	(102,828)
Consolidated loss for the year	**(137,481)**	(72,322)

Reconciliations of segment assets and liabilities:

	2018	2017
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**621,727**	535,136
Unallocated corporate assets	**47,819**	280,399
Consolidated total assets	**669,546**	815,535

	2018	2017
	HK$'000	*HK$'000*
Liabilities		
Total liabilities of reportable segments	**16,456**	9,545
Unallocated corporate liabilities	**143,173**	147,762
Consolidated total liabilities	**159,629**	157,307

Geographical information:

The Group's revenue 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**4,032**	5,832
PRC except Hong Kong	**48,398**	55,670	**469,896**	420,250
Consolidated total	**48,398**	55,670	**473,928**	426,082

Revenue from major customers:

	2018	2017
	HK$'000	*HK$'000*
Tree plantation segment		
Customer a	**17,700**	21,501
Customer b	**14,198**	–
Customer c	**–**	23,305
Customer d	**–**	10,404

12. BIOLOGICAL ASSETS

(a) Nature and risks of the Group's agricultural activities

The Group's biological assets are North American red maple tree seedlings (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 at 31 December 2018 and 2017 are listed below:

	2018	2017
	Unit '000	*Unit '000*
The Seedlings	**1,079**	1,047

70,000 (2017: 107,000) 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 related 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 supports 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.

(b) Value of the Group's biological assets

Movements of the Seedlings are summarised as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**276,377**	177,144
Increase due to exchange *(note 1)*	**39,654**	70,761
Increase due to compensation	**6,684**	5,048
Increase due to purchases	**6,484**	7,890
Increase due to plantation costs *(note 2)*	**42,943**	39,682
Decrease due to sales	**(19,408)**	(28,046)
Decrease due to mortality *(note 3)*	**(7,596)**	(4,680)
Changes in fair value less costs to sell of biological assets	**(22,363)**	(5,891)
Exchange adjustments	**(14,264)**	14,469
At 31 December	**308,511**	276,377

Note 1: During the year, 130,000 (2017: 260,000) units of short tree seedlings were exchanged for tall tree seedlings, price difference of approximately HK$39,654,000 (2017: approximately HK$70,761,000) was paid.

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

Note 3: During the year ended 31 December 2018, approximately 20,000 (2017: approximately 27,000) units of the Seedlings with the carrying amount of approximately HK$7,596,000 (2017: approximately HK$6,711,000) were removed and written off due to mortality. Pursuant to the sales and purchase agreements with the supplier stated in note 13, the supplier is required to compensate approximately 20,000 (2017: approximately 27,000) units of the Seedlings of approximately HK$6,804,000 (2017: approximately HK$5,726,000). All (2017: approximately 4,000) units of approximately HK$6,804,000 (2017: approximately HK$1,994,000) had been delivered to the Group and were recognised as biological assets during the year. At 31 December 2017, the remaining approximately 23,000 units of approximately HK$3,846,000 would be delivered to the Group in 2018 and were recognised as other receivables in 2017 (note 14).

13. PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Prepaid consulting and maintenance service costs *(note)*	**93,115**	105,649
Prepaid property, plant and equipment costs	**389**	–
	93,504	105,649

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 once the title of the Seedlings has been transferred to the Group. The amortised consulting and maintenance service costs are capitalised in the plantation costs of biological assets.

During the year ended 31 December 2018, approximately 20,000 (2017: approximately 27,000) units of the Seedlings were removed and written off due to mortality and the related prepaid consulting and maintenance service costs of approximately HK$926,000 (2017: approximately HK$1,861,000) was written off accordingly. The supplier is required to compensate approximately 20,000 (2017: approximately 27,000) units of the Seedlings with prepaid consulting and maintenance service costs of approximately HK$926,000 (2017: approximately HK$1,861,000). All (2017: approximately 4,000) units with prepaid consulting and maintenance service costs of approximately HK$926,000 (2017: approximately HK$343,000) had been delivered to the Group and were recognised as prepaid consulting and maintenance service costs during the year. At 31 December 2017, the remaining approximately 23,000 units with prepaid consulting and maintenance service costs of approximately HK$1,565,000 would be delivered to the Group in 2018 and were recognised as other receivables in 2017 (note 14).

14. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(note 1)*	**22,264**	42,805
Allowance for impairment loss	**(153)**	(3,098)
	22,111	39,707
Prepayments	**3,672**	2,783
Deposits	**3,617**	2,337
Other receivables *(note 2)*	**7,032**	7,861
	36,432	52,688

Note 1: The Group receives payments from customers for waste pyrolysis oils and other materials trading at the point the customer collects the products. The Group's trading terms with other customers are mainly on credit. The credit terms generally range 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 debtors with receivables over 6 months past due are requested to settle all overdue 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 for impairment loss, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Current	**14,393**	30,742
0 to 90 days	**1,408**	420
181 to 365 days	**5,942**	8,545
Over 365 days	**368**	–
	22,111	39,707

The Group's trade receivables at 31 December 2018 and 2017 are denominated in RMB.

Note 2: At 31 December 2017, an amount of approximately HK$5,411,000 represented the total cost of approximately 23,000 units of the Seedlings that the supplier was required to compensate to the Group and were delivered to the Group in 2018 (notes 12 and 13).

15. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(note)*	**2,157**	3,995
Accrued expenses	**26,619**	23,025
Other payables	**398**	1,077
Receipt in advance	**319**	–
	29,493	28,097

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

	2018	2017
	HK$'000	*HK$'000*
0 – 90 days	**1,774**	2,163
91 – 365 days	**379**	–
Over 365 days	**4**	1,832
	2,157	3,995

The Group's trade payables at 31 December 2018 and 2017 are denominated in RMB.

16. FINANCE LEASE PAYABLE

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**578**	577	**531**	513
In the second to fifth years, inclusive	**1,203**	1,781	**1,163**	1,694
	1,781	2,358	**1,694**	2,207
Less: Future finance charges	**(87)**	(151)	**N/A**	N/A
Present value of lease obligations	**1,694**	2,207	**1,694**	2,207
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(531)**	(513)
Amount due for settlement after 12 months			**1,163**	1,694

It is the Group's policy to lease its motor vehicle under finance lease. The lease term is 5 years. At 31 December 2018, the effective borrowing rate was 4.11% (2017: 4.11%). Interest rate is fixed at the contract date and thus exposes the Group to fair value interest rate risk. The lease is on a 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.

17. CONVERTIBLE BONDS

The convertible bonds are analysed as follows:

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

	CB 2017	**CB 2019**	**2018 Total**
	(note a)	***(note b)***	
	HK$'000	***HK$'000***	***HK$'000***
Current liabilities	**–**	**127,017**	**127,017**
Non-current liabilities	**–**	**–**	**–**
	–	**127,017**	**127,017**

(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 into 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.

CB 2017 was fully converted on 13 March 2018.

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

	2018	2017
	HK$'000	*HK$'000*
Analysed as:		
Current liabilities	**–**	14,151

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 estimated that the fair value of the liability component of the convertible bonds at 31 December 2017 was approximately HK$13,956,000. This fair value had 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.

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.

	2018	2017
	HK$'000	*HK$'000*
Analysed as:		
Current liabilities	**127,017**	4,170
Non-current liabilities	**–**	107,188
	127,017	111,358

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 2018 to be approximately HK$135,062,000 (2017: approximately HK$129,384,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 3 fair value measurements).

CB 2019 is personally guaranteed by Mr. Sze Wai, Marco, an executive director of the Company, in favour of the bondholder.

18. SHARE CAPITAL

		2018		2017	
		No. of shares	**Amount**	No. of shares	Amount
	Note	***'000***	***HK$'000***	*'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each	*(a)*	**120,000,000**	**1,200,000**	–	–
Ordinary shares of HK$0.1 each		**–**	**–**	12,000,000	1,200,000
Issued and fully paid:					
At 1 January		**9,189,399**	**918,939**	5,251,085	525,108
Shares issued upon conversion of convertible bonds	*(b)*	**75,037**	**7,504**	–	–
Shares issued under rights issue		**–**	**–**	3,938,314	393,831
Capital reorganisation	*(a)*	**–**	**(833,799)**	–	–
At 31 December		**9,264,436**	**92,644**	9,189,399	918,939

Notes:

(a) The special resolution for the capital reorganisation which involved a capital reduction and a share subdivision was passed at the special general meeting on 10 May 2018 to rectify the technical breach regarding the rights shares issued in 2017 at a subscription price below the par value of the existing shares. Accordingly, the issued share capital of the Company is reduced by a reduction of the par value of each issued existing share from HK$0.10 to HK$0.01, which reduction comprised a cancellation of such amount of the paid-up capital on each issued existing share and an extinguishment and reduction of any part of the capital not paid up on any issued existing shares so that each issued existing share is treated as one fully paid up share of par value HK$0.01 each in the share capital of the Company immediately following the capital reduction and the credit of approximately HK$833,799,000 arising from the capital reduction is credited to the contributed surplus account of the Company. Reference is made to the announcements dated 26 March 2018, 27 March 2018 and 11 April 2018, 13 April 2018 and 16 April 2018 in relation to the capital reorganisation.

(b) On 13 March 2018, CB 2017 in the principal amount of HK$152,000,000 was converted into 75,037,250 ordinary shares of HK$0.1 each at a conversion price of HK$0.17 per share.

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

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

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

The capital structure of the Group consists of net debts (which represent total debts include convertible bonds and finance lease payable, 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 2018 and 2017 was as follows:

	2018	2017
	HK$'000	*HK$'000*
Total debts	**128,711**	127,716
Less: Cash and cash equivalents	**(153,983)**	(334,960)
Net debts	**(25,272)**	(207,244)
Equity attributable to owners of the Company	**511,848**	658,400
Net debts and equity attributable to owners of the Company	**486,576**	451,156

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 demonstrates the continuing compliance with the 25% limit throughout the year. At 31 December 2018, 46.66% (2017: 46.22%) of shares were in public hands.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2018 represented an important milestone year in the development of China's ecological civilization construction and ecological environmental protection. Government departments such as the State Council and the Ministry of Ecology and Environment introduced a number of favourable policies and guiding opinions in implementing the concept of "Building a 'Beautiful China' by Winning the Battle of Preventing and Controlling Environmental Pollution". During the past year, in terms of pollution prevention and control, the national expenditure on pollution prevention and control and natural ecological protection expenditure increased by 29.6% and 17.5% year-on-year respectively. The central government's funds for pollution prevention and control and ecological environment protection were approximately RMB255.5 billion, representing a year-on-year increase of 13.9%, of which the investments in atmospheric, water and soil pollution prevention and control were the largest in recent years. However, the PRC economy faced increased downward pressure due to the continuous impacts of negative factors such as the Sino-US trade war. The difficulties in capital chain emerged, the business conditions deteriorated and some local governments became more conservative about fiscal expenditures, which resulted in the suspension of certain projects.

During the year, the Group continued to respond to the PRC's environmental policies for boosting green development, the Group took the initiative in pro-actively carrying out strategic collaboration with leading enterprises in different fields to achieve resource complementarity, and push forward business strategy and project implementation. To capture the opportunity that the PRC government promotes the implementation of environment-related projects by public-private partnership ("PPP"), the Group worked closely with the governments of different provinces, cities and counties in the PRC to obtain relevant projects.

(I) Ecological Environment Construction Business

For the ecological seedlings business segment, the Group has approximately 1.1 million units of North American red maple tree seedlings planted in the nursery bases in Anhui and Jiangsu, 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 0.85 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. In autumn of the year, the tree seedlings products are sold to customers in Hebei Province, Shandong Province, and other areas of the PRC. While maintaining the previous scale of cultivation and planting, the Group plans to commence a new eco-planting project in Weifang, Shandong, so as to enlarge and strengthen the ecological seedlings business segment. In 2018, the Group sold a total of 70,000 (2017: 107,000) seedlings, generating sales revenue of approximately HK$34.7 million (2017: HK$55.2 million).

With regard to the construction of ecological landscape projects, there were few opportunities for quality landscape projects as a result of reduction of the expenses by the governments at all levels in the PRC on the construction of municipal landscape facilities, coupled with intense market competition. As such, the Group did not undertake any new landscape construction projects during the period. Although the Group continued to follow up with the progress in the construction of the project involving the West Coast Wetland Park in Dianchi Lake, Kunming, since the Yunnan provincial government introduced new protection regulations for Dianchi Lake at the end of 2016, the Kunming municipal government has modified its planning design and construction plan for the project. As a result, the Group has not yet officially commenced the project construction since it was awarded with the tender for the project in the second half of 2016. As at the date of this report, the Group had yet to wait for the Kunming municipal government to clarify the new plan for carrying out the project construction.

(II) Environmental Protection Treatment Service Business

The Group focuses its environmental protection treatment service business by recycling solid waste into renewable resources, promoting the construction and operation of pyrolysis processing projects of waste rubber and plastics, and carrying out integrated domestic waste treatment, regeneration and capacity expansion of waste landfills, and third-party treatment services for industrial pollution to meet the needs for the establishment of a solid waste collection system.

In December 2017, the Group 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 injected a sum of RMB46,660,000 (equivalent to approximately HK$57,000,000) into Shandong Kaiyuan Runfeng Environmental Protection Technology Company Limited*（山東開元潤豐環保科技有限公司）(“Shandong Kaiyuan Runfeng”), whereby the Group owned a 70% interest in Shandong Kaiyuan Runfeng upon completion of such capital injection. The capital injection was completed in early 2018, enabling the Group to obtain a business license of operating pyrolysis processing of 100,000 tonnes of scrap tyres per year and renewable resources recycling business. In relation to Shandong Kaiyuan Runfeng’s expansion programme on a pyrolysis capacity of 40,000 tonnes of scrap tyres per year, the basic installation of equipment has been completed and the trial production has begun. Together with the existing capacity of 20,000 tonnes per year, the Group will have a pyrolysis capacity of 60,000 tonnes in aggregate of scrap tyres per year, making it one of the scrap rubber pyrolysis treatment enterprises with the largest capacity in the PRC. The expansion plan for a capacity of remaining 40,000 tonnes per year for the Kaiyuan Project (as defined in the circular of the Company dated 18 August 2017) will be scheduled to start separately in order to reach a capacity of 100,000 tonnes in aggregate per year.

Based on its development strategy for both the environmental business segment and the treatment of "black and white pollutants" such as waste rubber and waste plastics, the Group continued to focus on exploring the environmental markets in Shandong and other key areas in the PRC. The Group has reached a strategic cooperation intention with an enterprise that engaged in research & development and manufacturing of waste rubber pyrolysis equipment as well as investment operations under Shuangxing Group Company Limited*（雙星集團有限責任公司）("Shuangxing Group"). Both parties are willing to cooperate in the development of waste rubber pyrolysis equipment R&D and manufacturing, the investment and operation of waste rubber pyrolysis projects. At present, the two sides are promoting preliminary issues such as due diligence and preparation of contract negotiations.

The Group entered into joint venture collaboration with Integrated Green Energy Singapore Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of Integrated Green Energy Solutions Ltd., a company incorporated in Australia and the shares of which are listed on the Australian Stock Exchange (ASX: IGE), pursuant to which the two parties plan to cooperate in the investment, construction and operation of the waste plastics pyrolysis and recycling business in mainland China. Specifically, the two parties will jointly invest in the construction and operation of a waste plastics pyrolysis project with a capacity of 66,000 tonnes per year. The project investment is estimated at approximately US$25 million, with preparations for project siting and project initiation underway.

As to waste treatment project, the contract for a domestic waste landfill treatment project in Qiqihar was officially terminated in July 2018 after consultation with the counterparty of the project due to various factors such as restrictions on construction requirements and risks associated with project fund settlement and collection. The two parties completed the settlement and collection of project funds based on the amount of work measured by a third-party professional institution. The Group has withdrawn from the project construction site after transferring the management rights to the site to China National Environmental Protection Group.

(III) Prospects

In 2019, the Central Economic Work Conference continued to emphasize that the pollution prevention and control would be regarded as one of the "Three Critical Battles" to be achieved in order to complete the building of a moderately prosperous society in all respects in the next three years. The second round of environmental protection supervision will begin as scheduled this year and the high pressure on environmental protection will be normalized. The implementation of the Law on the Prevention and Control of Soil Pollution will comprehensively form a legal and regulatory system for the prevention, control and environmental protection treatment of the atmosphere, soil and water. With the strengthened downward trend of macroeconomic policies, eco-environmental protection is an important area for the PRC to promote infrastructure investment and drive sustainable economic development. Thus, environmental protection has become a long-term mechanism for social and economic development.

The Group will follow the established business strategy. On the basis of "Eco-environmental Build-up + Environmental Treatment Service", a dual-wheel driven business strategy of the Group, the Group will continue to focus on "eco-environmental protection" market and seize the opportunities arising from various policies and step up the development of the eco-environmental business. For the ecological environment construction business, by centering on such vertical industrial chain expansion and development strategies as "seedling nursery and project construction", and based on the business development plan for colour seedlings, the Group will continue to consolidate and expand "ecological seedling" business and invest in the construction of the colour seedling base in Wuhe of Bengbu, Anhui, commit resources to the nursery and management of existing seedlings, enhance the breeding capacity of colour seedlings and accelerate the process for the sales of grown-up seedlings, in an attempt to achieve its goal of becoming one of the largest colour seedling suppliers in Asia.

Moreover, the Group will continue to follow up and promote the construction plan of ecological wetland landscape projects for Dianchi Lake West Coast in Kunming and actively communicate with local governments, with a view to formulating the project design and construction plan as soon as possible and promoting the construction preparation. The Group will look for opportunities to take on new ecological landscape investment and construction projects in a timely manner so as to expand the scale of the Company's ecological landscape business.

For the environmental protection treatment service business, the Group will continue to develop the integrated waste treatment and renewable resources recycling business, promote the continuous efficiency optimization and improvement of existing operational projects, accelerate the implementation of new construction projects, focus on the core business of pyrolysis processing of waste rubber and plastics, expand solid waste treatment services such as integrated waste treatment and third-party treatment services for industrial and agriculture pollution and promote the construction of waste raw material collection system. The Group will adopt the strategy that combines organic growth with mergers and acquisitions as well as cooperation. Based on the development orientation of investment and operation, the Group will gather and integrate resources and capabilities such as R&D and manufacturing of technological equipment and business investment operation management to quickly establish and implement businesses and achieve economies of scale.

For the expansion of key markets, the Group's businesses are primarily located in the Shandong region. Despite in the initial stage of the market, we are convinced that the "black and white pollutants" (scrap tyres and plastics) treatment business that we currently focus on will have huge market space in the future and will be able to support the rapid sustainable growth of the Company's business. We will opportunely promote the development strategy of the industrial chain in upstream and downstream, develop the scrap tyres and scrap plastics raw material collection system, promote the extension of the pyrolysis product value chain, develop the business of renewable energies and deep processing of industrial raw material in order to improve product quality, expand market application space, extend the product value chain and further increase economic benefits.

Financial Review

Revenue, gross profit and gross profit margin

The Group's total revenue decreased by approximately 13.1% from approximately HK$55.7 million in 2017 to approximately HK$48.4 million this year. Gross profit significantly decreased by approximately 37.7% from approximately HK$18.3 million in 2017 to approximately HK$11.4 million this year. The decrease in revenue and gross profit were mainly due to the decrease in revenue brought by the sale of tree seedlings.

Gross profit margin decreased to approximately 23.6% this year from approximately 32.8% in 2017. Such decrease is mainly attributable to the higher contribution of revenue from waste pyrolysis business which has a lower profit margin than those other segments, as the business was in developing stage during the year.

Administrative expenses

Administrative expenses increased by approximately 52.3%, from approximately HK$57.9 million in 2017 to approximately HK$88.2 million this year, the increase was mainly due to increase in development and operation expenses of the pyrolysis process business and increase in share-based compensation costs recognised during the year.

Finance costs

Finance costs increased from approximately HK$23.6 million in 2017 to approximately HK$25.9 million this year, which was mainly attributable to the increase in effective interest expenses of the Group's convertible bonds recognised during the year ended 31 December 2018.

Loss attributable to owners of the Company

For the year ended 31 December 2018, loss attributable to owners of the Company was approximately HK$135.8 million, which recorded an increase as compared with approximately HK$72.3 million in 2017.

Fund raising activities

The placing of convertible bonds on 17 August 2016 and 26 August 2016 (the "Placing") raised an aggregate amount of net proceeds of approximately HK$114 million. The table below sets out the utilisation of the net proceeds of the Placing as at the date hereof:

Use of proceeds	**Allocation of funds**		**Utilisation of funds**		**Unutilised funds**	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Kaiyuan Project	91.2	80.0	81.7	71.6	9.5	8.4
General working capital	22.8	20.0	22.8	20.0	–	–
Total	**114.0**	**100.0**	**104.5**	**91.6**	**9.5**	**8.4**

The issue of three (3) rights shares for every four (4) existing Shares on 17 October 2017 (the "Rights Issue") raised an amount of net proceeds of approximately HK$257.9 million. The table below sets out the utilisation of the net proceeds of the Rights Issue as at the date hereof:

Use of proceeds	Allocation of funds before the reallocations		Allocation of funds after the reallocations		Utilisation of funds		Unutilised funds	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*	*HK$ million*	*%*
Weifang Project	195.3	75.7	125.3	48.6	25.1	9.7	100.2	38.9
Kaiyuan Project	9.0	3.5	9.0	3.5	9.0	3.5	–	–
General working capital	53.6	20.8	123.6	47.9	99.3	38.5	24.3	9.4
Total	**257.9**	**100.0**	**257.9**	**100.0**	**133.4**	**51.7**	**124.5**	**48.3**

Liquidity and Financial Resources

As at 31 December 2018, the Group had cash and bank balances approximately HK$154.0 million (31 December 2017: approximately HK$335.0 million). The Group had no bank borrowing but had convertible bonds and finance lease payable of approximately HK$128.7 million as at 31 December 2018 (31 December 2017: convertible bonds and finance lease payable of approximately HK$127.7 million). As at 31 December 2018, the total asset value of the Group was approximately HK$669.5 million (31 December 2017: approximately HK$815.5 million) whereas the total liabilities was approximately HK$159.6 million (31 December 2017: approximately HK$157.3 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 23.8% (31 December 2017: 19.3%).

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 5.0% (31 December 2017: 31.5%) as at 31 December 2018. With net cash approximately HK$25.3 million (31 December 2017: approximately HK$207.2 million) and net current assets approximately HK$37.2 million (31 December 2017: approximately HK$341.0 million) as at 31 December 2018, 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 2018, the value of convertible bonds issued by the Group (but had not been converted) was approximately HK$127.0 million (31 December 2017: approximately HK$125.5 million).

Segmental Information

Segmental information is presented for the Group as disclosed on note 11 of this Report.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2018, 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 2018 and 2017.

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 2018 and 2017, the Group had no charges on assets.

Employees, Training and Remuneration Policies

As at 31 December 2018, the Group had 158 (31 December 2017: 67) employees. Employees' costs (including directors' emoluments) amounted to approximately HK$41.9 million (2017: approximately HK$29.1 million) for the year. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

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

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

Events after the Reporting Period

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: HK$Nil).

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

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 2018, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors for the year ended 31 December 2018. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors for the year ended 31 December 2018.

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 2018.

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.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this results announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this results announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.beautifulchina.com.hk. The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and posted on the above websites in due course.

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

Hong Kong, 27 March 2019

As at the date of this announcement, the Board comprises Mr. Sze Wai Marco, Mr. Zhou Wei Feng and Mr. Tan Shu Jiang as executive Directors, Ms. Chai Lin as a non-executive Director, and Mr. Chong Yiu Kan, Sherman, Mr. Xie Jun and Mr. Liu Liyang as independent non-executive Directors.