BCH 美丽中国 BEAUTIFUL CHINA

BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706

Annual Report 2018

CONTENT

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Chai Lin
(appointed on 18 April 2018)

Independent Non-executive Directors

Mr. Chong Yiu Kan, Sherman
Mr. Lum Pak Sum
(resigned on 22 August 2018)
Mr. Liu Liyang
Mr. Xie Jun
(appointed on 22 August 2018)

COMPANY SECRETARY

Mr. Chan Ying Kay, CPA
(resigned on 15 October 2018)
Ms. Wong Pui Yee
(appointed on 15 October 2018)

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:

In 2018, given that China's economy faced increased downward pressure due to the trade barriers between the PRC and the United States, the domestic macroeconomic policies have been adjusted accordingly. The weakened government financial payment ability and the poor operation of industrial enterprises have led to weak demand for eco-environmental engineering construction and environmental protection management operation services, which increased the operational risks of some enterprises and caused a relatively low ebb for the development of the PRC's environmental protection industry.

In order to strengthen environmental pollution control and ecological environmental protection, the PRC government continues to introduce a series of favorable policies. In early 2018, the Central Economic Work Conference emphasized the fight against pollution prevention and control. In May, the Ministry of Ecology and Environment launched a special campaign to combat environmental violations of solid waste and issued the Work Opinions of Banning One-size-fits-all Actions on Environmental Protection (《禁止環保「一刀切」工作意見》); In July, the State Council officially issued the Three-Year Action Plan for Winning the Blue Sky Defense Battle (《打贏藍天保衛戰三年行動計劃》); In August, the fifth session of the Standing Committee of the 13th National People's Congress passed unanimously the Law on Prevention and Control of Soil Pollution of the People's Republic of China (《中華人民共和國土壤污染防治法》) drafted by the Ministry of Environmental Protection, and the Ministry of Ecology and Environment issued the Guiding Opinions on Further Deepening the Reform of "Streamlining Administration, Delegating Power, Strengthening Regulation And Improving Services" in Ecological Environment and Promoting Economic Development in High Quality (《關於生態環境領域進一步深化「放管服」改革，推動經濟高質量發展的指導意見》), proposing measures to strengthen environmental supervision and law enforcement and focus on the development of the environmental protection industry; In October, the General Office of the State Council issued the Guiding Opinions on Maintaining Efforts to Bolster Areas of Weakness in Infrastructure (《關於保持基礎設施領域補短板力度的指導意見》), proposing nine key missions in ecology environmental protection and other fields.

In spite of the difficulties in the operation of the industry, Beautiful China Holdings Company Limited (the "Company", together with its subsidiaries, the "Group") still responds to the state's policies by inheriting the endeavours made in the past few years to promote business development from the basis of industrial layout, and aims to become a leading ecological environmental protection operation service provider in China.

We currently 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, the Group continued to stably construct "one of Asia's largest colour seedling nursery base" in Bengbu, Anhui, the PRC. So far, we have planted approximately 1 million colour seedlings, including North American red maples, and the sales channel of the seedling business is developing continually. 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 design and construction plans are 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 planning for projects of pyrolysis processing in respect of plastic waste and rubber waste in Shouguang, Weifang and Zouping, Binzhou, the PRC. We improved our capability for treating "Black and White Pollutants", typified by waste rubber and waste plastic, by injecting capitals to Shandong Kaiyuan Runfeng Environmental Protection Technology Company Limited which specialized in treatment of waste tires and recycling and reuse of resources.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2018 (the "Reporting Period"), the revenue of the Group was approximately HK$48,398,000, representing a year-on-year decline of approximately 13.1%; the gross profit was approximately HK$11,445,000, representing a year-on-year decline of approximately 37.7%; and the loss attributable to owners of the Company was approximately HK$135,758,000.

Looking ahead, we remain optimistic about the prospects for the environmental protection industry of the PRC. With the great importance attached to environmental protection reiterated at the 19th CPC National Congress, coupled with the relevant policies introduced by government departments in the past year, the PRC government will promote the infrastructure investments by implementing ecological environmental protection measures, so as to provide momentum for sustained economic development in the context of increased downward pressure of the overall macro economy. As a result, 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 seedling cultivation, seedling planting, and sale of grownup 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 large-scale municipal ecological greenery projects.

For environment protection treatment service, we will expand our solid waste treatment industrial chain 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 with the strategy that combines organic growth with mergers and acquisitions, 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, 27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

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 18 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.

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 2018 (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 49 to 65 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:

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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.

A1. Emissions

The Group has complied with all relevant local environmental laws, including but not limited to Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Cap. 499 of the Laws of Hong Kong), in terms of emission as set out in Hong Kong and the PRC. In FY2018, the Group found no disregard to influential laws relevant to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. It has been included in the Group's environmental policy to reduce the impacts of emissions on the environment through measures such as control of the Group's energy consumption.

In FY2018, the Group emitted 36,880 kilograms of nitrogen oxides ("**NOx**"), 2,371.04 kilograms of sulfur oxides ("**SOx**") and 15,615.81 kilograms particulate matters ("**PM**"). Furthermore, the Group's GHG emissions under Scope 1 (Direct Emissions), Scope 2 (Energy Indirect Emission), and Scope 3 (Other Indirect Emissions) were 322.40 tonnes carbon dioxide equivalent ("**CO2e**"). The Group's total GHG emissions amounted to 323.52 tonnes CO2. Other than air and GHG emissions, the Group also generated 6.18 tonnes of non-hazardous solid wastes and 347,322 cubic metre of non hazardous wastewater in its operation. The Group generated hazardous waste of 0.01 tonnes spent carbon, 1.956 tonnes spent caustic, 0.84 tonnes oily sludge and 0.4 tonnes slag for the year ended 31 December 2018.

Hong Kong and Beijing Offices

The main source of GHG emissions by the Group's Hong Kong and Beijing Offices was the use of purchased electricity and gasoline for vehicles. The Group has taken specific measures to reduce electricity consumption at its offices, and thus the GHG emissions generated by the Group, which are further described in A.2. Use of Resources in this report.

The Group is committed to environmental protection in its offices. In order to reduce the amount of municipal solid waste generated every day, the Group has implemented the following practices:

- Encourage all employees to reduce the use of disposable items, such as plastic tableware; and
- Advocate the reuse of office stationery.

Any municipal solid wastes were normally collected and disposed of by the property management. Since the amount of wastewater generated by the Group highly depends on the amount of water used by its employees at its offices, the Group has adopted specific measures to reduce water consumption, which are further described in A.2. Use of Resources in this report. Municipal wastewater was directly discharged into the property's wastewater system.

Ecological Environment Construction Business

In the operation of the Group's maple seedling plantation business, the Group is very prudent in controlling all discharges. Emissions generated during the operation mainly are air & GHG and solid waste. The Group is considering to establish relevant policy to control and manage the emission of air and GHG and solid waste during course of operations.

Air & GHG Emissions
The emissions of air & GHG mainly came from use of diesel fuel and electricity from office, to power machinery and heavy vehicles. The Group is preparing setting up relevant policies in order to reduce the air & GHG emissions.

Solid Wastes
The plantation and seedling operations generated solid waste such as plastic and agricultural waste. The Group has complied with relevant Environmental Law at disposal.

Environment Protection Treatment Service Business

The plastic pyrolysis processing factory generated mainly (1) air & GHG emissions, (2) non-hazardous and hazardous wastes, (3) noise and (4) wastewater during operation. Relevant internal policies have been established for monitoring the emissions of the above items.

Air & GHG Emissions
The emissions of air & GHG mainly came from use of diesel fuel and natural gas in office and machinery, as well as vehicles. The Group is considering to upgrade the existing policies and machinery so as to minimise the amount of air and GHG emissions.

Non-hazardous and Hazardous Wastes
The operation also generated certain amount of non-hazardous and hazardous wastes such as spent carbon, spent caustic, oily sludge and slag. The Group has engaged Shandong Fupin Environmental Services Co. Ltd with treatment of hazardous wastes regarding disposal and treatment of the hazardous wastes.

The Group complied the relevant Environmental Law in China and has already established policies to monitor the hazardous wastes treatment services provided by third party complied with the same relevant ordinances.

Noise

Noise generated at the factory by operation of machinery and equipment. The operation of machinery and equipment complied with the Group internal policies and the Group is considering further enhancing effectiveness of the existing policies.

Wastewater

The factory generated wastewater during use of equipment and machinery as well as operation of office. The disposal of wastewater complied the relevant Environmental Law in China.

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 has complied with the relevant laws and regulations in relation to the Group's use of resources during the year under review. In FY2018, resources consumed by the Group were electricity, gasoline, diesel fuel, water, and paper. The Group did not consume any packaging materials. Table 3 illustrates the amount of resources used by the Group in FY2018.

Electricity

The Group's electricity consumption came from regular operation of the offices, factory and maple seedling plantation site. In FY2018, the total electricity consumption of the Group was approximately 1,660,000 Wh. All subsidiaries of the Group stringently complied with the Group's policy of saving energy. To ensure effective use of electricity, the Group has conducted the following practices:

- Turn off all lights, electronics and other power consumption equipment at the end of the day;
- Maximise the use of natural light as far as practical;
- Switch off all idle lights, air conditioners and equipment;
- Adopt equipment and machineries with 'Energy Efficiency' labels;
- Avoid performing highly electricity intensive procedures during peak hours of electricity usage; and
- Educate workers regularly on the importance of energy conservation.

Energy

The Group consumed gasoline and diesel fuel in its vehicles and natural gas at factory and site during the year under review. In FY2018, the amount of gasoline, diesel fuel and natural gas consumed by the Group were 24,369.62 litres and 68,353.21 litres, and 14,265 cubic metre respectively. The Group is committed to reducing the use of fossil fuel for transportation purpose in different ways. For example, the Group encourages its employees to commute to work by public transport, and to utilise telephone and the electronic device for telephone conference and e-meetings instead of physical meetings to avoid unnecessary traveling.

Water

The Group pays great attention to water conservation in its daily operation and irritation on maple seedling plantation sites. In FY2018, the Group did not face any problem in sourcing water, and the Group's total water consumption was 347,322.3 cubic metre. All operational sites are encouraged to reuse the wastewater as much as possible. To further improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- Fix dripping taps immediately and avoid further leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage; and
- Advocate the importance of saving water among employees.

Paper

One of the main natural resources consumed by the Group was paper from its office printing machines. In FY2018, the total amount of paper consumption in the Group was 1.68 tonnes. To minimise the use of paper, the Group has put great efforts into the implementation of the following policies:

- Choose suppliers with more environmentally friendly paper source, so as to indirectly reduce the amount of tree losses while consuming the same amount of paper;
- Promote paperless office, and disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Use the back of old single-sided documents for printing or as draft paper when photocopying internal documentation.

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount
Energy	Electricity	Wh	1,660,271.12
	Gasoline	litres	24,369.62
	Diesel Fuel	litres	68,353.21
	Natural Gas	cubic metres	14,265
Water	Water	cubic metres	347,322.3
Paper	Paper	tonnes	1.68

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

Dismissal Policy

In situations where an employee violates the Group's regulations, or consistently perform his or her duties below an acceptable level, or where the Group deems suitable as a mean to streamline workforce, our human resources department will follow a range of procedures to terminate his or her employment contract. Terms and conditions relating to dismissal and termination of employment contract, which are prepared in conformance to applicable employment regulations, are enumerated in employment contract and other employment policy manual.

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.

Employment Data:

	Unit	**Quantity**
Total employees	no. of people	158
By gender		
– male	percentage	74.5
– female		25.5
By employment type		
– permanent		24.2
– full-time contracted	percentage	74.5
– temporary/part-time		1.3
By rank		
– executives	percentage	19.4
– others		80.6
By age		
– below 30		7.4
– 30-39		25.5
– 40-49	percentage	37.9
– 50-59		28.5
– above 60		0.7

	Unit	Quantity
Average service tenure – by gender		
– male	no. of years	4.8
– female		6.2
Average service tenure – by rank		
– executives	no. of years	0.8
– others		3.9
New employees		
– male	no. of people	98
– female		24
Employee turnover		
– male	no. of people	51
– female		11

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.

Training statistics

	Unit	**Quantity**
Participating employees	no. of people	116
Participating employees as % of total employees	percentage	73.4%
Total training hours – by gender		
– male	no. of hours	6,690
– female	no. of hours	1,888
Total training hours – by rank		
– executives	no. of hours	816
– others	no. of hours	7,062

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 institution and organisation:

Institution and Organisations	Scope	Amount
Seeds of Art Charity Foundation-elderly service	Support community elderly service	HK$24,418

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 53, 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 49, 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 50, 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

Ms. Chai Lin, aged 34, has been the general manager of the investment management department of China Huarong International Holdings Limited since August 2017. She served as the deputy general manager at a subsidiary of China Huarong International Holdings Limited in Shenzhen from November 2016 to August 2017 and the general manager of the Southern China Wealth Management Centre of China Industrial International Trust Limited from September 2013 to September 2016. Ms. Chai obtained a bachelor's degree in accounting and a master's degree in business administration from Sun Yatsen University in July 2007 and December 2016, respectively. Ms. Chai has been Independent Non-executive Director of Sino Oil and Gas Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 702), since April 2018.

* *For identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chong Yiu Kan, Sherman, aged 55, 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. Xie Jun, aged 54, obtained a bachelor's degree in Automation from the University of Science and Technology of China in July 1988. He has been the founder, chairman of the board of directors and general manager of Qingdao Xinhe Textile Company Limited*（青島心和紡織有限公司）since April 1994.

Mr. Liu Liyang, aged 58, 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.

COMPANY SECRETARY

Ms. Wong Pui Yee. Ms. Wong has over 10 years of experience in company secretarial practice. Prior to joining the Company, Ms. Wong was appointed as an assistant company secretary of Taung Gold International Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 621), from December 2011 to September 2015, and was promoted as the company secretary on 1 October 2015 and served in the same position till October 2018. Ms. Wong obtained a bachelor's degree in Social Science from The Chinese University of Hong Kong in December 2004 and a master's degree in Law from Renmin University of China in June 2017. Ms. Wong is also an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

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 2018.

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 40 to the consolidated financial statements.

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

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 72 to 73 of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 12 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 164 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	36.57	Nil
Five largest customers in aggregate	82.42	Nil
The largest supplier	Nil	84.07
Five largest suppliers in aggregate	Nil	94.72

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 2018 are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 33 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 76 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company has no reserve available for cash distribution (2017: HK$Nil) as computed in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, there was no Company's share premium account may be distributed in the form of fully paid bonus shares as at 31 December 2018 (2017: approximately HK$544,239,000).

EMOLUMENT POLICY

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

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Ms. Chai Lin (appointed on 18 April 2018)

Independent Non-executive Directors

Mr. Chong Yiu Kan, Sherman
Mr. Lum Pak Sum (resigned on 22 August 2018)
Mr. Liu Liyang
Mr. Xie Jun (appointed on 22 August 2018)

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. Zhou Wei Feng and Mr. Liu Liyang will retire by rotation at the forthcoming annual general meeting. Further, Mr. Xie Jun was appointed on 22 August 2018 and pursuant to Bye-law no.115, the office of Mr. Xie Jun will end at the forthcoming annual general meeting. Please refer to the announcement of the Company dated 22 August 2018 for the biographical details of Mr. Xie Jun. Each of Mr. Zhou Wei Feng, Mr. Liu Liyang and Mr. Xie Jun, 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 35 to 36 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 2018, 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)*
Liu Liyang	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)*
Xie Jun	The Company	Beneficial owner	2,200,000 ordinary shares (L)

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.

Save as disclosed above, as at 31 December 2018, 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 2018 are as follows:

Grantee	Date granted	Exercisable period	Exercise price of options HK$	Number of share options: Outstanding at 1.1.2018	Forfeited during the year	Lapsed during the year	Outstanding at 31.12.2018
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
Lum Pak Sum resigned on 22 August 2018	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 resigned on 1 January 2018	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*	–	(3,037,500)	11,700,000
	10 Nov 2017	10 May 2018 – 9 Nov 2027	0.100	287,000,000	(30,000,000)	(22,000,000)	235,000,000
				330,412,500	(35,200,000)	(30,237,500)	264,975,000

* 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 2018 and 2017. The options outstanding under the Old Scheme and New Scheme at the end of the year have a weighted average remaining contractual life of 8.24 years (2017: 9.29 years) and the exercise prices range from HK$0.100 to HK$0.240 (2017: from HK$0.100 to HK$0.240). The total number of shares available for issue under the New Scheme was 106,008,492 shares, representing 1.14% 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$7,507,000 (2017: HK$3,605,000).

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 2018, 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	53.30
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)*	9.21
	4,875,546,570	Having a security interest in shares	52.63
China Huarong Asset Management Co., Ltd. *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.21
	4,875,546,570	Having a security interest in shares	52.63
Huarong Real Estate Co., Ltd. *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.21
	4,875,546,570	Having a security interest in shares	52.63
Huarong Zhiyuan Investment & Management Co., Ltd. *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.21
	4,875,546,570	Having a security interest in shares	52.63
China Huarong International Holdings Limited *(Note 2)*	853,604,067	Interest in controlled corporation *(Note 3)*	9.21
	4,875,546,570	Having a security interest in shares	52.63
New Silkroad Investment Holdings Limited *(Note 2)*	853,604,067	Beneficial owner *(Note 3)*	9.21
Right Select International Limited *(Note 2)*	4,875,546,570	Having a security interest in shares	52.63
Quick Run Limited *(Note 2)*	4,875,546,570	Having a security interest in shares	52.63
CM Asset Management (Hong Kong) Company Limited	478,542,500	Investment manager	5.17
Shareholder Value Fund	478,542,500	Beneficial owner	5.17

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 2018, 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 2018, 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$181,000 (2017: approximately HK$169,000) 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% (2017: 34% 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$3,723,000 (2017: approximately HK$2,432,000) 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 2018 (2017: HK$Nil).

AUDITOR

At the last annual general meeting of the Company, RSM Hong Kong was re-appointed as the auditor of the Company. On 22 November 2018, the auditor of the Company changed its Chinese practicing name to "羅申美會計師事務所". 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, 27 March 2019

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 2018.

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 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.

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 seven members, consisting of three Executive Directors, one Non-executive Director 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
Ms. Chai Lin (appointed on 18 April 2018)

Independent Non-executive Directors
Mr. Chong Yiu Kan, Sherman
Mr. Lum Pak Sum (resigned on 22 August 2018)
Mr. Liu Liyang
Mr. Xie Jun (appointed on 22 August 2018)

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 35 to 36 of this annual report.

During the year ended 31 December 2018, 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 of 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.

THE BOARD *(Continued)*

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

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.

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

The Code Provision A.4.1 stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election. Although the Independent Non-executive Directors of the Company are not appointed for a specific term, they are subject to retirement by rotation at least once every three years in accordance with Article 111(A) of the Company's Bye-Laws. Pursuant to Article 111(A) of the Company's Bye-Laws, Mr. Zhou Wei Feng and Mr. Liu Liyang will retire by rotation at the forthcoming annual general meeting. Further, Mr. Xie Jun was appointed on 22 August 2018 and pursuant to Bye-law no.115, the office of Mr. Xie Jun will end at the forthcoming annual general meeting. Please refer to the announcement of the Company dated 22 August 2018 for the biographical details of Mr. Xie Jun. Each of Mr. Zhou Wei Feng, Mr. Xie Jun and Mr. Liu Liyang, 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.

On 15 October 2018, Mr. Chan Yin Kay tendered his resignation as Company Secretary of the Company and Ms. Wong Pui Yee ("Ms. Wong") was appointed as the Company Secretary of the Company on 15 October 2018. The biographical details of Ms. Wong are set out under the section headed "Biographical Details of Directors and Senior Management".

During the year ended 31 December 2018, Ms. Wong 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.
- 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 2018, 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.

Remuneration Committee

The Remuneration Committee comprises four members, namely, Mr. Liu Liyang (Chairman), Mr. Lum Pak Sum (resigned)/Mr. Xie Jun, 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 2018, 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.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2018 is set out below:

Remuneration band (HK$)	Number of persons
2,000,001 to 2,500,000	3
2,500,001 to 3,000,000	1

Further particulars regarding the Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 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)*	1/1	100%
Mr. Lum Pak Sum (resigned on 22 August 2018)	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
Mr. Xie Jun	N/A	N/A
Executive Director		
Mr. Sze Wai, Marco	1/1	100%

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.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

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 (resigned)/Mr. Xie Jun 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 2018.

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)*	4/4	100%
Mr. Lum Pak Sum (resigned on 22 August 2018)	3/3	100%
Mr. Liu Liyang	4/4	100%
Mr. Xie Jun (appointed on 22 August 2018)	1/1	100%

Nomination Committee

The Nomination Committee comprises five members namely, Mr. Lum Pak Sum (resigned)/Mr. Xie Jun (Chairman), Ms. Chai Lin, 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 2018 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 (resigned on 22 August 2018) *(Chairman)*	1/1	100%
Mr. Xie Jun (appointed on 22 August 2018) *(Chairman)*	N/A	N/A
Mr. Liu Liyang	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
Non-executive Director		
Mr. Law Fei Shing (resigned on 1 January 2018)	N/A	N/A
Ms. Chai Lin (appointed on 18 April 2018)	1/1	100%
Executive Director		
Mr. Sze Wai, Marco	1/1	100%

Number of Meetings and Directors' Attendance

During the year ended 31 December 2018, 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.

BOARD COMMITTEES *(Continued)*

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

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

	Attendance	Percentage
Executive Directors		
Mr. Sze Wai, Marco	7/7	100%
Mr. Zhou Wei Feng	7/7	100%
Mr. Tan Shu Jiang	7/7	100%
Non-executive Directors		
Ms. Chai Lin (appointed on 18 April 2018)	2/2	100%
Independent Non-executive Directors		
Mr. Chong Yiu Kan, Sherman	7/7	100%
Mr. Lum Pak Sum (resigned on 22 August 2018)	6/6	100%
Mr. Liu Liyang	7/7	100%
Mr. Xie Jun (appointed on 22 August 2018)	1/1	100%

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 2018 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.

BOARD COMMITTEES *(Continued)*

Practices and Conduct of Meetings *(Continued)*

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 2018.

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 2018.

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 66 to 71 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$1,850,000 and HK$386,000 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 AND INTERNAL CONTROL *(Continued)*

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.

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

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 2018 Annual General Meeting ("AGM") was held on 1 June 2018. The notice of 2018 AGM was sent to Shareholders at least 20 clear business days before the AGM.

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 1 June 2018 as he had an important engagement that was important to the Company's business. Although he was unable to attend, he had arranged Mr. Zhou Wei Feng, an Executive Director 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.

SHAREHOLDERS' RIGHTS *(Continued)*

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.

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 2018.

SHAREHOLDERS' RIGHTS *(Continued)*

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 72 to 163, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 notes 5c and 21 to the consolidated financial statements* The Group's biological assets represented North American red maple tree seedlings (the "Seedlings") located in nurseries in Anhui and Jiangsu, 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 at 31 December 2018 was approximately HK$309 million and the related loss from changes in fair value less costs to sell of biological assets for the year ended 31 December 2018 was approximately HK$22 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 notes 5d and 22 to the consolidated financial statements* At 31 December 2018, there are prepaid consulting and maintenance service costs of approximately HK$93 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 one 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 and this segment made a loss for the year ended 31 December 2018. This has increased the risk that the carrying amount of prepaid consulting and maintenance service costs at 31 December 2018 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
29th Floor, Lee Garden Two,
28 Yun Ping Road, Causeway Bay,
Hong Kong, 27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	8	**48,398**	55,670
Cost of sales		**(36,953)**	(37,394)
Gross profit		**11,445**	18,276
Other income	9	**1,265**	1,735
Other gains and losses	10	**(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	21	**(792)**	(985)
Loss from changes in fair value less costs to sell of biological assets	21	**(22,363)**	(5,891)
Loss from operations		**(111,598)**	(48,697)
Finance costs	11	**(25,883)**	(23,625)
Loss before tax		**(137,481)**	(72,322)
Income tax expense	12	**–**	–
Loss for the year	13	**(137,481)**	(72,322)
Attributable to:			
Owners of the Company		**(135,758)**	(72,260)
Non-controlling interests		**(1,723)**	(62)
		(137,481)	(72,322)
Loss per share	17		
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	*19*		
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	20	**71,913**	33,201
Biological assets	21	**308,511**	276,377
Prepayments	22	**93,504**	105,649
Deposits	23	**–**	10,855
		473,928	426,082
Current assets			
Inventories	24	**5,203**	1,805
Trade and other receivables	25	**36,432**	52,688
Bank and cash balances	26	**153,983**	334,960
		195,618	389,453
Current liabilities			
Trade and other payables	27	**29,493**	28,097
Finance lease payable	28	**531**	513
Convertible bonds	30	**127,017**	18,321
Current tax liabilities		**1,425**	1,494
		158,466	48,425
Net current assets		**37,152**	341,028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Total assets less current liabilities		**511,080**	767,110
Non-current liabilities			
Finance lease payable	28	**1,163**	1,694
Convertible bonds	30	**–**	107,188
		1,163	108,882
Net assets		**509,917**	658,228
Capital and reserves			
Share capital	33	**92,644**	918,939
Reserves	35	**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

Approved by the Board of Directors on 27 March 2019 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 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus 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 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	393,831	(135,918)	–	–	–	–	–	257,913	–	257,913
Share-based payments *(note 31)*	–	–	–	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
At 1 January 2018	**918,939**	**544,239**	**–**	**7,625**	**26,325**	**26,320**	**(865,048)**	**658,400**	**(172)**	**658,228**
Adjustment on initial application of HKFRS 9 *(note 3(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**(723)**	**(723)**	**–**	**(723)**
Restated balance at 1 January 2018	**918,939**	**544,239**	**–**	**7,625**	**26,325**	**26,320**	**(865,771)**	**657,677**	**(172)**	**657,505**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(31,208)**	**–**	**(135,758)**	**(166,966)**	**(1,759)**	**(168,725)**
Issue of shares upon conversion of convertible bonds	**7,504**	**7,498**	**–**	**–**	**–**	**(1,372)**	**–**	**13,630**	**–**	**13,630**
Capital reorganisation *(note 33(a))*	**(833,799)**	**(551,737)**	**1,385,536**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments *(note 31)*	**–**	**–**	**–**	**7,507**	**–**	**–**	**–**	**7,507**	**–**	**7,507**
Share options lapsed *(note 31)*	**–**	**–**	**–**	**(1,649)**	**–**	**–**	**1,649**	**–**	**–**	**–**
Changes in equity for the year	**(826,295)**	**(544,239)**	**1,385,536**	**5,858**	**(31,208)**	**(1,372)**	**(134,109)**	**(145,829)**	**(1,759)**	**(147,588)**
At 31 December 2018	**92,644**	**–**	**1,385,536**	**13,483**	**(4,883)**	**24,948**	**(999,880)**	**511,848**	**(1,931)**	**509,917**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before tax		**(137,481)**	(72,322)
Adjustments for:			
Biological assets written off	21	**792**	985
Depreciation	13	**6,626**	3,747
Equity-settled share-based payments		**7,507**	3,605
Finance costs	11	**25,883**	23,625
Gain on disposals of property, plant and equipment	10	**(206)**	(88)
Impairment losses on property, plant and equipment	20	**13,061**	–
Impairment losses on trade receivables	6(b)	**555**	3,006
Interest income	9	**(1,153)**	(1,275)
Inventories written off		**200**	–
Loss from changes in fair value less costs to sell of biological assets	21	**22,363**	5,891
Other receivables written off		**201**	–
Property, plant and equipment written off		**–**	290
Reversal of impairment losses on trade receivables	6(b)	**(396)**	–
Operating loss before working capital changes		**(62,048)**	(32,536)
Increase in inventories		**(3,598)**	(1,805)
Decrease/(increase) in trade receivables		**16,747**	(25,751)
(Increase)/decrease in prepayments, deposits and other receivables		**(1,541)**	5,720
(Decrease)/increase in trade payables		**(1,838)**	1,627
Increase in accrued expenses and other payables		**2,584**	7,140
Net cash used in operating activities		**(49,694)**	(45,605)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Increase in biological assets		**(55,185)**	(106,017)
Decrease in prepayments		**12,145**	9,690
Decrease in deposits		**10,855**	12,485
Purchases of property, plant and equipment		**(64,115)**	(25,379)
Proceeds from disposals of property, plant and equipment		**3,280**	88
Interest received		**1,153**	1,275
Net cash used in investing activities		**(91,867)**	(107,858)
Cash flows from financing activities			
Net proceeds from issue of shares		**–**	257,913
Repayment of finance lease payable		**(513)**	(455)
Interest paid		**(10,030)**	(9,559)
Finance lease charges paid		**(65)**	(75)
Net cash (used in)/generated from financing activities		**(10,608)**	247,824
Net (decrease)/increase in cash and cash equivalents		**(152,169)**	94,361
Effect of foreign exchange rates changes, net		**(28,808)**	31,953
Cash and cash equivalents at 1 January		**334,960**	208,646
Cash and cash equivalents at 31 December		**153,983**	334,960
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**153,983**	334,960

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 40 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 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 as 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.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(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 asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(b) Measurement *(Continued)*

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 recognised 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 recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(b) Measurement *(Continued)*

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.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

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

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

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	*26*	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.

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

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

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 impairment 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.

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

(a) Application of new and revised HKFRSs *(Continued)*

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

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 recognised 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.

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

(a) Application of new and revised HKFRSs *(Continued)*

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

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.

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 16 Leases *(Continued)*

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.

As disclosed in note 37(a), 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.

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 involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

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.

Construction in progress represents plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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 Seedlings 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 recognised 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 nursery 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 consolidated 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 and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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 and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments held by the Group are classified as amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method.

Policy prior to 1 January 2018

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

Policy prior to 1 January 2018 (Continued)

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.

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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.

(m) 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.

(n) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of waste pyrolysis products is recognised when control of the products has transferred, being when the customer collects the products from the Group's factory. Following the collection, the customer has full discretion over the manner of distribution and price to sell the products, has the primary responsibility when on selling the products and bears the risks of obsolescence and loss in relation to the products. Payment of the transaction price is due and settled at the point the customer collects the products.

Revenue from the sale of tree seedlings is recognised when control of the products has transferred, being when the products have been delivered to the customer's specific location (delivery) or inspected and accepted by the customer at the Group's nursery. Following delivery or inspection and acceptance by the customer, the customer has full discretion over the manner of distribution and price to sell the products, has the primary responsibility when on selling the products and bears the risks of obsolescence and loss in relation to the products. A receivable is recognised by the Group when the products are delivered to the customer or inspected and accepted by the customer at the Group's nursery as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from landfill management, treatment services and waste sorting is recognised 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.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue recognition *(Continued)*

Policy prior to 1 January 2018

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group when specific criteria have been met for each of the Group's activities.

Revenues from the sales of products and tree seedlings are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the products 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 the customers.

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

(p) 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.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal governments. 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.

The retirement benefit costs charged to profit or loss represent contributions payable by the Group to the funds.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(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.

(q) 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.

(r) Borrowing costs

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

(s) 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Taxation *(Continued)*

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.

(t) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of financial assets

The Group recognises a loss allowance for ECLs on its assets carried at amortised cost, such as trade and other receivables. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECLs on this financial asset are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments measured at amortised cost, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Financial instruments measured at amortised cost except for trade receivables are categorised into the following stages by the Group:

- Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

- Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

- Stage 3: Financial assets that are credit-impaired at the end of the reporting period (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Measurement and recognition of ECL

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Policy prior to 1 January 2018

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Policy prior to 1 January 2018 (Continued)

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.

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.

(v) 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.

(w) 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. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

As explained in note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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 at 31 December 2018 was approximately HK$71,913,000 (2017: approximately HK$33,201,000).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Impairment of trade and other receivables

Prior to the adoption of HKFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade and other receivables, including the current creditworthiness and the past collection history of each customer/debtor. If the financial conditions of customers/debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

At 31 December 2017, the carrying amount of trade and other receivables was approximately HK$52,688,000 (net of impairment losses of approximately HK$12,105,000).

Since the adoption of HKFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade and other receivables based on the credit risk of trade and other receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

At 31 December 2018, the carrying amount of trade and other receivables is approximately HK$36,432,000 (net of impairment losses of approximately HK$9,160,000).

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) *Fair value of biological assets*

The biological assets are measured at fair value less costs to sell. The fair value is determined at the end of the 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 the 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 the Seedlings' price**	**(Increase)/ decrease in loss before tax 2018**	**(Increase)/ decrease in loss before tax 2017**
	%	*HK$'000*	*HK$'000*
If the Seedlings price increases	5	15,426	13,819
If the Seedlings price decreases	(5)	(15,426)	(13,819)

The carrying amount of biological assets at 31 December 2018 was approximately HK$308,511,000 (2017: approximately HK$276,377,000).

5. CRITICAL JUDGEMENT AND 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 a 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 sales plan based on the Group's business strategy.

The carrying amount of prepaid consulting and maintenance service costs at 31 December 2018 was approximately HK$93,115,000 (2017: approximately HK$105,649,000). No impairment loss on prepaid consulting and maintenance service costs was recognised for the year ended 31 December 2018 (2017: HK$Nil).

(e) *Impairment of property, plant and equipment*

Plant and machinery in the property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may be irrecoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or value in use; and (iii) the appropriate key assumptions to be applied in preparing cash flow forecasts including whether these cash flow forecasts are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow forecasts, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the forecasted performance and resulting future cash flow forecasts, it may be necessary to take an impairment loss to the consolidated statement of profit or loss.

The carrying amount of the plant and machinery in the property, plant and equipment at 31 December 2018 was approximately HK$63,143,000 (2017: approximately HK$27,461,000) after impairment losses of approximately HK$13,061,000 was recognised for the year ended 31 December 2018 (2017: HK$Nil). Details of the calculation of recoverable amount are disclosed in note 20 to the consolidated financial statements.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) 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 (2017: HK$Nil).

(g) 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 2018 (2017: 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 2018, 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$62,000 (2017: approximately HK$4,695,000) higher, arising mainly as a result of the foreign exchange losses on other payables 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$62,000 (2017: approximately HK$4,695,000) lower, arising mainly as a result of the foreign exchange gains on other payables denominated in RMB.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 150 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2018:

	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*HK$'000*	*HK$'000*
Current (not past due)	0.7%	15,905	111
1 – 30 days past due	0.7%	–	–
31 – 60 days past due	0.7%	–	–
61 – 90 days past due	0.7%	–	–
More than 90 days past due	0.7%	5,984	42
	0.7%	21,889	153

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of approximately HK$3,098,000 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017
	HK$'000
Neither past due nor impaired	30,742
1 – 90 days past due	420
181 – 365 days past due	8,545
	39,707

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
At 31 December under HKAS 39	**3,098**	–
Impact on initial application of HKFRS 9 *(note 3(a))*	**723**	–
Adjusted balance at 1 January	**3,821**	–
Impairment losses recognised for the year	**555**	3,006
Amounts written off during the year	**(3,794)**	–
Reversals	**(396)**	–
Exchange adjustments	**(33)**	92
At 31 December	**153**	3,098

The significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance during 2018 due to a write-off of trade receivables with a gross carrying amount of approximately HK$3,794,000 resulted in a decrease in loss allowance of approximately HK$3,794,000.

Financial assets at amortised cost

Financial assets at amortised cost include deposits and other receivables.

The loss allowance for financial assets at amortised cost at 31 December 2017 does not have significant impact on the opening loss allowance on 1 January 2018 and the closing loss allowance at 31 December 2018.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 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 2018				
Trade payables	**2,157**	**–**	**–**	**2,157**
Accrued expenses and other payables	**27,017**	**–**	**–**	**27,017**
Convertible bonds	**145,489**	**–**	**–**	**145,489**
Finance lease payable	**578**	**578**	**625**	**1,781**
At 31 December 2017				
Trade payables	3,995	–	–	3,995
Accrued expenses and other payables	24,102	–	–	24,102
Convertible bonds	24,362	145,489	–	169,851
Finance lease payable	577	578	1,203	2,358

(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

	2018	2017
	HK$'000	*HK$'000*
Financial assets:		
Financial assets measured at amortised cost	**186,743**	–
Loans and receivables		
Trade and other receivables	–	49,905
Bank and cash balances	–	334,960
	–	384,865
Financial liabilities:		
Financial liabilities at amortised cost		
Trade and other payables	**29,174**	28,097
Liability component of convertible bonds	**127,017**	125,509
	156,191	153,606

(f) Fair values

Except as disclosed in note 7 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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.

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

Description	Fair value measurements using:			Total
	Level 1	**Level 2**	**Level 3**	**2018**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Consumable biological assets				
The Seedlings	**–**	**–**	**308,511**	**308,511**

Description	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Consumable biological assets				
The Seedlings	–	–	276,377	276,377

There are no transfers into and transfers out of any of the three levels for the years ended 31 December 2018 and 2017.

7. FAIR VALUE MEASUREMENTS *(Continued)*

(b) 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 21 to the consolidated financial statements.

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

(c) 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 professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") to value its biological assets at 31 December 2018 and 2017. 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 organisation 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)*

(c) 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 2018 HK$'000	2017 HK$'000
The Seedlings	Market approach	Estimated selling price per unit	2018: RMB63 – RMB460 (2017: RMB62 – RMB420)	Increase	**308,511**	276,377

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

8. REVENUE

Disaggregation of revenue

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

	2018 **HK$'000**	2017 HK$'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products		
Sales of the 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 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'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.

9. OTHER INCOME

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

10. OTHER GAINS AND LOSSES

	2018 *HK$'000*	2017 *HK$'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

11. FINANCE COSTS

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

12. 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	**–**	–

13. LOSS FOR THE YEAR

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

	2018 *HK$'000*	2017 *HK$'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 equipments	**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.

14. EMPLOYEE BENEFITS EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments):		
Salaries and allowances	**30,473**	22,848
Equity-settled share-based payments	**7,507**	3,605
Retirement benefit scheme contributions	**3,904**	2,601
	41,884	29,054

Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2017: three) director(s) whose emoluments are reflected in the analysis presented in note 15(a). The emoluments of the remaining four (2017: two) individuals are set out below:

	2018	2017
	HK$'000	*HK$'000*
Salaries and allowances	**6,643**	2,634
Equity-settled share-based payments	**2,614**	585
Retirement benefit scheme contributions	**462**	118
	9,719	3,337

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
HK$1,500,001 – HK$2,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**3**	–
HK$2,500,001 – HK$3,000,000	**1**	–

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid or receivable by each of the eight (2017: eight) 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	–	3,510	–	19	3,529
Zhou Wei Feng	–	1,922	–	19	1,941
Tan Shu Jiang	–	1,998	–	19	2,017
Non-executive directors					
Law Fei Shing *(a)*	–	–	–	–	–
Chai Lin *(b)*	101	–	–	–	101
Independent non-executive directors					
Chong Yiu Kan, Sherman	144	–	152	–	296
Lum Pak Sum *(c)*	96	–	152	–	248
Liu Liyang	144	–	152	–	296
Xie Jun *(d)*	52	–	–	–	52
Total for 2018	537	7,430	456	57	8,480

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

(a) Directors' emoluments *(Continued)*

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

Notes:
(a) Resigned on 1 January 2018.
(b) Appointed on 18 April 2018.
(c) Resigned on 22 August 2018.
(d) Appointed on 22 August 2018.
(e) Resigned on 3 November 2017.

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 (2017: HK$Nil).

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

Save as disclosed in note 39 to the consolidated financial statements, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other 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. 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).

17. 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.

18. SEGMENT INFORMATION

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

18. SEGMENT INFORMATION *(Continued)*

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

18. SEGMENT INFORMATION *(Continued)*

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

18. SEGMENT INFORMATION *(Continued)*

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

18. SEGMENT INFORMATION *(Continued)*

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

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

19. OTHER COMPREHENSIVE INCOME

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

	2018			2017		
	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	**(31,244)**	**–**	**(31,244)**	32,791	–	32,791
Other comprehensive income	**(31,244)**	**–**	**(31,244)**	32,791	–	32,791

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	**Plant and machinery**	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Construction in progress**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
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
At 1 January 2018	**6,577**	**30,193**	**7,441**	**16,545**	**–**	**60,756**
Additions	**1,235**	**1,828**	**381**	**3,480**	**57,191**	**64,115**
Disposals	**–**	**(4,729)**	**–**	**(2,521)**	**–**	**(7,250)**
Transfers	**–**	**56,592**	**–**	**–**	**(56,592)**	**–**
Exchange adjustments	**(109)**	**(3,050)**	**(171)**	**(284)**	**(23)**	**(3,637)**
At 31 December 2018	**7,703**	**80,834**	**7,651**	**17,220**	**576**	**113,984**

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

	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment:						
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
At 1 January 2018	**5,308**	**2,732**	**6,484**	**13,031**	**–**	**27,555**
Charge for the year	**771**	**4,279**	**474**	**1,206**	**–**	**6,730**
Disposals	**–**	**(1,655)**	**–**	**(2,521)**	**–**	**(4,176)**
Impairment losses	**–**	**13,061**	**–**	**–**	**–**	**13,061**
Exchange adjustments	**(64)**	**(726)**	**(155)**	**(154)**	**–**	**(1,099)**
At 31 December 2018	**6,015**	**17,691**	**6,803**	**11,562**	**–**	**42,071**
Carrying amount:						
At 31 December 2018	**1,688**	**63,143**	**848**	**5,658**	**576**	**71,913**
At 31 December 2017	1,269	27,461	957	3,514	–	33,201

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

At 31 December 2018, due to a delay in the production schedule at Weifang city, management, with the assistance of JLL, carried out review of the recoverable amount of the corresponding plant and machinery included in the property, plant and equipment. These assets are used in the Group's waste pyrolysis segment. The review has resulted in the recognition of an impairment loss of approximately HK$13,061,000 that has been recognised in profit or loss.

The recoverable amount of these plant and machinery has been determined on the basis of their value in use using discounted cash flow forecasts based on financial budgets approved by the directors covering a five-year period and management's assumption and estimates. The growth rate is based on the expected inflation rate of the geographical area in which the waste pyrolysis business is operated. The cash flows beyond that five-year period in 2018 had been extrapolated using a steady rate of 3% per annum which was the expected inflation rate of the PRC. Budgeted gross margin and revenue are based on past practices of similar business and expectations of the waste pyrolysis industry development. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of these plant and machinery to exceed its aggregate recoverable amount.

The directors estimate the recoverable amount of these plant and machinery at 31 December 2018 to be approximately HK$8,180,000. The recoverable amount has been calculated by discounting the future cash flows at the pre-tax discount rate of 19.9%.

At 31 December 2018, the carrying amount of a motor vehicle held by the Group under finance lease amounted to approximately HK$2,084,000 (2017: approximately HK$2,694,000).

21. 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 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.

21. BIOLOGICAL ASSETS *(Continued)*

(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 22, 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 25).

The Group's biological assets were independently valued by JLL. The valuation techniques used in the determination of fair value as well as inputs used in the valuation model are disclosed in note 7.

22. 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 25).

23. DEPOSITS

	2018	2017
	HK$'000	*HK$'000*
Deposits paid for purchase of property, plant and equipment	**–**	9,830
Deposits paid for purchase of the Seedlings	**–**	1,025
	–	10,855

24. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**1,490**	1,000
Work in progress	**151**	–
Finished goods	**3,562**	805
	5,203	1,805

25. 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.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

Note 1: *(Continued)*

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 21 and 22).

26. BANK AND CASH BALANCES

At 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$102,159,000 (2017: approximately HK$162,075,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. TRADE AND OTHER PAYABLES

	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 to 90 days	**1,774**	2,163
91 to 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.

28. 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.

29. EMPLOYEE RETIREMENT BENEFITS

The Company and its Hong Kong subsidiaries operate the MPF scheme under the Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustee. Under the MPF scheme, the employers and employees are each required to make contributions to the MPF scheme 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 scheme vest immediately.

29. EMPLOYEE RETIREMENT BENEFITS *(Continued)*

The retirement benefits costs under the MPF scheme charged to the profit or loss during the year amounted to approximately HK$181,000 (2017: approximately HK$169,000).

The subsidiaries of the Group in the PRC other than Hong Kong participate in a central pension scheme operated by the respective local municipal governments whereby they are required to pay annual contributions at the rates ranging from 34% to 44% (2017: 34% to 44%) of the standard wages determined by the relevant authorities in the PRC. Under the PRC central pension scheme, 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 central pension scheme during the year amounted to approximately HK$3,723,000 (2017: approximately HK$2,432,000).

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

30. CONVERTIBLE BONDS

The convertible bonds are analysed as follows:

	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

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

30. 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 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.

30. 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.

	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.

31. 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.

31. 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:

					Number of share options			
Grantee	**Date granted**	**Exercisable period**	*Note*	**Exercise price of options** *HK$*	**Outstanding at 1.1.2018**	**Forfeited during the year**	**Lapsed during the year**	**Outstanding at 31.12.2018**
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*	–	(3,037,500)	11,700,000
	10 Nov 2017	10 May 2018 – 9 Nov 2027	*(c)*	0.100	287,000,000	(30,000,000)	(22,000,000)	235,000,000
					330,412,500	(35,200,000)	(30,237,500)	264,975,000

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

31. 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 share options have duration of 10 years from the date of grant, provided that the share options can only be exercised from the date of 24 December 2009.

(c) All of these share options have duration of 10 years from the date of grant, provided that the share options can only be exercised from the date of 10 May 2018.

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

	2018		2017	
	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	**330,412,500**	**0.110**	22,612,500*	0.240*
Granted during the year	**–**	**–**	307,800,000	0.100
Forfeited during the year	**(35,200,000)**	**0.100**	–	–
Lapsed during the year	**(30,237,500)**	**0.114**	–	–
Outstanding at the end of the year	**264,975,000**	**0.110**	330,412,500	0.110
Exercisable at the end of the year	**264,975,000**	**0.110**	22,612,500	0.240

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

31. 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 2018 and 2017. The options outstanding under the Old Scheme and New Scheme at the end of the year have a weighted average remaining contractual life of 8.24 years (2017: 9.29 years) and the exercise prices range from HK$0.100 to HK$0.240 (2017: HK$0.100 to HK$0.240). In 2017, share options under the New Scheme were granted on 10 November 2017 and the estimated fair value of the share options on this date was approximately HK$12,547,000.

The total number of shares available for issue under the New Scheme was 106,008,492 shares, representing 1.14% 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$7,507,000 (2017: approximately HK$3,605,000).

32. DEFERRED TAX

At the end of the reporting period, the Group has unused tax losses of approximately HK$89,198,000 (2017: HK$61,779,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses of approximately HK$89,198,000 (2017: HK$61,779,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$82,390,000 (2017: HK$54,972,000) that will expire after 5 years from the year of assessment they related to. Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of certain subsidiaries, for which deferred tax liabilities have not been recognised, is approximately HK$1,397,000 (2017: approximately HK$1,267,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The remaining subsidiaries had no undistributed earnings.

33. 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 central 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.

33. SHARE CAPITAL *(Continued)*

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.

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

(a) Statement of financial position of the Company

	2018 *HK$'000*	2017 *HK$'000*
Non-current assets		
Property, plant and equipment	**1,948**	3,074
Investments in subsidiaries	**–**	–
Deposits	**–**	9,830
	1,948	12,904
Current assets		
Amounts due from subsidiaries	**376,499**	620,309
Prepayments, deposits and other receivables	**4,142**	2,694
Bank and cash balances	**41,051**	172,158
	421,692	795,161
Current liabilities		
Other payables	**8,401**	14,603
Convertible bonds	**127,017**	18,321
	135,418	32,924
Net current assets	**286,274**	762,237
Total assets less current liabilities	**288,222**	775,141
Non-current liabilities		
Convertible bonds	**–**	107,188
Net assets	**288,222**	667,953
Capital and reserves		
Share capital	**92,644**	918,939
Reserves	**195,578**	(250,986)
Total equity	**288,222**	667,953

Approved by the Board of Directors on 27 March 2019 and is signed on its behalf by:

Sze Wai, Marco
Director

Tan Shu Jiang
Director

34. 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	Contributed surplus HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
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)
At 1 January 2018	**544,239**	**7,625**	**–**	**26,320**	**(829,170)**	**(250,986)**
Adjustment on initial application of HKFRS 9 – loss allowance for amounts due from subsidiaries	**–**	**–**	**–**	**–**	**(300,438)**	**(300,438)**
Restated balance at 1 January 2018	**544,239**	**7,625**	**–**	**26,320**	**(1,129,608)**	**(551,424)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(100,430)**	**(100,430)**
Issue of shares upon conversion of convertible bonds	**7,498**	**–**	**–**	**(1,372)**	**–**	**6,126**
Capital reorganisation *(note 33(a))*	**(551,737)**	**–**	**1,385,536**	**–**	**–**	**833,799**
Share-based payments *(note 31)*	**–**	**7,507**	**–**	**–**	**–**	**7,507**
Share options lapsed *(note 31)*	**–**	**(1,649)**	**–**	**–**	**1,649**	**–**
Changes in equity for the year	**(544,239)**	**5,858**	**1,385,536**	**(1,372)**	**(98,781)**	**747,002**
At 31 December 2018	**–**	**13,483**	**1,385,536**	**24,948**	**(1,228,389)**	**195,578**

35. 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, the funds in the share premium account of the Company are distributable in the form of fully paid bonus shares.

(ii) Contributed surplus

The contributed surplus represents the credit arising from a capital reduction of the Company and will be used to set-off against the accumulated losses of the Company in any manner at the Board may deem fit as may be permitted under the laws of Bermuda and the bye-laws of Company.

(iii) 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(q) to the consolidated financial statements.

(iv) 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 policy set out in note 4(b) to the consolidated financial statements.

(v) 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(l) to the consolidated financial statements.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

None of the additions to property, plant and equipment during the year were financed by finance lease (2017: approximately HK$2,662,000).

(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 2018	**Cash flows**	**Interest expense/ finance lease charges**	**Reclassification to other payable**	**Conversion**	**31 December 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Convertible bonds – liability component *(note 30)*	125,509	(10,030)	25,818	(650)	(13,630)	127,017
Finance lease payable *(note 28)*	2,207	(578)	65	–	–	1,694
	127,716	(10,608)	25,883	(650)	(13,630)	128,711

	1 January 2017	**New lease**	**Cash flows**	**Interest expense/ finance lease charges**	**31 December 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Convertible bonds – liability component *(note 30)*	111,518	–	(9,559)	23,550	125,509
Finance lease payable *(note 28)*	–	2,662	(530)	75	2,207
	111,518	2,662	(10,089)	23,625	127,716

37. COMMITMENTS

(a) Lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**13,800**	14,199
In the second to fifth years inclusive	**37,296**	42,990
After five years	**9,096**	14,289
	60,192	71,478

Operating lease payments represent rentals payable by the Group for its offices, factory, equipment and nursery. 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:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	**–**	104,852

38. CONTINGENT LIABILITIES

At 31 December 2018, the Group did not have any significant contingent liabilities (2017: HK$Nil).

39. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the year:

	2018	2017
	HK$'000	*HK$'000*
Sales to a director	**2,745**	–

The directors considered that the above related party transaction was in the ordinary and usual course of business of the Group, on normal commercial terms or better, and fair and reasonable.

The above related party transaction also falls under the definition of connected transactions and under the exemptions from the connected transaction requirements in Chapter 14A of the Listing Rules. The Company has complied with the requirements in accordance with Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group during the year was as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries and allowances	**15,792**	9,766
Equity-settled share-based payments	**1,452**	585
Retirement benefit scheme contributions	**426**	32
	17,670	10,383

40. SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2018 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
Delighting Jump Limited	BVI	100	–	US$1	Investment holding
Lush Surplus Investment Ltd.	BVI	100	–	US$1	Inactive
China Star Group (Hong Kong) Corporation Limited	Hong Kong	–	100	HK$100,000	Inactive
Fortune Jet International Limited	Hong Kong	–	100	HK$10,000,000	Investment holding
Smart Goal Development Limited	Hong Kong	–	100	HK$1	Inactive

40. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries at 31 December 2018 are as follows: *(Continued)*

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

40. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries at 31 December 2018 are as follows: *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage Direct	Indirect	Issued and paid up/ registered capital	Principal activities
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
Weifang Fecund Land Ecological Technologies Co., Ltd. *(note b)*	PRC	–	100	US$20,000,000	Inactive

Notes:

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

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

40. SUBSIDIARIES *(Continued)*

The following table shows information on Shandong Kaiyuan Runfeng Environmental Protection Technology Co., Ltd.("Kaiyuan") that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company elimination.

Name	Kaiyuan	
	2018	2017
Principal place of business/country of establishment	**PRC**	PRC
% of ownership interests/voting rights held by NCI	**30%**	30%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**57,405**	–
Current assets	**13,220**	2,176
Current liabilities	**(22,717)**	(2,153)
Net assets	**47,908**	23
Accumulated NCI	**14,372**	7
Year ended 31 December:		
Revenue	**13,755**	348
(Loss)/profit	**(5,408)**	286
Total comprehensive income	**(5,408)**	286
(Loss)/profit allocated to NCI	**(1,622)**	86
Dividends paid to NCI	**–**	–
Net cash used in operating activities	**(3,922)**	(31)
Net cash used in investing activities	**(61,332)**	–
Net cash generated from financing activities	**68,368**	596
Effect of foreign exchange rate changes	**(24)**	(8)
Net increase in cash and cash equivalents	**3,090**	557

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000 (Re-presented)	2014 HK$'000
Results					
Revenue	**48,398**	55,670	23,142	19,090	6,013
Loss from ordinary activities before tax	**(137,481)**	(72,322)	(56,521)	(53,904)	(51,620)
Income tax (expense)/credit	**–**	–	(1,458)	–	503
Loss from continuing operations	**(137,481)**	(72,322)	(57,979)	(53,904)	(51,117)
Loss from discontinued operations	**–**	–	(1,261)	(7,597)	–
Attributable to:					
Owners of the Company	**(135,758)**	(72,260)	(59,137)	(61,490)	(51,117)
Non-controlling interests	**(1,723)**	(62)	(103)	(11)	–
	(137,481)	(72,322)	(59,240)	(61,501)	(51,117)
Loss per share (cents)			(Restated)		
Basic	**(1.47)**	(1.19)	(1.00)	(1.22)	(1.22)
Diluted	**(1.47)**	(1.19)	(1.00)	(1.22)	(1.22)

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Assets and liabilities					
Property, plant and equipment	**71,913**	33,201	8,265	6,017	3,890
Intangible assets	**–**	–	–	888	2,702
Biological assets	**308,511**	276,377	177,144	160,177	2,182
Prepayments	**93,504**	105,649	115,339	167,252	–
Deposits	**–**	10,855	23,340	30,086	211,413
Net current assets	**37,152**	341,028	206,859	147,365	222,240
Total assets less current liabilities	**511,080**	767,110	530,947	511,785	442,427
Non-current liabilities	**(1,163)**	(108,882)	(94,706)	(14,127)	(542)
Net assets	**509,917**	658,228	436,241	497,658	441,885
Capital and reserves					
Share capital	**92,644**	918,939	525,108	525,108	456,408
Reserves	**419,204**	(260,539)	(88,757)	(27,440)	(14,523)
Equity attributable to the owners of the Company	**511,848**	658,400	436,351	497,668	441,885
Non-controlling interests	**(1,931)**	(172)	(110)	(10)	–
Total equity	**509,917**	658,228	436,241	497,658	441,885