美丽中国 BEAUTIFUL CHINA

BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706

Interim Report 2019

Contents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	3	**26,116**	19,203
Cost of sales		**(24,714)**	(11,329)
Gross profit		**1,402**	7,874
Other income and gains	4	**381**	321
Administrative expenses		**(30,737)**	(40,213)
Loss from operations		**(28,954)**	(32,018)
Finance costs	5	**(15,112)**	(12,539)
Loss before tax		**(44,066)**	(44,557)
Income tax expense	6	**–**	–
Loss for the period	7	**(44,066)**	(44,557)
Attributable to:			
Owners of the Company		**(43,494)**	(43,465)
Non-controlling interests		**(572)**	(1,092)
		(44,066)	(44,557)
Loss per share	9		
Basic		**HK(0.47) cents**	HK(0.47) cents
Diluted		**HK(0.47) cents**	HK(0.47) cents

The notes on pages 7 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Loss for the period		**(44,066)**	(44,557)
Other comprehensive income for the period, net of tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(1,623)**	(6,676)
Total comprehensive income for the period		**(45,689)**	(51,233)
Attributable to:			
Owners of the Company		**(45,127)**	(50,141)
Non-controlling interests		**(562)**	(1,092)
		(45,689)	(51,233)

The notes on pages 7 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**69,649**	71,913
Biological assets	11	**327,038**	308,511
Prepayments	12	**79,811**	93,504
Right-of-use assets		**43,451**	–
		519,949	473,928
Current assets			
Inventories		**5,117**	5,203
Trade and other receivables	13	**113,267**	36,432
Bank and cash balances		**45,259**	153,983
		163,643	195,618
Current liabilities			
Trade and other payables	14	**35,288**	29,493
Finance lease payable		**487**	531
Convertible bonds		**136,113**	127,017
Current tax liabilities		**1,421**	1,425
Lease liabilities		**18,097**	–
		191,406	158,466
Net current (liabilities)/assets		**(27,763)**	37,152
Total assets less current liabilities		**492,186**	511,080
Non-current liabilities			
Finance lease payable		**1,024**	1,163
Lease liabilities		**31,583**	–
		32,607	1,163
Net assets		**459,579**	509,917
Capital and reserves			
Share capital	15	**92,644**	92,644
Reserves		**369,584**	419,204
Equity attributable to the owners of the Company		**462,228**	511,848
Non-controlling interests		**(2,649)**	(1,931)
Total equity		**459,579**	509,917

The notes on pages 7 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	(Unaudited) 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 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	–	–	–	–	–	–	(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 period	–	–	–	–	(6,676)	–	(43,465)	(50,141)	(1,092)	(51,233)
Shares issued upon conversion of convertible bonds	7,504	7,499	–	–	–	(1,373)	–	13,630	–	13,630
Capital reorganisation *(Note 15)*	(833,799)	(551,738)	1,385,537	–	–	–	–	–	–	–
Share Option Lapsed	–	–	–	(60)	–	–	60	–	–	–
At 30 June 2018	92,644	–	1,385,537	7,565	19,649	24,947	(909,176)	621,166	(1,264)	619,902
At 1 January 2019	**92,644**	**–**	**1,385,536**	**13,483**	**(4,883)**	**24,948**	**(999,880)**	**511,848**	**(1,931)**	**509,917**
Adjustment on initial application of HKFRS 16	**–**	**–**	**–**	**–**	**182**	**–**	**(4,675)**	**(4,493)**	**(156)**	**(4,649)**
Restated balance at 1 January 2019	**92,644**	**–**	**1,385,536**	**13,483**	**(4,701)**	**24,948**	**(1,004,555)**	**507,355**	**(2,087)**	**505,268**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(1,633)**	**–**	**(43,494)**	**(45,127)**	**(562)**	**(45,689)**
Share Option Lapsed	**–**	**–**	**–**	**(3,915)**	**–**	**–**	**3,915**	**–**	**–**	**–**
At 30 June 2019	**92,644**	**–**	**1,385,536**	**9,568**	**(6,334)**	**24,948**	**(1,044,134)**	**462,228**	**(2,649)**	**459,579**

The notes on pages 7 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(43,952)**	(41,993)
Net cash used in investing activities	**(53,768)**	(28,303)
Net cash used in financing activities	**(11,341)**	(12,758)
Net decrease in cash and cash equivalents	**(109,061)**	(83,054)
Effect of foreign exchange rates changes, net	**337**	1,805
Cash and cash equivalents at 1 January	**153,983**	334,960
Cash and cash equivalents at 30 June	**45,259**	253,711

The notes on pages 7 to 26 form part of this interim financial report.

1 BASIS OF PREPARATION

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

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

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

The condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2018. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the HKFRSs.

1 BASIS OF PREPARATION (CONTINUED)

Going concern

The Group incurred unaudited loss for the six months ended 30 June 2019 of approximately HK$44.0 million and, as at that date, the Group recorded both unaudited net current liabilities of HK$27.8 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors reviewed the Group's financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group:

(a) the Group is in negotiation with financial institutions or existing lenders for new borrowings and extension of existing borrowings upon due dates and applying for future credit facilities;

(b) possible fund raising activities including, but not limited to, further placing, right issues or open offer and issuance of convertible bonds are to be attempted; and

(c) the management plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business to enhance the source of income.

In light of the measures and arrangements as described above, the Directors consider the Group will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated interim financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the condensed consolidated interim financial statements.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial information.

2.1. Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.1. Adoption of HKFRS 16 (CONTINUED)

Impacts on transition **(CONTINUED)**

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

(a) The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase *HK$'000* **(Unaudited)**
Assets	
Increase in right-of-use assets	51,582
Increase in total assets	51,582
Liabilities	
Increase in lease liabilities	54,342
Increase in total liabilities	54,342
Reserves	
Increase in accumulated losses	(4,675)
Increase in translation reserves	182
Decrease in total reserves	(4,493)
Non-controlling interests	
Decrease in non-controlling interest	(156)
Decrease in total non-controlling interest	(156)

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.1. Adoption of HKFRS 16 (CONTINUED)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.1. Adoption of HKFRS 16 (CONTINUED)

Summary of new accounting policies **(CONTINUED)**

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

(b) Amounts recognised in the statements of financial position and profit or loss

	Right-of-use assets *HK$'000* **(Unaudited)**	**Lease liabilities** *HK$'000* **(Unaudited)**
As at 1 January 2019	51,582	54,342
Amortisation	(3,652)	–
Transfer to biological asset	(2,670)	552
Interest expense	–	893
Transfer to cost of sales	(1,706)	–
Payments	–	(5,979)
Exchange realignment	(103)	(128)
As at 30 June 2019	43,451	49,680

3 SEGMENT INFORMATION

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

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

The Group has three reporting segments as follows:

Tree plantation	–	Cultivation and trading of North American red maple tree seedlings (the "Seedlings")
Landfill management and waste sorting	–	Provision of landfill management, treatment services and waste sorting
Waste pyrolysis	–	Production and trading of pyrolysis oils and the other materials

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

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

All operating assets and operations of the Group during the periods ended 30 June 2019 and 2018 were substantially located and carried out in the People's Republic of China (the "PRC").

3 SEGMENT INFORMATION (CONTINUED)

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

	(Unaudited)			
	Tree plantation *HK$'000*	Landfill management and waste sorting *HK$'000*	Waste pyrolysis *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2019				
Revenue from external customers	95	–	26,021	26,116
Segment gain/(loss)	(1,281)	(1,280)	(3,103)	(5,664)
Interest income	4	15	20	39
Depreciation and amortisation	126	–	4,189	4,315
Capital expenditure	61	–	3,013	3,074
As at 30 June 2019				
Segment assets	488,176	50,415	107,669	646,260
Segment liabilities	29,940	6,484	26,482	62,906

3 SEGMENT INFORMATION (CONTINUED)

	(Unaudited)			
	Tree plantation *HK$'000*	Landfill management and waste sorting *HK$'000*	Waste pyrolysis *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2018				
Revenue from external customers	18,375	–	828	19,203
Segment gain/(loss)	7,011	(2,726)	(5,293)	(1,008)
Interest income	–	84	–	84
Depreciation and amortisation	79	491	1,065	1,635
Capital expenditure	2,482	–	53,675	56,157
As at 31 December 2018				
Segment assets	445,784	95,557	80,386	621,727
Segment liabilities	4,980	1,816	9,660	16,456

4 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**67**	321
Gain of disposal on property, plant and equipment	**279**	–
Other income	**35**	–
	381	321

5 FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance lease charges	**108**	36
Interest on convertible bonds	**14,111**	12,503
Interest on leases liabilities	**893**	–
	15,112	12,539

6 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 jurisdiction for the six months ended 30 June 2019 and 2018.

No provision for the PRC Enterprise Income Tax (the "EIT") has been made in the condensed consolidated financial statements for the six months ended 30 June 2019 and 2018 since the PRC subsidiaries either have no assessable profits or are exempted from the EIT on profits derived from seedlings cultivation for both periods. 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 regulations.

7 LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation:		
– Owned assets	**5,475**	2,231
– Leased asset	**71**	305
Staff costs including directors' emoluments	**13,424**	15,795

8 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 2018.

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to the owners of the Company for the six months ended 30 June 2019 is based on the loss for the period attributable to owners of the Company of approximately HK$43,494,000 (six months ended 30 June 2018: loss of approximately HK$43,465,000) and the weighted average number of ordinary shares of approximately 9,264,436,000 (six months ended 30 June 2018: approximately 9,227,127,000) in issue during the period.

(b) Diluted loss per share

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

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group had additions of property, plant and equipment at a total cost of HK$3,978,000 (six months ended 30 June 2018: HK$28,541,000), and wrote off of property, plant and equipment with a total net carrying amount of HK$Nil (six months ended 30 June 2018: HK$Nil).

11 BIOLOGICAL ASSETS

(a) Nature of the Group's agricultural activities

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

The quantities of the Seedlings owned by the Group as at 30 June 2019 and 31 December 2018 are listed below:

	At 30 June 2019 (Unaudited) *Unit'000*	At 31 December 2018 (Audited) *Unit'000*
The Seedlings:	**1,079**	1,079

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.

11 BIOLOGICAL ASSETS (CONTINUED)

(a) Nature of the Group's agricultural activities (CONTINUED)

(ii) Climate and other risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls, etc. The Group has agreements in place with the supplier of the Seedlings who support the growth of the Seedlings in order to ensure that the survival rate of the Seedlings is not less than 95%.

(iii) Commodity price risk

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

11 BIOLOGICAL ASSETS (CONTINUED)

(b) Value of the Group's biological assets

Movements of the Seedlings are summarised as follows:

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
At the beginning of the reporting period	**308,511**	276,377
Increase due to exchange	**–**	39,654
Increase due to compensation	**–**	6,684
Increase due to purchases	**–**	6,484
Increase due to plantation costs *(note 1)*	**19,841**	42,943
Decrease due to sales	**–**	(19,408)
Decrease due to mortality	**–**	(7,596)
Changes in fair value less costs to sell of biological assets	**–**	(22,363)
Exchange adjustments	**(1,314)**	(14,264)
At the end of the reporting period	**327,038**	308,511

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

The directors estimate the fair values of the Group's biological assets are not materially different from their carrying values as at 30 June 2019.

12 PREPAYMENTS

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Prepaid consulting and maintenance service costs *(note)*	**79,811**	93,115
Prepaid property, plant and equipment costs	**–**	389
	79,811	93,504

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 consultancy 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 consultancy and maintenance service costs are capitalised in the plantation costs of biological assets.

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Trade receivables *(note 1)*	**19,119**	22,264
Allowance for trade receivables	**(153)**	(153)
	18,966	22,111
Deposits *(note 2)*	**48,802**	3,617
Prepayments	**35,486**	3,672
Other receivables	**10,013**	7,032
Total trade and other receivables	**113,267**	36,432

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 all customers are mainly on credit. The credit period is ranging from 30 days to 150 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a 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.

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note 1: **(CONTINUED)**

The aging analysis of trade receivables, based on invoice date and net of allowance for impairment loss is as follows:

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Current	**10,174**	14,393
1 to 3 months	**4,297**	1,408
3 to 12 months	**4,495**	5,942
Over 1 year	**–**	368
	18,966	22,111

Note 2: The carrying amount of approximately HK$46,800,000 as refundable deposit in relation to Weifang Wetland Development Project.

On 1 April 2019, the Company entered into an agreement with Weifang Zhongti in relation to the withdrawal and assumption the Weifang Wetland Development Project (the "Agreement"). Pursuant to the Agreement, the Company shall pay a sum of RMB40,000,000 (equivalent to approximately HK$46,800,000) as refundable deposit to Weifang Zhongti. By entering to the Agreement, Weifang Zhongti intends to withdraw from and the Group intends to assume and enter into, the Weifang Wetland Development Project and the leasing with the relevant authorities of the Phase I Land, which forms part of an ecological park on the Bailang River Upstream Wetland Park. The ecological park will consist of, among others, flower and tree seedlings farms, and the relevant ecological landscapes and other facilities.

14 TRADE AND OTHER PAYABLES

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Trade payables *(note)*	**2,838**	2,157
Other payables and accrued expenses	**32,450**	27,017
Receipt in advance	**–**	319
Total trade and other payables	**35,288**	29,493

14 TRADE AND OTHER PAYABLES (CONTINUED)

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

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
1 to 3 months	**383**	1,774
3 to 12 months	**2,451**	379
Over 1 year	**4**	4
	2,838	2,157

15 SHARE CAPITAL

	At 31 December 2018 (Audited)	
	No. of shares *'000*	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each	120,000,000	1,200,000

	At 30 June 2019 (Unaudited)	
	No. of shares ***'000***	**Amount** ***HK$'000***
Authorised:		
Ordinary shares of HK$0.01 each	**120,000,000**	**1,200,000**

15 SHARE CAPITAL (CONTINUED)

	At 30 June 2019 (Unaudited)		At 31 December 2018 (Audited)	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Issued and fully paid:				
At beginning of the reporting period	**9,264,436**	**92,644**	9,189,399	918,939
Shares issued upon conversion of convertible bonds	**–**	**–**	75,037	7,504
Capital reorganisation *(note)*	**–**	**–**	–	(833,799)
At the end of the reporting period	**9,264,436**	**92,644**	9,264,436	92,644

Note:

(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, 11 April 2018, 13 April 2018 and 16 April 2018 in relation to the central capital reorganisation.

16 COMMITMENTS

Lease commitments

The Group leases various offices and apartments under non-cancellable operating lease agreements. The operating lease commitment as at 30 June 2019 presented below represents the future aggregate minimum lease payments for the leases with lease terms less than one year. Leases with lease terms over one year have been recorded as lease liabilities as at 30 June 2019 under newly adopted accounting standard HKFRS 16 (note 2). The operating lease commitment as at 31 December 2018 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases.

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Within one year	**1,354**	13,800
In the second to fifth years inclusive	**–**	37,296
After five years	**–**	9,096
	1,354	60,192

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

17 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 30 June 2019 and 31 December 2018.

18 RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group during the periods ended 30 June 2019 and 2018.

19 EVENT AFTER THE REPORTING PERIOD

On 19 June 2019, Sino IC Leasing (Beijing) and Shandong Kaiyuan entered into the Finance Lease Arrangement, involving the Ownership Transfer Agreement and the Finance Lease Agreements, pursuant to which Sino IC Leasing (Beijing) agreed, among other things, to (i) purchase the Leased Assets from Shandong Kaiyuan at a consideration of RMB20.0 million; and (ii) following the acquisition, Sino IC Leasing (Beijing), as the lessor, agreed to lease back the Leased Assets to Shandong Kaiyuan, as the lessee, for a period of 36 months with an aggregate lease payment of approximately RMB22.5 million, which is to be payable by Shandong Kaiyuan to Sino IC Leasing (Beijing) in 12 instalments. Pursuant to the Finance Lease Agreements, Shandong Kaiyuan agreed to pay Sino IC Leasing (Beijing) a finance lease service fee of RMB508,800.

The obligations under the Finance Lease Agreement (i) are secured by the 70% equity interest in Shandong Kaiyuan owned by Smart Harvest on 26 June 2019; (ii) are secured by the 100% equity interest in Beautiful Wuhe owned by Beautiful China Investment on 2 July 2019; and (iii) are secured by certain machinery and equipment for the waste tyre (rubber) pyrolysis production line of Shandong Kaiyuan.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 Ministry of Ecology and Environment proposed that it plans to carry out the second-round central ecological and environmental protection supervision in three years starting from this year and introduce the "Regulations on Central Inspection Work on Ecological and Environmental Protection".

According to the Ministry of Finance of the PRC, in the first half of this year, the national expenditure on pollution prevention and control and natural ecological protection increased by 22.2% and 33.5% year-on-year respectively. The sustained rapid increase in national expenditure on energy conservation and environmental protection was in line with the current pollution prevention and control trend. A series of policy initiatives reflected that the government was determined to govern and improve domestic pollution issues, and fully demonstrated that governments at all levels were making more and more efforts to financially support ecological environmental protection. The Group responded to the national environmental protection policies for boosting green development. Based on a solid business layout, the Group took the initiative in closely communicating and cooperating with different provincial, municipal and county governments of the PRC to seek more environmental protection protects and development opportunities.

(I) Ecological Environment Construction Business

For the tree seedlings business segment, the Group has approximately 1 million units of North American red maple tree seedlings planted in the nursery bases in Anhui, Jiangsu and Zhejiang, the PRC, which represent the biological assets of the Group. The North American red maple tree seedlings are divided in two categories: Sunset Glow and October Glory. Of these, approximately 0.85 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. The Group is engaged in the sales of maple tree seedlings, which usually occur in autumn of each year, and the products are sold to customers in Shanxi 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 environmental construction business segment of the Company.

BUSINESS REVIEW (CONTINUED)

(I) Ecological Environment Construction Business (CONTINUED)

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. The Kunming municipal government is reviewing the new plan for the project and the follow-up construction plan.

(II) Environmental Protection Treatment Service Business

The Group focuses its environmental protection treatment service business by recycling solid waste into renewable resources, 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.

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 business markets in Shandong and other key areas in the PRC.

For the waste rubber processing business segment, Shandong Kaiyuan Runfeng obtained a business license of operating pyrolysis processing of 100,000 tonnes of scrap tyres per year, of which the equipment with a capacity of a pyrolysis capacity of 60,000 tonnes had been installed and put into operation last year. The expansion plan of the remaining 40,000 tonnes annual capacity (as defined in the circular dated 18 August 2017) was still in the early planning process, the Group will closely review the project operation and market conditions and take appropriate measures as and when necessary. During the first half of 2019, Shandong Kaiyuan Runfeng processed 16,000 tonnes of scrap tyres. During the period, Shandong Kaiyuan Runfeng and 芯鑫融資租賃（北京）有限責任公司 (Sino IC Leasing (Beijing) Co., Ltd*) entered into the Finance Lease Arrangement (as defined in the announcement dated 19 June 2019). Relevant financing fund has been injected into the account of Shandong Kaiyuan Runfeng, which helps Shandong Kaiyuan Runfeng to achieve effective production and operation.

BUSINESS REVIEW (CONTINUED)

(II) Environmental Protection Treatment Service Business (CONTINUED)

For the waste plastic processing business segment, 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. Currently, the two parties are actively identifying suitable location for construction and will submit a feasibility report to relevant departments after project sitting and handle the necessary qualification licence, project initiation and other formalities in order to promote the start of the project.

As to waste treatment project, the Group has finished the relevant work and formalities with project counterparty for terminating a waste landfill treatment project in Qiqihar. At present, the Group has no other operating projects, but will closely monitor market condition. The Group will actively participate in the research of any projects that have potential and are beneficial to the development of the Group.

PROSPECTS

Since the beginning of 2019, several government departments have proposed the policy guidance on environmental protection. The Ministry of Finance also allocated a fund budget of RMB49 billion in total to provinces for atmospheric, water and soil pollution prevention and control, focusing on wining the seven major battles of pollution prevention and control in the middle of the year.

Looking to the future, as the PRC steps up its efforts, increases financial support and gradually implements relevant measures on environmental protection and ecological civilization construction, the relevant resource investment and project opportunity from the local governments of the PRC will continue to increase in the future. Over the past few years, "Eco-environmental Build-up + Environmental Treatment Service", a dualwheel driven business strategy of the Group, has gradually become a well-developed strategy, which is beneficial for the Group to seize the opportunities arising from various policies and continue to step up the development of the eco-environmental business.

For the ecological environment construction business, by continually 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 invest in the construction of the colour seedling base in Wuhe of Bengbu, Anhui, and continue to proceed with the construction of the rare seedling base with a million seedlings represented by North American red maple, in an attempt to achieve its developmental goal of becoming one of the largest colour seedling suppliers in Asia.

PROSPECTS (CONTINUED)

Moreover, the Group will continue to expand its edges in investment and financing; build innovative construction models; and explore, develop and construct the ecological landscape projects with regional demonstration effect, so as to increase the scale of ecological landscape business. In addition to continue to follow up the development of subsequent ecological wetland development projects for Dianchi Lake West Coast in Kunming, the Group will look for opportunities to take on new ecological landscape investment and construction projects in a timely manner.

For the environmental protection treatment service business segment, as early as 2018, the Group and 伊克斯達（青島）控股有限公司 (Yikesida (Qingdao) Holdings Limited*) entered into a cooperative framework agreement relating to the Company's investment in Yikesida Equipment and Yikesida Renewable. The two parties are working on the formal agreement and it is expected that both parties will complete the equity transfer within this year. This investment will help the Company to expand its scale of operation and improve its profitability while extending its R&D and manufacturing capabilities to the upstream industrial chain. In the future, the Group will continue to seek suitable partners to bring better technical and operation support for its business operations. 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 integrated waste treatment and renewable resources recycling business and achieve economies of scale.

At the same time, the Group will continue to expand markets with huge development space such as Shandong, 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 and gross profit

For the six months ended 30 June 2019, the total revenue increase to approximately HK$26.1 million (30 June 2018: HK$19.2 million). Gross profit significantly decreased to approximately HK$1.4 million (30 June 2018: HK$7.8 million). The increase in revenue was mainly due to growth in sales amount of waste pyrolysis business. The decrease in gross profit was mainly attributable to the higher contribution of revenue from waste pyrolysis business which has lower profit margin and lower contribution of revenue from tree seedlings business due to seasonal factors.

Administrative expenses

For the six months ended 30 June 2019, administrative expenses decreased by approximately 23.56% from approximately HK$40.2 million in the same period last year to approximately HK$30.7 million this year. The decrease was mainly due to the group reinforced cost reduction approach and strictly controlled on operation and administrative expenses. The administrative expenses mainly consisted of legal and professional fees, staff costs (including directors' emoluments), office administrative expenses (including rentals), depreciation expenses and travelling expenses.

Finance costs

For the six months ended 30 June 2019, finance costs increased by approximately 20.5% from approximately HK$12.5 million in the same period last year to approximately HK$15.1 million this year. The increase was mainly attributable to two issues of convertible bonds with a combined principal of HK$118 million, which increased the imputed interest costs of convertible bonds during the period.

Loss attributable to owners of the Company

As a result of the combined effect of the above factors, the Group recorded an attributable loss of approximately HK$43.5 million for the six months ended 30 June 2019 (30 June 2018: HK$43.5 million).

FINANCIAL REVIEW (CONTINUED)

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	91.2	80.0	–	–
General working capital	22.8	20.0	22.8	20.0	–	–
Total	**114.0**	**100.0**	**114.0**	**100.0**	**–**	**–**

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	89.7	34.8	35.6	13.8
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	117.3	45.5	6.3	2.4
Total	**257.9**	**100.0**	**257.9**	**100.0**	**216.0**	**83.8**	**41.9**	**16.2**

Liquidity and Financial Resources

As at 30 June 2019, the Group's cash and cash equivalents were approximately HK$45.2 million (31 December 2018: approximately HK$154.0 million). The Group's current ratio, being the current assets of approximately HK$163.6 million (31 December 2018: approximately HK$195.6 million) divided by the current liabilities of approximately HK$191.4 million (31 December 2018: approximately HK$158.5 million), was computed as approximately 0.85 (31 December 2018: approximately 1.23). The management viewed that the ratio was not healthy and acceptable and will try to improve the overall financial soundness and sustainability of the Group.

The Group's total indebtedness comprised borrowings and convertible bonds with the total amount of approximately HK$137.6 million (31 December 2018: approximately HK$128.7 million). The gearing ratio of the Group, being the total indebtedness divided by total assets was approximately 20.1% as at 30 June 2019 (31 December 2018: approximately 19.2%).

FINANCIAL REVIEW (CONTINUED)

Capital Structure and Pledge on Assets

On 19 June 2019, Sino IC Leasing (Beijing) and Shandong Kaiyuan entered into the Finance Lease Agreement, involving the Equity Interest Charge Agreements, the obligations under the Finance Lease Agreement (i) are secured by 70% equity interest in Shandong Kaiyuan owned by Smart Harvest on 26 June 2019; (ii) are secured by the 100% equity interest in Beautiful Wuhe owned by Beautiful China Investment on 2 July 2019; and (iii) are secured by certain machinery and equipment for the waste tyre (rubber) pyrolysis production line of Shandong Kaiyuan.

As at 30 June 2019, the value of convertible bonds issued by the Group (but had not been converted) was approximately HK$136.1 million (31 December 2018: approximately HK$127.0 million).

Segmental Information

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

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the six months ended 30 June 2019, the Group did not have any significant investments and material acquisitions and disposal of subsidiaries. On 19 June 2019, Sino IC Leasing (Beijing) and Shandong Kaiyuan entered into the Finance Lease Agreement, involving the Equity Interest Charge Agreements, the obligations under the Finance Lease Agreement (i) are secured by the 70% equity interest in Shandong Kaiyuan owned by Smart Harvest on 26 June 2019; (ii) are secured by the 100% equity interest in Beautiful Wuhe owned by Beautiful China Investment on 2 July 2019; and (iii) are secured by certain machinery and equipment for the waste tyre (rubber) pyrolysis production line of Shandong Kaiyuan.

Contingent Liabilities

As at 30 June 2019, the Group had no significant contingent liabilities.

Exchange Risk

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

Charges on Assets

As at 30 June 2019, the Group had no charges on assets.

FINANCIAL REVIEW (CONTINUED)

Employees, Training and Remuneration Policies

As at 30 June 2019, the Group had 164 (31 December 2018: 151) employees. Employees' costs (including directors' emoluments) amounted to approximately HK$13.4 million (for the six months ended 30 June 2018: approximately HK$15.8 million) for the Period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

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

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

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Reference is made to the announcements of the Company dated 23 May 2017 and 17 October 2017. On 22 May 2017, 2,362,930,000 shares in the issued share capital of the Company held by Leading Value Industrial Limited (a controlling shareholder of the Company) ("Leading Value") have been charged in favour of Quick Run Limited (the "Chargee"), which is a wholly-owned subsidiary of China Huarong International Holdings Limited, and which is an independent third party not connected to the Company or any connected person of the Company (as defined in the Listing Rules). On 17 October 2017, upon the rights issue on the basis of three rights shares for every four existing shares of the Company held on 20 September 2017, additional shares in the issued share capital of the Company held by Leading Value have been charged in favour of the Chargee. As at the date of this report, the total number of shares of the Company charged by Leading Value in favour of the Chargee represents approximately 52.63% of the total issued share capital of the Company.

TRANSACTION IN RELATION TO WITHDRAWAL AND ASSUMPTION OF WEIFANG WETLAND DEVELOPMENT PROJECT

On 1 April 2019, the Company entered into an agreement with Weifang Zhongti in relation to the withdrawal and assumption the Weifang Wetland Development Project (the "Agreement"). Pursuant to the Agreement, the Company shall pay a sum of RMB40,000,000 (equivalent to approximately HK$46,800,000) as refundable deposit to Weifang Zhongti. By entering to the Agreement, Weifang Zhongti intends to withdraw from and the Group intends to assume and enter into, the Weifang Wetland Development Project and the leasing with the relevant authorities of the Phase I Land, which forms part of an ecological park on the Bailang River Upstream Wetland Park. The ecological park will consist of, among others, flower and tree seedlings farms, and the relevant ecological landscapes and other facilities.

FUND RAISING ACTIVITIES

On 19 June 2019, Sino IC Leasing (Beijing) and Shandong Kaiyuan entered into the Finance Lease Arrangement, involving the Ownership Transfer Agreement and the Finance Lease Agreements, pursuant to which Sino IC Leasing (Beijing) agreed, among other things, to (i) purchase the Leased Assets from Shandong Kaiyuan at a consideration of RMB20.0 million; and (ii) following the acquisition, Sino IC Leasing (Beijing), as the lessor, agreed to lease back the Leased Assets to Shandong Kaiyuan, as the lessee, for a period of 36 months with an aggregate lease payment of approximately RMB22.5 million, which is to be payable by Shandong Kaiyuan to Sino IC Leasing (Beijing) in 12 instalments. In addition, pursuant to the Finance Lease Agreements, Shandong Kaiyuan agreed to pay Sino IC Leasing (Beijing) a finance lease service fee of RMB508,800.

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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

As at 30 June 2019, 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)
Chong Yiu Kan, Sherman	The Company	Beneficial owner	6,337,500 ordinary shares (L) *(note 4)*
Liu Liyang	The Company	Beneficial owner	5,200,000 ordinary shares (L) *(note 3)*

Notes:

1. The letter "L" represents a long position in the Director's interests in the Shares and underlying shares of the Company.
2. These shares were held by Leading Value Industrial Limited and Global Prize Limited, companies wholly owned by Sze Wai, Marco.
3. These shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director under the share option schemes of the Company.
4. Included in these shares were (i) 1,137,500 issued shares and (ii) 5,200,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.

Save as disclosed above, as at 30 June 2019, none of the Directors and the chief executive of the Company had any interest and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

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

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

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

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

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

SHARE OPTION SCHEME (CONTINUED)

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

The unexercised outstanding share options under the Old Scheme as at 30 June 2019 are as follows:

				Number of share options			
Grantee	**Date granted**	**Exercisable period**	**Exercise price of options** *HK$*	**Outstanding as at 1.1.2019**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 30.6.2019**
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 directors							
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	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
Employees	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.240 *	14,737,500	–	(14,737,500)	–
	10 Nov 2017	10 May 2018 – 9 Nov 2027	0.100	287,000,000	–	–	287,000,000
				325,212,500	–	(27,812,500)	297,400,000

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

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

Date granted	**Vesting period**	**Percentage of options vested**
24.06.2009	24.06.2009 – 23.12.2009	Nil
	24.12.2009 – 23.06.2019	100%
10.11.2017	10.11.2017 – 09.05.2018	Nil
	10.05.2018 – 09.11.2027	100%

* The number of share options and exercise prices have been adjusted to reflect the rights issue issued in 2017.

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

As at 30 June 2019, 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

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 30 June 2019, 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 period was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and compiled with the Code Provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2019, except for the following deviations:

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

2. The Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai, Marco was unable to attend the Company's annual general meeting which was held on 31 May 2019 as he had an important engagement that was important to the Company's business. Although he was unable to attend, he had arranged for Mr. Tan Shu Jiang, an Executive Director and Chief Executive Officer 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, as a Code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

AUDIT COMMITTEE

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

The AC had reviewed the unaudited interim results of the Group for the six months ended 30 June 2019 prior to the submission to the Board for approval.

BOARD OF DIRECTORS

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

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

Hong Kong, 28 August 2019