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

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

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Beautiful China Holdings Company Limited (the "Company") is pleased to announce the unaudited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as below.

The annual results for the year ended 31 December 2019 have neither been audited nor reviewed by the Company's auditors. In addition, the annual results for the year ended 31 December 2019 have not been agreed by the Company's auditors as required under Rule 13.49 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") due to delay in the audit procedures resulting from the outbreak of the novel coronavirus ("COVID-19") in the People's Republic of China (the "PRC"), in particular for the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement.

The unaudited annual results for the year ended 31 December 2019 have been reviewed and agreed by the audit committee of the Company (the "AC"). The auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Revenue	3	**72,958**	48,398
Cost of sales		**(67,890)**	(36,953)
Gross profit		**5,068**	11,445
Other income	4	**597**	1,265
Other gains and losses	5	**(14,492)**	(11,484)
Impairment losses on trade and other receivables		**(18,611)**	(159)
Administrative expenses		**(63,240)**	(88,237)
Other operating expenses		**(989)**	(1,273)
Biological assets written off	12	**(4,449)**	(792)
Prepaid consulting and maintenance service costs written off	13	**(458)**	–
Loss from changes in fair value less costs to sell of biological assets	12	**–**	(22,363)
Loss from operations		**(96,574)**	(111,598)
Finance costs	6	**(21,253)**	(25,883)
Loss before tax		**(117,827)**	(137,481)
Income tax expense	7	**–**	–
Loss for the year	8	**(117,827)**	(137,481)
Attributable to:			
Owners of the Company		**(113,767)**	(135,758)
Non-controlling interests		**(4,060)**	(1,723)
		(117,827)	(137,481)
Loss per share	10		
Basic		**HK(1.23) cents**	HK(1.47) cents
Diluted		**HK(1.23) cents**	HK(1.47) cents

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss for the year	**(117,827)**	(137,481)
Other comprehensive income for the year, net of tax		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**(9,159)**	(31,244)
Total comprehensive income for the year	**(126,986)**	(168,725)
Attributable to:		
Owners of the Company	**(122,979)**	(166,966)
Non-controlling interests	**(4,007)**	(1,759)
	(126,986)	(168,725)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**48,986**	71,913
Right-of-use assets		**32,309**	–
Biological assets	*12*	**338,581**	308,511
Prepayments	*13*	**96,410**	93,504
Deposits		**35,026**	–
		551,312	473,928
Current assets			
Inventories		**7,971**	5,203
Trade and other receivables	*14*	**25,085**	36,432
Bills receivables		**1,566**	–
Bank and cash balances		**32,759**	153,983
		67,381	195,618
Current liabilities			
Trade and other payables	*15*	**38,683**	29,493
Contract liabilities		**279**	–
Lease liabilities	*16*	**9,102**	–
Finance lease payable	*16*	**–**	531
Borrowings		**7,037**	–
Convertible bonds	*17*	**135,459**	127,017
Current tax liabilities		**1,401**	1,425
		191,961	158,466
Net current (liabilities)/assets		**(124,580)**	37,152

	Note	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Total assets less current liabilities		**426,732**	511,080
Non-current liabilities			
Lease liabilities	*16*	**27,985**	–
Finance lease payable	*16*	**–**	1,163
Borrowings		**13,656**	–
		41,641	1,163
Net assets		**385,091**	509,917
Capital and reserves			
Share capital	*18*	**92,644**	92,644
Reserves		**295,183**	419,204
Equity attributable to the owners of the Company		**387,827**	511,848
Non-controlling interests		**(2,736)**	(1,931)
Total equity		**385,091**	509,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS OF PREPARATION

These unaudited 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 unaudited consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting year of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting year reflected in these unaudited consolidated financial statements.

The Group continues to adopt the going concern basis in preparing its unaudited consolidated financial statements. The Group incurred a loss of approximately HK$117,827,000 during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$124,580,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the unaudited consolidated financial statements have been prepared on a going concern basis as the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(a) the Group has proactively negotiated with the bondholder for the extension of maturity dates of Tranche A and Tranche B of convertible bonds. The directors are of the opinion that the maturity dates could be extended and the new repayment schedule could be agreed;

(b) the Group has proactively negotiated with a potential investor for capital injection in a waste type pyrolysis project. The directors are of the opinion that the negotiation could be finalised and funding could be obtained in the third quarter of 2020; and

(c) certain existing property, plant and equipment can be offered as security for financing with a financial institution. The directors are of opinion that the negotiation could be finalised and funding could be obtained in the second quarter of 2020.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the unaudited consolidated 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 the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these unaudited consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting year of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 *Leases*, and the related interpretations, HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*, HK(SIC) 15 *Operating Leases-Incentives* and HK(SIC) 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 11.5%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold nurseries, factory and equipment was determined on a portfolio basis; and

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For Hong Kong's leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

For PRC's leasing transactions, the Group has assessed that the tax effect of temporary differences relating to right-of-use assets and lease liabilities is insignificant. Thus, no deferred tax for such temporary differences is recognised at 1 January 2019 and 31 December 2019.

The following table reconciles the operating lease commitments at 31 December 2018 to the opening balance for lease liabilities recognised at 1 January 2019:

	HK$'000
	(Unaudited)
Operating lease commitments disclosed at 31 December 2018	60,192
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases	(4,427)
– leases of low-value assets	(15)
– value-added tax impact	(1,843)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will not exercise the termination options	5,085
	58,992
Less: total future interest expenses	(11,219)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	47,773
Add: finance lease liabilities recognised at 31 December 2018	1,694
Lease liabilities recognised at 1 January 2019	49,467
Of which are:	
Current lease liabilities	11,674
Non-current lease liabilities	37,793
	49,467

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. The Group has assessed that the adjustments to fair value at initial recognition are insignificant and were not included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summaries the impact on the Group's opening accumulated losses at 1 January 2019 is as follows:

	HK$'000 (Unaudited)
Depreciation of right-of-use assets from commencement dates upon application of HKFRS 16	6,989
Interest on lease liabilities from commencement dates upon application of HKFRS 16	3,105
Less: Lease expenses of operating leases under HKAS 17 before 1 January 2019	(8,851)
Adjustment to accumulated losses from adoption of HKFRS 16 on 1 January 2019	1,243
Attributable to:	
Owners of the Company	1,042
Non-controlling interest	201
	1,243

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

			Effects of adoption of HKFRS 16		
Line items in the unaudited consolidated statement of financial position impacted by the adoption of HKFRS 16		**Carrying amount at 31 December 2018**	**Reclassification**	**Recognition of leases**	**Carrying amount at 1 January 2019**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
Assets					
Right-of-use assets		–	3,979	43,331	47,310
Property, plant and equipment	*(i)*	71,913	(2,084)	–	69,829
Biological assets	*(ii)*	308,511	–	3,199	311,710
Trade and other receivables	*(iii)*	36,432	(1,895)	–	34,537
Liabilities					
Lease liabilities		–	1,694	47,773	49,467
Finance lease payables	*(iv)*	1,694	(1,694)	–	–
Capital and reserves					
Reserves		419,204	–	(1,042)	418,162
Non-controlling interests		(1,931)	–	(201)	(2,132)

Note:

(i) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased at 1 January 2019 amounting to approximately HK$2,084,000 as right-of-use assets.

(ii) The Group capitalised its nurseries' lease expenses of operating leases under HKAS 17 before 1 January 2019. Accordingly, the impact of approximately HK$3,199,000 on initial application of HKFRS 16 at 1 January 2019 was recognised in the biological assets, instead of reserves.

(iii) Prepaid rents of approximately HK$1,895,000 for leasehold nurseries in the PRC was classified as trade and other receivables at 31 December 2018 and was reclassified to right-of-use assets upon application of HKFRS 16.

(iv) The Group reclassified the obligation under finance leases of approximately HK$531,000 and approximately HK$1,163,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(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 2019. These revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the unaudited consolidated financial statements.

3. REVENUE

Disaggregation of revenue

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products		
Sales of the tree seedlings	**–**	34,643
Sales of pyrolysis oils and other materials	**72,958**	13,755
	72,958	48,398

The Group derived revenue from the transfer of products 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		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Primary geographical markets						
PRC except Hong Kong	**–**	34,643	**72,958**	13,755	**72,958**	48,398
Segment revenue and revenue from external customers	**–**	34,643	**72,958**	13,755	**72,958**	48,398
Timing of revenue recognition						
Products transferred at a point in time	**–**	34,643	**72,958**	13,755	**72,958**	48,398

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.

4. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest income on bank deposits	**180**	1,153
Others	**417**	112
	597	1,265

5. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gain on disposals of property, plant and equipment	**245**	206
Gain on lease termination	**495**	–
Impairment losses on property, plant and equipment	**(13,718)**	(13,061)
Impairment losses on right-of-use assets	**(1,594)**	–
Net foreign exchange gains	**80**	1,371
	(14,492)	(11,484)

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest expenses on lease liabilities	**1,957**	–
Finance lease charges	**–**	65
Interest on convertible bonds	**18,472**	25,818
Interest on borrowings	**824**	–
	21,253	25,883

7. INCOME TAX EXPENSE

No provision for profits tax in Bermuda, the British Virgin Islands or Hong Kong is required since the Company and certain of its subsidiaries incorporated in those countries have no assessable profits arising in or derived from those jurisdictions for the years ended 31 December 2019 and 2018.

No provision for the PRC Enterprise Income Tax ("EIT") has been made in the unaudited consolidated financial statements for the year ended 31 December 2019 (2018: HK$Nil) 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 regulations.

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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss before tax	**(117,827)**	(137,481)
Tax at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**(19,441)**	(22,684)
Tax effect of expenses that are not deductible	**16,264**	31,078
Tax effect of income that is not taxable	**(170)**	(8,831)
Tax effect of tax losses not recognised	**7,207**	4,548
Tax effect of utilisation of tax losses not previously recognised	**–**	(2)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(3,860)**	(4,109)
Income tax expense	**–**	–

8. LOSS FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Auditor's remuneration		
Statutory audit	**2,100**	1,850
Non-audit services	**19**	386
	2,119	2,236
Cost of inventories sold	**67,890**	13,522
Depreciation		
Charged to profit or loss	**8,641**	6,626
Capitalised in biological assets	**94**	104
	8,735	6,730
Depreciation of right-or-use assets		
Charged to profit or loss	**9,856**	–
Capitalised in biological assets	**3,129**	–
	12,985	–
Gain on disposals of property, plant and equipment	**(245)**	(206)
Impairment losses on property, plant and equipment	**13,718**	13,061
Impairment losses on right-of-use assets	**1,594**	–
Impairment losses on trade and other receivables	**18,611**	555
Inventory written off	**–**	200
Operating lease charges		
Factory and equipment	**–**	3,704
Land and buildings	**–**	8,280
Nursery (capitalised in biological assets)	**–**	4,730
	–	16,714
Property, plant and equipment written off	**438**	–
Other receivables written off	**243**	–
Reversal of impairment losses on trade receivables	**–**	(396)

Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, depreciation of right-of-use asset and interest expenses on lease liabilities (2018: operating lease charges) of approximately HK$14,194,000 (2018: HK$5,277,000) which are included in the amounts disclosed separately.

9. DIVIDENDS

The Board of Directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: HK$Nil).

10. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss		
Loss for the purpose of calculating basic loss per share	**(113,767)**	(135,758)

	2019	2018
	'000	*'000*
	(Unaudited)	(Audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**9,264,436**	9,243,467

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

11. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in Hong Kong, and are regularly reviewed by the chief operating decision-maker (the "CODM") to allocate resources to the segments and to assess their performance focusing on type of products delivered and services rendered.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

During the year ended 31 December 2019, the CODM has identified the following three reportable segments under HKFRS 8"Operating Segments". No operating segments have been aggregated to form the following reportable segments.

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

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

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

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

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

Segment profits or losses do not include unallocated administrative expenses, other income, other gains and losses and finance costs. Segment assets do not include unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities, liability component of convertible bonds and certain lease liabilities (2018: obligations under finance lease).

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

	Tree plantation *HK$'000* (Unaudited)	Landfill management and waste sorting *HK$'000* (Unaudited)	Waste pyrolysis *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Year ended 31 December 2019				
Revenue from external customers	–	–	72,958	72,958
Segment loss	(29,559)	(2,708)	(19,192)	(51,459)
Interest income	5	18	81	104
Depreciation and amortisation	(484)	–	(9,440)	(9,924)
Biological assets written off	(4,449)	–	–	(4,449)
Prepaid consulting and maintenance service costs written off	(458)	–	–	(458)
Loss from changes in fair value less costs to sell of biological assets	–	–	–	–
Income tax expense	–	–	–	–
Other material non-cash items:				
Impairment of assets	(18,611)	–	(15,312)	(33,923)
Additions to segment non-current assets	96,645	–	15,341	111,986
At 31 December 2019				
Segment assets	508,701	13	81,836	590,550
Segment liabilities	(36,725)	(1,881)	(41,985)	(80,591)

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

	Tree plantation *HK$'000* (Audited)	**Landfill management and waste sorting** *HK$'000* (Audited)	**Waste pyrolysis** *HK$'000* (Audited)	**Total** *HK$'000* (Audited)
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)
Other material non-cash items:				
Impairment of assets	–	–	(13,061)	(13,061)
Income tax expense	–	–	–	–
Additions to segment non-current assets	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

Reconciliations of segment revenue and profit or loss:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue		
Total revenue of reportable segments and consolidated revenue	**72,958**	48,398
Profit or loss		
Total loss of reportable segments	**(51,459)**	(40,940)
Unallocated corporate income	**12,431**	29,208
Unallocated corporate expenses	**(78,799)**	(125,749)
Consolidated loss for the year	**(117,827)**	(137,481)

Reconciliations of segment assets and liabilities:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Assets		
Total assets of reportable segments	**590,550**	621,727
Unallocated corporate assets	**28,143**	47,819
Consolidated total assets	**618,693**	669,546

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Liabilities		
Total liabilities of reportable segments	**80,591**	16,456
Unallocated corporate liabilities	**153,011**	143,173
Consolidated total liabilities	**233,602**	159,629

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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Hong Kong	**–**	–	**443**	4,032
PRC except Hong Kong	**72,958**	48,398	**550,869**	469,896
Consolidated total	**72,958**	48,398	**551,312**	473,928

Revenue from major customers:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Tree plantation segment		
Customer a	**–**	17,700
Customer b	**–**	14,198
Waste pyrolysis segment		
Customer a	**7,457**	–

12. BIOLOGICAL ASSETS

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

The Group's biological assets are North American red maple tree seedlings (the "Seedlings") which are held for sale in the ordinary course of business and for use in garden and landscape construction projects. The Seedlings are categorised as consumable biological assets.

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

	2019	2018
	Unit '000	*Unit '000*
	(Unaudited)	(Audited)
The Seedlings	**1,064**	1,079

No Seedlings were sold during the year (2018: 70,000 units).

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

(i) *Regulatory and environmental risks*

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

(ii) *Climate and other risks*

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

(iii) *Commodity price risk*

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

(b) Value of the Group's biological assets

Movements of the Seedlings are summarised as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At 1 January	**308,511**	276,377
Impact on initial application of HKFRS 16 *(note 2(a))*	**3,199**	–
Restated balance at 1 January	**311,710**	276,377
Increase due to exchange *(note 1)*	**–**	39,654
Increase due to compensation *(note 3)*	**–**	6,684
Increase due to purchases	**–**	6,484
Increase due to plantation costs *(note 2)*	**36,978**	42,943
Decrease due to sales	**–**	(19,408)
Decrease due to mortality *(note 3)*	**(4,449)**	(7,596)
Changes in fair value less costs to sell of biological assets	**–**	(22,363)
Exchange adjustments	**(5,658)**	(14,264)
At 31 December	**338,581**	308,511

Note 1: No Seedlings were exchanged in 2019. 130,000 units of short tree seedlings were exchanged for tall tree seedlings, price difference of approximately HK$39,654,000 was paid in 2018.

Note 2: The plantation costs comprise consulting and maintenance service costs, staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and interest expenses on lease liabilities (2018: rental expenses of nursery), and other incidental costs.

Note 3: During the year ended 31 December 2019, approximately 16,000 (2018: approximately 20,000) units of the Seedlings with the carrying amount of approximately HK$4,449,000 (2018: approximately HK$7,596,000) were removed and written off due to mortality. Pursuant to the sales and purchase agreements with the supplier stated in note 13, the supplier was required to compensate approximately 20,000 units of the Seedlings of approximately HK$6,804,000 and all units of approximately HK$6,804,000 had been delivered to the Group and were recognised as biological assets in 2018. No Seedlings have been compensated by the supplier in 2019 as the supplier is unable to visit the Group's nurseries to inspect the withered seedlings due to the travel restrictions in force in Anhui province.

13. PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepaid consulting and maintenance service costs *(note)*	**63,411**	93,115
Prepaid property, plant and equipment costs	**–**	389
Prepayment for the purchase of Seedlings	**32,999**	–
	96,410	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 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 2019, approximately 16,000 (2018: approximately 20,000) units of the Seedlings were removed and written off due to mortality and the related prepaid consulting and maintenance service costs of approximately HK$458,000 (2018: approximately HK$926,000) was written off accordingly. The supplier was required to compensate approximately 20,000 units of the Seedlings with prepaid consulting and maintenance service costs of approximately HK$926,000 and all units with prepaid consulting and maintenance service costs of approximately HK$926,000 had been delivered to the Group and were recognised as prepaid consulting and maintenance service costs in 2018. No Seedlings have been compensated by the supplier in 2019 as the supplier is unable to visit the Group's nurseries to inspect the withered seedlings due to the travel restrictions in force in Anhui province. Thus, no prepaid consulting and maintenance service costs related to the compensated seedlings are recognised in 2019.

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables *(note)*	**19,440**	22,264
Allowance for impairment loss	**(8,801)**	(153)
	10,639	22,111
Prepayments	**3,643**	3,672
Deposits	**4,262**	3,617
Other receivables	**6,541**	7,032
	25,085	36,432

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

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**528**	14,393
0 to 90 days	**187**	1,408
181 to 365 days	**7,553**	5,942
Over 365 days	**2,371**	368
	10,639	22,111

The carrying amounts of the Group's trade receivables at 31 December 2019 and 2018 are denominated in RMB.

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables *(note)*	**2,461**	2,157
Accrued expenses	**36,205**	26,619
Other payables	**17**	398
Receipt in advance	**–**	319
	38,683	29,493

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**1,121**	1,774
91 – 365 days	**67**	379
Over 365 days	**1,273**	4
	2,461	2,157

The carrying amounts of the Group's trade payables at 31 December 2019 and 2018 are denominated in RMB.

16. LEASE LIABILITIES (2018: FINANCE LEASE PAYABLE)

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Within one year	**12,112**	578	**9,102**	531
In the second to fifth years, inclusive	**30,330**	1,203	**25,341**	1,163
After five years	**2,971**	–	**2,644**	–
	45,413	1,781	**37,087**	1,694
Less: Future finance charges	**(8,326)**	(87)	**N/A**	N/A
Present value of lease obligations	**37,087**	1,694	**37,087**	1,694
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(9,102)**	(531)
Amount due for settlement after 12 months			**27,985**	1,163

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
HK$	**1,163**	1,694
RMB	**35,924**	–
	37,087	1,694

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2(a).

17. CONVERTIBLE BONDS

The Tranche A and Tranche B of convertible bonds with a nominal value of HK$60,000,000 and HK$58,000,000 were issued on 17 August 2016 and 26 August 2016 respectively. The bonds are convertible into ordinary shares of the Company at any time within 36 months after the date of issue. The bonds are convertible at 853,604,067 shares with conversion price of HK$0.14 per share to reflect the rights issue during the year ended 31 December 2017. The Company may at any time after 31 December 2016 by giving not less than 30 days nor more than 60 days' notice to the bondholder to redeem the convertible bonds in whole or in part.

If the bonds are not converted, they will be redeemed at par on 17 August 2019 and 26 August 2019 respectively plus an additional amount that would yield an internal rate of return of 13% on the bonds which remain outstanding immediately before the maturity date. Interest of 8.5% will be paid/payable semi annually up until that settlement date.

The convertible bonds are compound financial instruments 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.

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Analysed as:		
Current liabilities	**135,459**	127,017

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 2019 to be approximately HK$135,459,000 (2018: approximately HK$135,062,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 3 fair value measurements).

During the year, the convertible bonds are neither converted nor redeemed. The Group has proactively negotiated with the bondholder for the extension of maturity dates of Tranche A and Tranche B of convertible bonds. Up to the date of this announcement, the negotiation is still in progress.

18. SHARE CAPITAL

		2019		2018	
	Note	**No. of shares**	**Amount**	No. of shares	Amount
		'000	***HK$'000***	*'000*	*HK$'000*
		(Unaudited)	**(Audited)**	(Unaudited)	(Audited)
Authorised:					
Ordinary shares of HK$0.01 each	*(a)*	**120,000,000**	**1,200,000**	120,000,000	1,200,000
Issued and fully paid:					
At 1 January		**9,264,436**	**92,644**	9,189,399	918,939
Shares issued upon conversion of convertible bonds	*(b)*	**–**	**–**	75,037	7,504
Capital reorganisation	*(a)*	**–**	**–**	–	(833,799)
At 31 December		**9,264,436**	**92,644**	9,264,436	92,644

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 was 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 was 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 was credited to the contributed surplus account of the Company. Reference is made to the announcements dated 26 March 2018, 27 March 2018 and 11 April 2018, 13 April 2018 and 16 April 2018 in relation to the capital reorganisation.

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

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

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

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

The capital structure of the Group consists of net debts (which represent total debts include borrowings, convertible bonds and lease liabilities (2018: finance lease payable), net of cash and cash equivalents) and equity attributable to owners of the Company, comprising share capital, share premium and reserves except for non-controlling interests. The capital structure at 31 December 2019 and 2018 was as follows:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Total debts	**193,239**	128,711
Less: Cash and cash equivalents	**(32,759)**	(153,983)
Net debts	**160,480**	(25,272)
Equity attributable to owners of the Company	**387,827**	511,848
Net debts and equity attributable to owners of the Company	**548,307**	486,576

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 2019, 46.66% (2018: 46.66%) of shares were in public hands.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2019, the Central Economic Work Conference continued to emphasize that pollution prevention and control would be regarded as one of the "Three Critical Battles" to be achieved for completing the construction of a moderately prosperous society in all respects in the next three years. The Ministry of Ecology and Environment proposed that starting from this year, it plans to carry out the second-round of central ecological and environmental protection supervision and introduce the "Regulations on Central Inspection Work on Ecological and Environmental Protection" in three years' time.

The sustained and 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 policies and initiatives have reflected that the government was determined to govern and improve the domestic pollution issues, and fully demonstrated that governments at all levels were striving increasingly to support ecological and environmental protection financially. According to the Ministry of Finance of the PRC, in 2019, the budgeted national public expenditures on energy conservation and environmental protection increased by 18.2% year-on-year to RMB744.4 billion. Apart from increasing the investments in ecological and environmental protection, several national and local departments, including National Development and Reform Commission and Ministry of Industry and Information Technology, have drafted, revised, approved, and promulgated various relevant laws and regulations during the year, including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (Revised Bill), the Implementation Plan for Establishing Responsibility Extension System of Tyre Producers, the Technical Standards for Application and Issuance of Pollutant Discharge Licence for Waste Resource Processing Industry and the Implementation Plan for Constructing the Pilot Projects of "City With No Waste" in Chongqing.

The Group responded to the national environmental protection policies for boosting green development. Based on a solid business layout, the Group took the initiative by closely communicating and cooperating with different provincial, municipal and county governments of the PRC to seek more environmental protection projects 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 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 a total area of approximately 5,879 mu in Bengbu, Anhui, the PRC. The Group is engaged in the sales of maple tree seedlings with its selling season in autumn. With the development of the previous years, the Group have established a developed customers network which is mainly in Shanxi Province and Shandong Province. Also, based on the seedling business cycle, the Group maintains its marketing policy in accordance with the Group's strategy. The Group produces and sells its own seedlings and is exempted from the VAT and income tax and has effectively enhanced its advantages in terms of operating costs. While maintaining the previous scale of cultivation and planting, the Group plans to commence a new eco-planting project in Weifang, Shandong, including but not limited to seek cooperation with external partners on the implementation of the project and engage in active communication in order to obtain approval from the local government, so as to enlarge and strengthen the ecological environmental construction business segment of the Company.

With regard to the construction of ecological landscape projects, there were few opportunities for quality landscape projects as a result of expenditure reduction on the construction of municipal landscape facilities by the PRC governments at all levels, and coupled with intense market competition. As such, the Group did not undertake any new landscape construction projects during the period. The planning and design plan of the project involving the West Coast Wetland Park in Dianchi Lake, Kunming are pending approval by Kunming municipal government and the construction schedule of the project is uncertain. The Group is still actively following up the progress of the project, and assessing the impact of adjustments in terms of the planning, design plan and construction plan of the project and its progress on the Company's business planning, operating plan and economic benefits in a timely and prudent manner, pursuant to which further decision will be made. In addition to the project in Dianchi Lake, Kunming, the Group also continues to pay attention and follow up other potential opportunities in ecological landscape construction project that are in line with the Company's planning direction for business development.

(II) Environmental Protection Treatment Service Business

The environmental protection treatment service business of the Group focuses on 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" (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 licence of operating pyrolysis processing of 100,000 tonnes of scrap tyres per year. During the Reporting 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). The relevant financing fund has been injected into the account of Shandong Kaiyuan Runfeng, which helps Shandong Kaiyuan Runfeng to achieve effective production and operation. Shandong Kaiyuan Runfeng's equipment with a capacity of a pyrolysis capacity of 60,000 tonnes of scrap tyres had been installed and put into operation in 2018 and achieved stable production and operation. The expansion plan of the remaining 40,000 tonnes annual capacity (as defined in the circular dated 18 August 2017) has completed site selection at the early planning stage and the planning of related supporting resources is underway, the Group will closely review the project operation and market conditions and take appropriate measures as and when necessary. In 2019, Shandong Kaiyuan Runfeng processed 45,000 tonnes of scrap tyres.

Furthermore, the Group entered into the Investment Agreement (as defined in the announcement dated 24 September 2019) with Shuangqiao Economic and Technology Development Zone Management Committee in relation to a waste tyre pyrolysis project in Shuangqiao (the "Chongqing Project") and plans to build a waste tyre pyrolysis base with an annual processing capacity of 200,000 tonnes in Chongqing and will be completed in two phases. Currently, the Group has obtained the project registration document in November 2019 with an annual capacity of 100,000 tonnes for phase one and is preparing for the environmental impact assessment and design of the project, which is expected to commence construction in second half of the year 2020 and put into production within 12 months. During the Reporting Period, the Chongqing Project was still under preparation stage with no actual capital investment.

For the waste plastic processing business segment, the Group entered into joint venture collaboration with Integrated Green Energy Singapore Pte. Ltd. ("IGE"), 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 investing, constructing and operating 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 an annual capacity of 66,000 tonnes. 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 application, 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

Due to impact of Sino-US trade barriers, geopolitical tensions, and augmented by the outbreak of the novel coronavirus at the end of last year, the global economy faces significant downside risks, making it impossible for China to be immune. The government regards the construction of ecological and environmental protection as one of the important strategies to foster China's economic upgrading and transformation. It explores new paths of high-quality development guided by green development through stressing ecology as its priority in promoting related constructions, so as to accelerate the shift from existing economic drivers to new segments and eliminate backward production capacity. Recently, the General Office of the CPC Central Committee and the General Office of the State Council issued and requested all regions and departments to conscientiously implement the Guidance on the Establishment of Modern Environmental Governance System based on actual situation, which provided policy direction covering improving financial support, building a standardized and open market, strengthening the support for environmental protection industries, and creating innovative environmental governance models, with the principal objective of establishing a sound environmental governance system by 2025.

Looking to the future, the ecological and environmental protection market in which the Group operates is still in its infancy stage and has tremendous development potential. As the PRC steps up its efforts in environmental protection and ecological civilization construction, it is expected that financial support will increase accordingly, and 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, the Group has established a solid foundation for "Eco-environmental Build-up + Environmental Treatment Service", a dual-wheel driven business strategy, which is beneficial for the Group to seize the opportunities arising from various policies, leverage its competitive advantages, and improve its market position.

For the ecological environment construction business, by continuously centering on vertical industrial chain expansion and development strategies such 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.

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 of the Company. 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 environment protection treatment service, despite at the initial stage of the market, the "black and white pollutants" (waste rubber and waste plastics) treatment business that the Group is currently focusing on will have huge market potential in the future and will be able to support the rapid sustainable growth of the Company's business. Among which, the responsibility extension system of tyre producers was implemented in 2019, thereby driving the standardized development of the waste tire and waste rubber collection and treatment industry. 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 verifying and evaluating the production lines operation and their operating efficiency, and after that, the implementation plan will be further determined. 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 addition, with the smooth implementation of the Chongqing Project, the phase one production capacity is expected to be put into operation next year, plus the remaining capacity of phase two to be constructed in the first quarter of 2022, it is targeted to reach official production within 12 months, at which time the Group's production capacity and business in the waste rubber treatment sector will be improved significantly. In the future, the Group will continue to seek suitable partners to bring better technical and operation support for its business operations.

The Group and IGE are actively looking for suitable site for the project in Shouguang, Weifang, and exploring new opportunities for cooperation. By introducing partners with equipment, technology, R&D, manufacturing and project operations resources in the future, the Group will continue to expand markets with huge development potential such as Shandong, opportunely promote the development strategy of the industrial chain in upstream and downstream, develop the waste rubber and waste 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, strengthen product market competitiveness and increase economic benefits further.

Financial Review

Revenue, gross profit and gross profit margin

The Group's total revenue increased by approximately 50.7% from approximately HK$48.4 million in 2018 to approximately HK$72.9 million this year. Gross profit decreased by approximately 55.7% from approximately HK$11.4 million in 2018 to approximately HK$5.1 million this year. The increase in revenue results from significant demand of the waste pyrolysis products and achievement in the production capacity of waste pyrolysis business and decrease in gross profit was mainly due to the contribution of waste pyrolysis business was in developing stage and in the process of production efficiency improvement.

Gross profit margin decreased to approximately 6.9% this year from approximately 23.6% in 2018. Such decrease is mainly attributable to the higher contribution of revenue from waste pyrolysis business which has a lower profit margin, as the waste pyrolysis business was in developing stage during the year.

Administrative expenses

Administrative expenses decreased by approximately 28.3%, from approximately HK$88.2 million in 2018 to approximately HK$63.2 million this year, the decrease was mainly due to lack of share-based compensation costs recognised during the year and decrease in employees' costs (including directors' emoluments), entertainment, business travels expenses and professional fees. The management of the Group will continue to adopt cost saving measures in order to improve the financial performance of the Group.

Finance costs

Finance costs decreased from approximately HK$25.9 million in 2018 to approximately HK$21.3 million this year, which was mainly attributable to the decrease in effective interest expenses of the Group's convertible bonds recognised and interest expenses on lease liabilities recognised during the year ended 31 December 2019.

Loss attributable to owners of the Company

For the year ended 31 December 2019, loss attributable to owners of the Company was approximately HK$113.8 million, which recorded an increase as compared with approximately HK$135.8 million in 2018.

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 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	91.2	–
General working capital	22.8	22.8	–
Total	**114.0**	**114.0**	**–**

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 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	125.3	115.7	9.6
Kaiyuan Project	9.0	9.0	9.0	–
General working capital	53.6	123.6	123.6	–
Total	**257.9**	**257.9**	**248.3**	**9.6**

Liquidity and Financial Resources

At 31 December 2019, the Group had cash and bank balances approximately HK$32.8 million (31 December 2018: approximately HK$154.0 million). The Group's current ratio, being the current assets of approximately HK$67.4 million (31 December 2018: approximately HK$195.6 million) divided by the current liabilities of approximately HK$192.0 million (31 December 2018: approximately HK$158.5 million), was computed as approximately 0.35 (31 December 2018: approximately 1.23). The Group had net current liabilities of approximately HK$124.6 million, while net current assets of approximately HK$37.2 million at 31 December 2018.

In view of the net current liabilities position, the Directors have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash flows from operations and sources of finance, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the unaudited consolidated financial statements have been prepared on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors as described in note 1 of the consolidated financial statements.

The Group's total indebtedness comprised convertible bonds, lease liabilities and borrowings of approximately HK$193.2 million at 31 December 2019 (31 December 2018: convertible bonds and finance lease payable of approximately HK$128.7 million). At 31 December 2019, the total asset value of the Group was approximately HK$618.7 million (31 December 2018: approximately HK$669.5 million) whereas the total liabilities was approximately HK$233.6 million (31 December 2018: approximately HK$159.6 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 37.8% (31 December 2018: 23.8%).

Capital Structure and Pledge on Assets

The capital structure of the Group mainly consists of borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves respectively.

At 31 December 2019, the value of convertible bonds issued by the Group (but had not been converted) was approximately HK$135.5 million (31 December 2018: approximately HK$127.0 million).

At 31 December 2019, certain of the Group's borrowings from financial institutions were secured by property, plant and equipment, with carrying value of approximately HK$16.3 million as of 31 December 2019 (31 December 2018: Nil).

The Group's lease liabilities (2018: finance lease payable) are secured by the lessor's title to the leased asset.

The entire equity interest of Anhui Beautiful Wuhe Ecological Technologies Development Co. Ltd. and 70% equity interest of Shandong Kaiyuan Runfeng Environmental Protection Technology Co., Ltd. have been pledged as security for the Group's borrowings.

The borrowings are guaranteed by Beauty China Investment Company Limited and Auhui Beautiful Wuhe Ecological Technologies Development Co. Ltd., the subsidiaries of the Group and Mr. Sze Wai, Marco, an executive director of the Company, in favour of the borrower.

The convertible bonds are personally guaranteed by Mr. Sze Wai, Marco, an executive director of the Company, in favour of the bondholder.

Segmental Information

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

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2019, the Group did not have any significant investments and material acquisitions and disposal of subsidiaries.

Contingent Liabilities

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

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.

Employees, Training and Remuneration Policies

At 31 December 2019, the Group had 169 (31 December 2018: 158) employees. Employees' costs (including directors' emoluments) amounted to approximately HK$34.2 million (2018: approximately HK$41.9 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

Since the outbreak of COVID-19, the PRC government has implemented various policies including travel restrictions in areas such as Anhui and Jiangsu Provinces in the PRC where the Group operates its business in. As the development of the COVID-19 outbreak is unpredictable and the operations of seedlings site still not fully resume, the degree of its impact on the Group will depend on the situation, economic circumstances, and the implementation of various control policies. The Group will continue to closely monitor the development of the COVID-19, assess and actively respond to its impact on the financial condition, operating results and other aspects of the Group. Up to the date of this announcement, the assessment is still in progress. Up to the date of this announcement, except for the above, the Group has no other significant subsequent events for disclosure.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: HK$Nil).

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERANCE CODE AND LISTING RULES

Non-compliance with Rule 3.28 of the Listing Rules

Following the resignation of Ms. Wong Pui Yee as the company secretary of the Company (the "Company Secretary") with effect from 16 September 2019, the vacancy of the Company Secretary constituted a non-compliance of Rule 3.28 of the Listing Rules.

The Company is in the process of identifying suitable candidate to fill in vacancy of the Company Secretary. Further announcement will be made once the new Company Secretary is appointed.

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 2019, the Company has complied with all the Code Provisions. The Company has committed to maintain high corporate governance standards. The Company devotes considerable efforts to identifying and formalizing the best corporate governance practices suitable to the Company's needs. In addition, the Company reviews regularly its organizational structure to ensure operations are corresponding with good corporate governance practices as set out in the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors for the year ended 31 December 2019. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors for the year ended 31 December 2019.

AUDIT COMMITTEE

The Company has established the 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 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.

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Uncertainty as to the fair value of biological assets

One of the Group's operating segment is ecological seedling business segment. The Group's biological assets represented seedlings (the "Seedlings") located in nurseries in Anhui and Jiangsu Provinces, the PRC. The Seedlings are measured at fair value less costs to sell at initial recognition and at the end of each reporting period, the determination of the biological assets' fair value less costs to sell involves a significant degree of judgment and estimation by management in considering the nature, timing and likelihood of changes to 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, 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. Historically, the Group's assessment of the carrying amount of biological assets included, among others, evaluating the independent professional valuer (the "Valuer") and expert consultants' competence; and checking, on a sample basis, the accuracy and relevance of the input data provided by management, the Valuer and the expert consultants.

However, due to travel restrictions in force in areas of the PRC, including Anhui and Jiangsu Provinces, to combat the COVID-19 outbreak since January 2020, the Valuer cannot conduct on-site professional valuation on the Seedlings at the date of this announcement. The market value of the Seedlings is relatively less transparent, conducting the market research in the PRC will be vital in determining the fair value of the Seedlings. Lacking of on-site professional valuation and market research conducted locally or regionally may limit the sufficiency of the market data to conclude the fair value and the recoverable amount of cash generating unit of the Seedlings. Hence, the impact of the valuation of the Seedlings on their fair value, including but not limited to change in fair value of the Seedlings, and any potential impairment on prepayments and right-of-use assets, that relating to the Seedlings, has not been reflected in the financial statement of this annual results announcement. If there is any subsequent material adjustment to the annual results of the Group for the year ended 31 December 2019, the Company will publish supplemental announcement to explain the differences between the unaudited and audited annual results of the Group for the year ended 31 December 2019.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

REVIEW OF UNAUDITED ANNUAL RESULTS

As mentioned in the foregoing, since the Valuer cannot conduct on-site professional valuation on the Seedlings due to travel restrictions in force in areas of the PRC, including Anhui and Jiangsu Provinces, to combat the COVID-19 outbreak since January 2020, the auditing process for the annual results for the year ended 31 December 2019 had been disrupted and not been completed.

The unaudited annual results for the year ended 31 December 2019 contained herein have not been agreed by the Company's auditors but have been reviewed and agreed by the AC. Following completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in completion of the auditing process. The Company expects the audit process will be completed on or before 14 May 2020 which is subject to development of the COVID-19 or other circumstances.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.beautifulchina.com.hk. The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and posted on the above websites in due course.

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

Hong Kong, 31 March 2020

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