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Sustainable Forest Holdings Limited
永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 723)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The board (the "Board") of directors (the "Directors") of Sustainable Forest Holdings Limited (the "Company") hereby present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2014 together with the comparative figures for the corresponding period in 2013 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**63,946**	76,550
Cost of sales		**(51,365)**	(67,302)
GROSS PROFIT		**12,581**	9,248
Other income	6	**24,461**	122,962
Other net loss	6	**(1,139)**	(9,618)
Selling and distribution costs		**(1,647)**	(10,398)
Administrative expenses		**(35,695)**	(61,040)
Other operating expenses	7	**(315,232)**	(47,546)
Change in fair value of biological assets less costs to sell	12	**(292,758)**	(482,190)
LOSS FROM OPERATIONS		**(609,429)**	(478,582)
Finance income		**41**	5,332
Finance costs		**(2,051)**	(16,571)
Net finance costs	8(a)	**(2,010)**	(11,239)
LOSS BEFORE TAXATION	8	**(611,439)**	(489,821)
Income tax	9	**121,285**	163,145
LOSS FOR THE YEAR		**(490,154)**	(326,676)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(cont'd)*

For the year ended 31 March 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
ATTRIBUTABLE TO:			
Owners of the Company		**(490,133)**	(326,601)
Non-controlling interests		**(21)**	(75)
		(490,154)	(326,676)
Loss per share	*11*		
– Basic		**(28.67) cents**	(22.48) cents
– Diluted		**(28.67) cents**	(22.48) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(490,154)**	(326,676)
Other comprehensive loss for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(11,884)**	(49,534)
Other comprehensive loss for the year, net of income tax	**(11,884)**	(49,534)
Total comprehensive loss for the year	**(502,038)**	(376,210)
Total comprehensive loss attributable to:		
Owners of the Company	**(502,017)**	(376,131)
Non-controlling interests	**(21)**	(79)
	(502,038)	(376,210)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**157,769**	190,274
Intangible assets		**–**	–
Investment properties		**23,699**	–
Biological assets	*12*	**17,538**	344,172
Goodwill	*13*	**–**	302,118
		199,006	836,564
CURRENT ASSETS			
Inventories	*14*	**3,741**	4,337
Trade and other receivables	*15*	**39,340**	10,583
Cash and cash equivalents		**8,965**	216,540
		52,046	231,460
CURRENT LIABILITIES			
Trade and other payables	*16*	**82,776**	79,401
Loans and borrowings		**5,310**	36,132
Provision for taxation		**2,158**	50,255
Promissory notes		**6,782**	6,648
Amount due to non-controlling shareholder		**1,235**	–
Amount due to shareholder		**13,410**	–
		111,671	172,436
NET CURRENT (LIABILITIES)/ASSETS		**(59,625)**	59,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**139,381**	895,588

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Loans and borrowings	**22,994**	–
Amounts due to shareholders	**–**	231,568
Amounts due to related companies	**–**	3,717
Financial liabilities	**1,984**	–
Deferred tax liabilities	**55,605**	143,296
	80,583	378,581
NET ASSETS	**58,798**	517,007
CAPITAL AND RESERVES		
Share capital	**29,005**	390,832
Reserves	**29,718**	126,168
Total equity attributable to the owners of the Company	**58,723**	517,000
Non-controlling interests	**75**	7
TOTAL EQUITY	**58,798**	517,007

Notes:

1. CORPORATE INFORMATION

Sustainable Forest Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and the principal place of business is Suites No. 302-305, 3rd Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise sustainable forest management; manufacturing and sales of timber products; leasing of properties; and travel and travel related business.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements had been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the applicable disclosure provision of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange and the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") that are first effective for the current accounting period.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period with the exception of the amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*, which modify the disclosure requirements for impaired non-financial assets. The amendments are effective for annual periods beginning on or after 1 January 2014, but as permitted by the amendments, the Group has adopted the amendments early. The disclosures about the Group's impaired non-financial assets in note 13 have been conformed to the amended disclosure requirements.

Except as described below, the application of other new and revised standards and interpretations in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented. The adoption of the amendments does not have any material impact on these consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7 during the periods presented.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the requirements in IAS 27 Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11, which replaces IAS 31 Interests in Joint Ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice. The adoption of IFRS 11 does not have any material impact on these consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. The adoption of IFRS 12 does not have any material impact on the disclosure in these consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments.

IAS 19 Employee Benefits (as revised in 2011)

IAS 19 (as revised in 2011) introduces a number of amendments to the accounting for defined benefit plans. Among them, IAS 19 (as revised in 2011) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. IAS 19 (as revised in 2011) also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not. The adoption of IAS 19 (as revised in 2011) does not have any material impact on these consolidated financial statements.

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the board of directors ("Board") (the chief operating decision maker) of the Company for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. In 2014, the Group has introduced two new segments, as a result of the acquisition of subsidiaries as disclosed in note 17. No operating segments have been aggregated to form the following reportable segments.

Sustainable forest management: sustainable management of and investment in natural forests; timber and wood processing; trading and sales of forestry and timber products.

Manufacturing and sale of timber products: manufacturing and sales of timber products including but not limited to wooden doors, furniture and wooden flooring (previously named as Zhongshan Operations).

Leasing of properties: lease of premises to generate rental income and to gain from the appreciation in the property values in the long term.

Travel and travel related business: sales of air-tickets, hotel accommodation and other travel related products.

In accordance with IFRS 8, segment information disclosed in this consolidated financial statements has been prepared in a manner consistent with the information used by the Board of the Company for the purposes of assessing segment performance and allocating resources among segments. In this regard, the Board of the Company monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets attributable to an individual reportable segment with the exception of certain unallocated corporate assets including unallocated cash and cash equivalents.

All liabilities are allocated to reportable segments other than current, deferred tax liabilities, promissory notes and unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration cost such as director's salaries and other head office or corporate administration costs, unallocated corporate income and unallocated interest expense.

In addition to receiving segment information concerning the profit earned by/(loss) from each segment, the Board is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

(a) Segment results, assets and liabilities

An analysis of the Group's reportable segment is reported below:

		2014				
	Notes	**Sustainable forest management** *HK$'000*	**Manufacturing and sale of timber products** *HK$'000*	**Travel and travel related business** *HK$'000*	**Leasing of properties** *HK$'000*	**Total** *HK$'000*
Revenue from external customers		–	63,762	175	9	63,946
Reportable segment revenue		–	63,762	175	9	63,946
Reportable segment (loss)/profit before taxation		(640,285)	19,583	85	(59)	(620,676)
Impairment loss of property, plant and equipment	7	(13,038)	–	–	–	(13,038)
Impairment loss of goodwill	7, 13	(302,118)	–	–	–	(302,118)
Change in fair value of biological assets less costs to sell	12	(292,758)	–	–	–	(292,758)
Depreciation		(628)	(2,381)	(1)	(13)	(3,023)
Reversal of write down of inventories, net	6	6,551	16,382	–	–	22,933
Loss on disposal of property, plant and equipment	7	(76)	–	–	–	(76)
Interest expense		(1,914)	–	–	(3)	(1,917)
Reportable segment assets		173,521	41,143	4,344	23,854	242,862
Additions to non-current segment assets		–	–	3,281	23,738	27,019
Reportable segment liabilities		(69,975)	(25,204)	(2,466)	(23,523)	(121,168)

An analysis of the Group's reportable segment is reported below: (cont'd)

		2013				
	Notes	Sustainable forest management *HK$'000*	Manufacturing and sale of timber products *HK$'000*	Travel and travel related business *HK$'000*	Leasing of properties *HK$'000*	Total *HK$'000*
Revenue from external customers		–	76,550	–	–	76,550
Inter-segment revenue		–	–	–	–	–
Reportable segment revenue		–	76,550	–	–	76,550
Reportable segment loss before taxation		(419,092)	(50,825)	–	–	(469,917)
Change in fair value of biological assets less costs to sell	*12*	(482,190)	–	–	–	(482,190)
Depreciation		(1,011)	(1,272)	–	–	(2,283)
Write off of other receivables	*7*	(64)	(220)	–	–	(284)
Write down of Inventories	*7*	(13,789)	(31,051)	–	–	(44,840)
Loss on disposal of property, plant and equipment	*7*	(736)	–	–	–	(736)
Write off of property, plant and equipment	*7*	(1,686)	–	–	–	(1,686)
Waiver of liabilities by trade creditors	*6*	119,603	–	–	–	119,603
Interest income	*8*	5,332	–	–	–	5,332
Interest expense		(14,505)	–	–	–	(14,505)
Reportable segment assets		836,011	14,906	–	–	850,917
Additions to non-current segment assets		450	2,239	–	–	2,689
Reportable segment liabilities		(319,476)	(26,038)	–	–	(345,514)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

(i) Revenue

	2014	2013
	HK$'000	*HK$'000*
Reportable segment revenue	**63,946**	76,550
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**63,946**	76,550

(ii) Loss

	2014	2013
	HK$'000	*HK$'000*
Reportable segment loss before taxation	**(620,676)**	(469,917)
Unallocated corporate income	**20,798**	8,969
Depreciation	**(4)**	(17)
Unallocated corporate expenses	**(11,423)**	(26,790)
Unallocated interest expense	**(134)**	(2,066)
Loss before taxation	**(611,439)**	(489,821)

(iii) Assets

	2014	2013
	HK$'000	*HK$'000*
Reportable segment assets	**242,862**	850,917
Unallocated:		
– Unallocated corporate assets	**438**	817
– Unallocated cash and cash equivalents	**7,752**	216,290
Total assets per consolidated statement of financial position	**251,052**	1,068,024

(iv) Liabilities

	2014	2013
	HK$'000	*HK$'000*
Reportable segment liabilities	**121,168**	345,514
Unallocated:		
– Provision for taxation	**2,158**	50,255
– Deferred tax liabilities	**55,605**	143,296
– Promissory notes	**6,782**	6,648
– Unallocated corporate liabilities	**6,541**	5,304
Total liabilities per consolidated statement of financial position	**192,254**	551,017

(v) Other items

	2014					
	Sustainable forest management	**Manufacturing and sale of timber products**	**Travel and travel related business**	**Leasing of properties**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation	**(628)**	**(2,381)**	**(1)**	**(13)**	**(4)**	**(3,027)**
Interest expense	**(1,914)**	**–**	**–**	**(3)**	**(134)**	**(2,051)**
Loss on disposal of property, plant and equipment	**(76)**	**–**	**–**	**–**	**–**	**(76)**

	2013					
	Sustainable forest management	Manufacturing and sale of timber products	Travel and travel related business	Leasing of properties	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	(1,011)	(1,272)	–	–	(17)	(2,300)
Interest expense	(14,505)	–	–	–	(2,066)	(16,571)
Write off of other receivables	(64)	(220)	–	–	–	(284)
Write off of property, plant and equipment	(1,686)	–	–	–	–	(1,686)
Loss on disposal of property, plant and equipment	(736)	–	–	–	–	(736)

(c) Revenue from major products and services:

	2014	2013
	HK$'000	*HK$'000*
Manufacturing and sales of timber products	**63,762**	76,550
Travel and travel related business	**175**	–
Leasing of properties	**9**	–
	63,946	76,550

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, investment properties, biological assets and goodwill. The geographical locations of customers refers to the locations at which the customers reside. The geographical locations of property, plant and equipment, investment properties and biological assets is based on the physical locations of the asset under consideration. In the case of intangible assets and goodwill, the allocation is based on the location of the operation to which they are allocated.

	Revenue from external customers		Non-current assets	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
South America	**–**	–	**170,256**	832,360
Asia Pacific (other than Hong Kong)	**63,762**	76,550	**1,622**	4,016
Hong Kong (place of domicile)	**184**	–	**27,128**	188
	63,946	76,550	**199,006**	836,564

Information about major customer

Revenue from customer contributing 10% or more of the total revenue of the Group is as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A – revenue from manufacturing and sales of timber products	**22,237**	60,567
Customer B – revenue from manufacturing and sales of timber products	**16,648**	–
Customer C – revenue from manufacturing and sales of timber products	**8,765**	–

5. REVENUE

Revenue represents the net invoiced value of goods sold, (after allowances for returns and trade discounts) and revenue from manufacturing and sales of timber products; lease of premises to generate rental income; and sales of air-tickets, hotel accommodation and other travel related products.

An analysis of revenue is as follows:

	2014	2013
	HK$'000	*HK$'000*
Manufacturing and sales of timber products	**63,762**	76,550
Travel and travel related business	**175**	–
Leasing of properties	**9**	–
	63,946	76,550

6. OTHER INCOME AND OTHER NET LOSS

	2014	2013
	HK$'000	*HK$'000*
Other income		
Rental income	**5**	30
Waiver of liabilities by trade creditors *(Note i)*	**–**	119,603
Reversal of write down of inventories, net	**22,933**	–
Others	**1,523**	3,329
	24,461	122,962
Other net loss		
Net exchange loss	**(21,920)**	(15,648)
Change in fair value of financial liabilities	**20,278**	6,030
Gain on bargain purchase on acquisition *(Note 17(a))*	**503**	–
	(1,139)	(9,618)

Notes:

(i) In March 2011, the Group purchased logs and timber from independent suppliers in Democratic Republic of Congo ("DRC") and Virginia, USA and sold them at a total sale prices of approximately HK$396 million to some PRC customers who were independent to the Group and its directors on an ex-yard basis. Ex-yard means the seller were required to deliver the goods to its yard. All other transportation costs and risks are assumed by the buyers. The customers inspected and accepted the goods sold at the respective designated yards in DRC and USA. The sales contracts were signed under Hong Kong laws. According to the terms and conditions of the sales contracts, the customers were responsible for arranging transportation after inspection and acceptance of delivery.

In April 2011, China placed a ban on importation of logs from Virginia, USA. No one could move any logs originated from Virginia to China. The ban was only lifted, on a test basis, beginning 1 June 2012.

The Group understood that Chinese customs places ban on importation of products and goods from time to time. These bans might be politically motivated as retaliations to discriminatory policies against Chinese goods by foreign countries. Bans based on such motivations might be difficult for market participants to predict the duration. The Group was not aware of any similar rationale behind the April 2011 ban which stemmed from pests being found in some shipments from those selected states involved. Pest problems in general should be easily addressed by proper fumigation. Based on public information, the US government from those states involved seemed to be working actively and immediately to resolve the problem with the Chinese customs. In addition, the views of the Group's sales in the PRC and market views collected by them indicated that the concerns could be resolved quickly. As such, the Group believed that the ban would be short-lived.

Concurrently, the customers began looking for vessels to transport the African logs and timber from DRC to China since signing of the sales contracts. It proved to be very difficult to secure vessels as there were limited choice of shipping lines due to the perceived security risks associated with DRC, the limiting conditions of the port and the lack of proper port facilities for loading. The Group tried to assist the customers out of courtesy but was also not successful.

Timber prices in China began to soften in the second half of 2011 and continued with a downward trend for the rest of the year. Demand and prices dropped significantly after Chinese New Year in February 2012 generally due to poor housing market and negative economic outlook in China.

The sales contracts required payments be made in five installments by the customers with the last of the installments paid by 31 August 2011. Up to 20 December 2012, only a total of approximately HK$84 million was collected from the customers. No further payments were received from the PRC customers since July 2011. The Group requested the customers to settle the outstanding payments due to it numerous times while understanding the unusual circumstances surrounding the delays in shipment of the goods sold both from the USA and DRC to China. When considering to allow the customers to make deposit payments slower than the original plan, the Company took into consideration amongst other factors that it might physically block the movement of the logs and timber if payments received were not adequate to cover the quantity of logs and timber that the buyers ship. The physical block would be feasible as the Brazilian logs sold were stored inside the hydropower plant at our log yards; and the African logs and timber sold were stored at our supplier's warehouse at the port which we helped to arrange.

Timber prices began decreasing during the last quarter of 2011 and dropped significantly and suddenly during the first quarter of 2012 due to slow down in the Chinese housing market and economy. The customers notified the Group its intention to default on the contracts in May 2012. After repeated unsuccessful attempts in collecting the outstanding receivables from the PRC customers, the Group agreed with the African and US suppliers to terminate its purchase agreements with them on 31 May 2012. The African and US suppliers took back the logs and timber with no further liabilities due from the Group. The Group understood that the supplier sold the logs in the domestic market with some profit after taking back the logs. The Group recognised the waiver of liabilities HK$119,603,000 as other income during the year ended 31 March 2013.

The Group was consulting legal advice from its Hong Kong lawyer and was preparing to take legal actions against the PRC customers for breach of contract and loss of profit. It was uncertain as to the amount that may be recovered from the PRC customers and whether the courts of Hong Kong will be the convenient forum to handle the claims against these PRC companies. As such, the Group considered that the value of the total receivable outstanding with these PRC customers of HK$299 million was impaired and the amount was written off during the year ended 31 March 2012.

In hindsight, the customers might have underestimated the difficulties in sourcing transportation for such volume of timber and logs. Also, the slowdown of the housing market and the drop in timber prices in China that began in the fourth quarter of 2011 was not anticipated by the customers or the Group. These factors together contributed to the default by the customers eventually.

At the time of publishing the 31 March 2011 results on 29 June 2011, the intention to default by the customers was not known to the Group and as mentioned previously, there was no objective evidence of impairment. In June/ July 2011, while it might have been difficult, the Group did not consider that it was impossible to secure vessels. The Group's senior logistic manager went to DRC in July 2011. After his trip, for the Group's other purchases, he was able to arrange one vessel that departed in July 2011 and one vessel for departure in September 2011. Accordingly, the Company did not consider the business of the Group at the time would be adversely affected, and no disclosure, impairment or announcement was considered necessary.

7. OTHER OPERATING EXPENSES

	2014	2013
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**76**	736
Impairment of property, plant and equipment	**13,038**	–
Write off of property, plant and equipment	**–**	1,686
Write down of inventories	**–**	44,840
Impairment loss of goodwill *(Note i)*	**302,118**	–
Write off of other receivables	**–**	284
	315,232	47,546

Notes:

(i) Impairment loss of goodwill was a non-cash item resulting from the annual impairment test of the cash-generating unit of the segments of sustainable forest management. Please refer to Note 13 for details.

8. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

		Notes	2014 HK$'000	2013 HK$'000
(a)	**Net finance costs**			
	Interest income from consideration receivable		–	(5,324)
	Interest income from bank deposits		**(41)**	(8)
	Total interest income on financial assets not at fair value through profit or loss		**(41)**	(5,332)
	Finance costs			
	Interest on loans and other borrowings wholly repayable within five years		**921**	5,083
	Interest on promissory notes		**134**	131
	Interest on amounts due to shareholders		**990**	10,640
	Interest on amounts due to related companies		**6**	668
	Finance charges on obligations under finance leases		–	49
	Total interest expenses on financial liabilities not at fair value through profit or loss		**2,051**	16,571
			2,010	11,239
(b)	**Staff costs (including directors' remuneration)**			
	Salaries, wages and other benefits		**8,869**	38,198
	Contributions to defined contribution retirement plans		**964**	1,137
	Equity-settled share-based payment		**446**	(349)
			10,279	38,986
(c)	**Other items**			
	Cost of inventories*	*14*	**49,453**	65,458
	Depreciation		**3,027**	2,300
	Minimum lease payments under operating leases for land and buildings (including directors' quarters)		**551**	2,485
	Auditor's remuneration			
	– audit services		**1,255**	1,088
	– other services		**655**	718
			1,910	1,806
	Gross rental income from investment properties less direct outgoings of approximately HK$6,000 (2013: Nil)		**3**	–

* *Cost of inventories includes depreciation of approximately HK$13,000 (2013: HK$Nil), the amount of which is also included in the respective total amounts disclosed separately above.*

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	Consolidated	
	2014	2013
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax		
– Current year	**–**	799
– Over provision in prior year	**(49,456)**	–
Current tax		
– PRC Enterprise Income Tax		
– Current year	**1,359**	–
Deferred tax		
– Origination and reversal of temporary differences	**(73,188)**	(163,944)
	(121,285)	(163,145)

Hong Kong Profits Tax has been provided at the rate of 16.5% of the estimated assessable profits arising in Hong Kong for the year ended 31 March 2013. No Hong Kong Profits Tax charged for the year ended 31 March 2014.

As mentioned in note 6(i), a subsidiary of the Company completed the sales transaction in March 2011, and recognized a profit tax payable amounting to approximately HK$49,456,000 in 2011. In 2012, the subsidiary of the Company incurred significant loss for the year, including the impairment of the outstanding trade receivable. The subsidiary of the Company filed the relevant tax return and tax computation which net off the tax payable and subsequent impairment loss of trade receivable to the Hong Kong Inland Revenue Department (the "IRD") during the year 2014. After the IRD assessment, the IRD agreed the adjusted tax loss, and not charge for any profit tax as calculated for the year 2011. As a result, the Group recognized an over-provision of taxation for previous years in 2014.

Brazil income tax rate is 34% (2013: 34%) of the estimated assessable profits arising in Brazil. No Brazil income tax has been provided for in the financial statements as the Brazil's subsidiary has no assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2013: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DIVIDENDS

The directors of the Company do not propose the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

11. LOSS PER SHARE

(a) The calculation of basic and diluted loss per share is based on the loss attributable to the owners of the Company as follows and the reconciliation of the weighted average number of shares as shown in Note (b):

	2014	2013
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share		
– Loss attributable to the owners of the Company	**(490,133)**	(326,601)

Diluted loss per share equals to the basic loss per share for the years ended 31 March 2014 and 2013 because the outstanding convertible preferred shares, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

(b) Weighted average number of shares

	2014	2013
	'000	*'000*
		(Restated)
Number of Shares		
Weighted average number of ordinary shares		
for the purpose of basic loss per share	**1,709,284**	1,452,773

* *The weighted average number of ordinary shares held in 2013, for the purpose of calculating basic loss per share, has been adjusted for the six-for-one share consolidation during the year 2014.*

** *The weighted average number of ordinary shares held in 2014 and 2013, for the purpose of calculation basic and diluted loss per share, has been retrospectively adjusted for the open offer on the basis of one offer share for every ten existing shares held with an issue of five bonus share for every share subscribed, which included the bonus element and took place after the end of the reporting period.*

12. BIOLOGICAL ASSETS

The Group

	2014	2013
	HK$'000	*HK$'000*
At beginning of the year	**344,172**	913,049
Changes in fair value less costs to sell	**(292,758)**	(482,190)
Exchange movement	**(33,876)**	(86,687)
At end of the year	**17,538**	344,172

The Group's forest assets, acquired through the business combination of Amplewell Holdings Limited ("Amplewell") and its subsidiaries ("Amplewell Group"), are located in the Northwest of Brazil, the State of Acre, Amazon Region (the "Brazil Forest"). At 31 March 2014 and 2013, the biological assets represent natural tropical forests. The total area of the Brazil Forest is approximately 44,500 hectares. Under the environmental laws in Brazil, 20% (2013: 20%) or 8,939 hectares (2013: 8,939 hectares) of the Brazil Forest area is the permanent preservation area and therefore is restricted from logging. At least 80% of the remaining area is designated as the sustainable forest management area and the balance is the permissible clear cut area that has no restriction on felling under the environmental laws of Brazil. In the sustainable forest management area, minimum impact logging techniques are used and forests are managed in a sustainable manner which means that the harvesting rate is below the overall natural growth of the forest. The main objective in sustainable forest management program is to ensure the substance of the forests be preserved. The maximum logging rate allowed under relevant regulations governing sustainable forest management is 30 cubic meters per hectare, an average, over a 25 to 30 year harvesting cycle.

On 27 March 2012, the board decided to suspend harvesting operations in Acre for 1 year until the operating environment for Universal Timber Resources do Brasil Ltda ("UTRB"), a subsidiary within the Group, is improved. UTRB and its staff had been harassed by the alleged agent ("Alleged Agent") of a main contractor ("Main Contractor") in the tree felling service project in Rondonia. Not only was the tree felling service project adversely affected by the Alleged Agent, he also created a difficult and hostile environment for UTRB and its staff in Brazil. Since the harassments began in February 2011, the Alleged Agent harassed UTRB's staff and their family with death threats in numerous instances. The Group's employees especially in Brazil were scared and UTRB had experienced high turnover of personnel. As such, it was decided to suspend harvesting operations in Acre to address the concerns of its staff. For the year ended 31 March 2014, the Group recorded a revaluation loss on biological assets of approximately HK$292.8 million (2013: HK$482.1 million). The decrease was primarily attributable to the decrease in log prices of which decreased with a range of 17% to 32% during the year, depreciation of Brazilian Real against Hong Kong dollars and due to the change in operation model, the directors of the Company considered the Group cannot obtain the FSC certification.

For the year ended 31 March 2013, the fair value of the biological assets decreased from HK$913,049,000 to HK$344,172,000. The decrease was primarily attributable to the decrease in log prices, which decrease 37% during the year and depreciation of Brazilian Real against Hong Kong dollars.

The forest engineer adopted the following methodology in determining the harvestable area of the Brazil forests in the technical report used for the 2013 and 2014 valuation. This methodology or standard (Modeflora – Digital Model of Forest Exploration) was developed locally in Brazil by Embrapa (Brazilian Enterprise for Agricultural Research). Adoption is not mandatory by the state but recommended to the forest engineer professionals.

During the valuation process, Greater China Appraisal Limited ("GCA") referenced to a technical report on estimation of quality and quantity of commercial and potentially commercial wood species and residues resulting from the forest exploitation issued by CAAP FORESTAL ("CAAP"). CAAP performs only once diagnostic sampling for the whole farm area under current State regulation. 100% census of the inventory will be performed inside each unit of production area in order to obtain new operating license for each unit of production area. In general, it is common practice by forest engineers to assume there is no change in the forest inventory as the tropical natural forestry asset is very stable within five to ten years, so there is not necessary to perform detailed sampling every year. Rain forest is a long lasting asset if without human intervention (Amazon forest is estimated to have existed for some 10 million years). Temporary hostile climate, e.g. strong wind, heavy rain and flooding do not change the natural habitat of the forest. Disease and fire might affect the forestry assets, but to the best knowledge of the Company, no known fire and abnormal wood disease were reported during the periods covered under the valuation. Temperature might affect the quality/volume of the forestry asset, but in a long term prospective (which usually over decades) instead of affecting within a short period of time.

Notwithstanding the above, CAAP obtains satellite image of the farms in August every year with spatial resolution of 15 m (49 ft). This is to recognize if there is any abnormal situation (e.g. sudden large scale clearing/disappearing of trees) in the farms. It indicated that any object or abnormality with 15 m in size will be shown on the satellite image. CAAP also monitors the daily updates on burns and fires in Brazil forest area: http://www.inpe.br/queimadas/.

The Brazil Forest was independently valued by GCA, an independent qualified professional valuer not connected with the Group. GCA has experience in valuing similar forestry assets. The key consultant involved in this valuation being a Certified Valuation Analyst of the International Association of Consultants, Valuators and Analysts, and has no present or prospective interest in the Group's biological assets and no personal interest or bias with respect to the Group. In the opinion of the directors of the Company, GCA is independent and competent to determine the fair value of the Group's biological assets. As the value of the biological asset is determined by the ability to generate a stream of benefits in future, GCA has adopted a discounted cash flow methodology in valuing the Brazil Forest. The following are the major assumptions used in the valuation:

- a logging volume of 21.5 m^3 (2013: 21.5 m^3) per hectare in the sustainable forest management program area.

- a post tax discount rate of 17.4% (2013: 16.5%) based on the data and factors relevant to the economy of Brazil, the industry of forest business and the harvestable resources in the Brazil Forest, and the weighted average cost of capital.

- harvesting activities for the first 30-year cycle will resume from the calendar year of 2015 and complete in 7 years (2013: 7 years). Revenue or costs from subsequent harvesting cycle are not taken into account.

- average logs price growth at a rate of 3% per annum (2013: 3% per annum) in the next 7 years (2013: 7 years) which is the expected long term growth rate estimated by reference to the Consumer Price Index in USA.

- the cost of revenue mainly includes forest planning and management, staffing costs, felling and skidding costs, loading and transportation costs, tallying and pointing costs, harvesting overhead costs, issue of forest origin document costs, annual operating license fees and cost of harvesting residues. The cost of revenue is assumed to increase in-line with the long term growth rate of 3%, which is based on the long term inflation rate. The market price is based on the market quotations of log sale prices provided by the management.

- Forest Stewardship Council (the "FSC") certification demonstrates fulfillment of social and ecological criteria, while increasing the prices achievable for timber products. As the directors changed the operation model, the Group will not obtain the FSC certification in 2015, and the Group cannot enjoy a price premium of 15%. Therefore, the fair value of the biological assets decreased.

  For the year ended 31 March 2013, based on current market practices, the directors estimated that the Group could enjoy a price premium of 15% over non FSC timber products from 2015 when the Group obtaining the FSC certification.

  For the year ended 31 March 2014, the harvesting operation in Acre, Brazil remained suspended. As the business environment continued to be difficult for the Group in Brazil, the board of directors changed the operation model in Acre from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's biological assets:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2014				
Recurring fair value measurement for:				
Biological asset	–	–	17,538	17,538

During the Year, there were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Net carrying amount at 1 April	**344,172**	913,049
Exchange movement	**(33,876)**	(86,687)
Changes in fair value less costs to sell	**(292,758)**	(482,190)
Net carrying amount at 31 March	**17,538**	344,172

Exchange movement of biological assets is recognized in other comprehensive income in "exchange fluctuation reserve".

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on an asset interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset.

The directors of the Company have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at annual reporting date.

The Group is exposed to a number of risks related to its natural forest.

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in Brazil in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. The Directors are not aware of any environmental liabilities as at 31 March 2014.

(ii) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of logs. When possible the Group manages this risk by controlling its harvest volume, according to market conditions. Management performs regular industry trend analysis to ensure the Group's pricing policy is comparable to the market and the projected harvesting volumes are consistent with the expected demand.

13. GOODWILL

The Group

	Sustainable forest management *(note i)* *HK$'000*	**Manufacturing and sale of timber products** *(note ii)* *HK$'000*	**Total** *HK$'000*
Cost			
At 1 April 2012, 31 March 2013 and 1 April 2013	1,686,883	77,353	1,764,236
Arising from acquisition of subsidiaries	–	–	–
At 31 March 2014	1,686,883	77,353	1,764,236
Accumulated impairment losses			
At 1 April 2012, 31 March 2013 and 1 April 2013	1,384,765	77,353	1,462,118
Impairment losses recognised during the year	302,118	–	302,118
At 31 March 2014	1,686,883	77,353	1,764,236
Carrying amounts			
At 31 March 2014	–	–	–
At 31 March 2013	302,118	–	302,118

Notes:

(i) Sustainable forest management

Goodwill was allocated to the Group's cash-generating unit identified according to the operating segment. Goodwill as at 31 March 2014 and 2013 was attributable to the cash-generating unit that comprises the sustainable forest management segment.

The forest engineer adopted the following methodology in determining the harvestable area of the Brazil forests in the technical report used for the 2013 and 2014 valuation. This methodology or standard (Modeflora – Digital Model of Forest Exploration) was developed locally in Brazil by Embrapa (Brazilian Enterprise for Agricultural Research). Adoption is not mandatory by the state but recommended to the forest engineer professionals.

For the year ended 31 March 2014, goodwill relating to sustainable forest management segment suffered an impairment loss of approximately HK$302,118,000 (2013: HK$Nil) primarily as a result of the change in operation model for the year.

As the cash generating unit has been reduced to its recoverable amount of approximately HK$169,078,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. As the board of directors changed the operation model, the estimated future cash flows decreased. The fair value less costs of disposal is greater than the value in use in 2014.

For 2014

On 27 March 2012, the board of directors of the Company decided to suspend harvesting operations in Acre, Brazil until the operating environment for its Brazilian subsidiary improves. Up to the date of approval of financial statements, the harvesting operation in Acre, Brazil remained suspended. As the business environment continued to be difficult for the Group in Brazil, the board of directors changed the operation model in Acre from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group.

On 29 May 2014, the Company has entered into a memorandum of understanding ("MOU") with an independent third party that 2,000 hectares of the forest was leased to the third party for logging with a consideration of BRL350 per hectare. However, the MOU was lapsed before the date of approval of financial statements. The Group will be actively negotiating terms and conditions with potential lessee for the forest in Brazil.

Up to the date of approval of financial statements, the change in operation model has not been crystallized and no lease relating to the Group's forest in Brazil has been entered into by the Group. The directors of the Company considered the economic value of the future income stream from leasing out the Group's forest cannot be reasonably assessed at the date of approval of financial statements. The Group has to preclude the economic value of the future income stream from leasing out of the Group's forest from measurement of the fair value of the CGU for prudence.

The Group engaged an independent professional valuer to perform the valuation for the fair value of the CGU. The original business plan regarding the operation was assumed to be changed. As the MOU lapsed before the date of the approval of the financial statements, the valuer cannot validate the feasibility of leasing business. There is no reliable projection for the business and income approach of the valuation methodology of the business value cannot be used.

In assessing the valuation of the CGU, the valuer adopted the asset approach, which is breaking the CGU into pieces, i.e. the freehold land (included the naked land, pastures and betterments) and the biological assets, so the business value is the sum of them. The valuer adopted the market approach for the freehold land and adopted the income approach based on the projection developed based on the market participant's point of view for the biological assets.

The fair value less cost of disposal of the CGU valuation is approximately HK$169,078,000 included the fair value of the biological assets and the fair value of freehold land. During the year, an impairment loss of goodwill, approximately HK$302,118,000 has been recognized in the profit or loss.

For 2013

As the recoverable amount of the sustainable forest management segment is higher than the carrying amount, no impairment for goodwill for the year 2013.

The recoverable amount of the sustainable forest management segment cash-generating unit was based on value in use and was determined with the assistance of an independent professional valuer.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. The calculation of the value in use was based on the following key assumptions:

– Cash flows were projected based on past experience and financial budget approved by management. The financial budget is for 7 years. The management considers that the harvesting activities have 30-year cycle so long period of budget can be justified. Management estimated that the cash flows after 7 years are immaterial to the overall recoverable amount of the unit because the management planned to complete the harvesting and selling activities for the first 30-year cycle of the Brazil Forest within 8 years. Therefore, cash flows after 7 years are not included in the value in use calculations. Management estimated that there would be a negative growth of 71% in year 7 as a result of the completion of harvesting and selling activities for the first 30-year cycle of the Brazil forest.

– Revenue was projected based on management's past experience and their expectations for market development and the harvesting plan.

– Timber product average price growth at 3% per annum. The expected long term growth rate was estimated by reference to the Consumer Price Index in USA.

– A pre-tax discount rate of 25.75% based on the data and factors relevant to the economy of Brazil, the forest industry, the timber products in the Brazil Forest, and the weighted average cost of capital.

– The Group would obtain FSC certification in 2015. FSC certification demonstrates fulfillment of social and ecological criteria, while increasing the prices achievable for timber products. Based on current market practices, the directors estimated that the Group could enjoy a price premium of 15% over non FSC timer products from 2015 when the Group obtaining the FSC certification.

(ii) Manufacturing and sale of timber products

The goodwill of approximately HK$77,353,000 arising from the acquisition of Originate Tech Global Investments Limited and its subsidiaries represented the future economic benefits from the synergy effect of the business combination.

The entire value of manufacturing and sale of timber products segment was considered impaired as of 31 March 2012, and an impairment loss on goodwill of approximately HK$77 million was recorded.

14. INVENTORIES

		2014	2013
	Notes	***HK$'000***	*HK$'000*
Sawn timber	*(a)*	**1,308**	3,320
Finished goods	*(b)*	**2,433**	1,017
		3,741	4,337

Notes:

(a) The sawn timber was purchased for trading purpose.

(b) These inventories were held for further processing or sale.

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	2014	2013
	HK$'000	*HK$'000*
Write down of inventories *(Note i)*	**6,153**	44,840
Reversal of write down of inventories *(Note ii)*	**(29,086)**	–
Net	**(22,933)**	44,840
Carrying amount of inventories sold	**49,453**	65,458

(i) During the year ended 31 March 2014, obsolete and slow-moving inventories approximately HK$6,153,000 (2013: HK$44,840,000) were identified and written down to their net realisable value.

(ii) The reversal of write down of inventories made in prior years arose due to an increase in the net realisable value as a result of the sales occurred during the year,

15. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**22,547**	274
Other receivables	**16,139**	5,608
Amount due from a director *(Note i)*	**–**	183
Amount due from a shareholder *(Note ii)*	**–**	422
Prepayments and deposits	**654**	4,096
	39,340	10,583

All of the trade and other receivables are expected to be recovered within one year.

Notes:

(i) The amount due from a director was unsecured, interest free and had no fixed terms of repayment. During the year ended 31 March 2013, the maximum outstanding amount was approximately HK$183,000.

(ii) The amount due from a shareholder was unsecured, interest free and had no fixed terms of repayment.

(a) Trade receivables

The aging analysis of the trade receivables as of the reporting date, based on invoice date, which approximates the respective revenue recognition dates, was as follows:

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**19,235**	197
31 to 60 days	**141**	–
61 to 90 days	**58**	–
Over 90 days	**3,113**	77
	22,547	274

The Group's trading terms with its customers are mainly on credit and letters of credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 180 days after issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

(c) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**19,235**	197
Past due but not impaired		
Less than 1 month past due	**141**	–
1 to 3 months past due	**58**	–
Over 3 months past due	**3,113**	77
	3,312	77
	22,547	274

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group for whom there was no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER PAYABLES

	Notes	2014 HK$'000	2013 HK$'000
Trade payables	*(a)*	**56,910**	51,650
Other payables and accruals		**25,866**	19,818
Amount due to related companies	*(b)*	**–**	7,933
Financial liabilities measured at amortised costs		**82,776**	79,401

All of the trade and other payables are expected to be repaid or recognised as income within one year or had no fixed terms of repayment.

(a) Trade payables

An aging analysis of the Group's trade payables as at the end of the reporting period, based on invoice date, was as follows:

	2014 HK$'000	2013 HK$'000
0 to 30 days	**17,402**	3,930
31 to 60 days	**10**	190
61 to 90 days	**4**	–
Over 90 days *(note (i))*	**39,494**	47,530
	56,910	51,650

Note:

(i) Trade payables also included approximately R$10 million (equivalent to approximately HK$36 million at 31 March 2014 and approximately HK$40 million at 31 March 2013). This sum represented service fees payable to a subcontractor for a tree felling service project in Rondonia, Brazil. UTRB had disputes with the subcontractor and it abandoned the site. No further work was subcontracted to them after the year ended 31 March 2011 as UTRB was not assigned any area for clearing by the hydropower plant of this project in the financial years ended 31 March 2013 and 2014, and no amount was paid by UTRB either. UTRB is not aware of any claims or lawsuits filed by the subcontractor at the relevant courts.

(b) Amounts due to related companies

The amounts were unsecured, interest free and had no fixed terms of repayment.

17. ACQUISITION OF SUBSIDIARIES

a) Travel Inn Limited

On 18 February 2014, the Group obtained control of Travel Inn Limited by acquiring 95% equity interest and voting rights in Travel Inn Limited from an independent third party. Travel Inn Limited provided travel agency services. The acquisition was made with the aim to diversify Group's businesses.

The following summarized the recognised amounts of identifiable assets acquired and liabilities assumed as at 18 February 2014.

	HK$'000
Property, plant and equipment	3,281
Trade and other receivables	618
Provision for taxation	28
Cash and cash equivalents	746
Trade and other payables	(740)
Loans and borrowings	(905)
Deferred tax liabilities	(21)
Amount due to non-controlling shareholder	(1,235)
Total net identifiable assets	1,772
Non-controlling interest	(89)
Gain on bargain purchase	(503)
Total consideration	1,180

	HK$'000
Purchase consideration settled in cash	(1,180)
Cash and bank balances acquired	746
Net cash outflow on acquisition	(434)

The gain on bargain purchase is mainly attributable to the following:

i) The immediate exit opportunity offered to the vendor; and

ii) The ability of the Group in negotiating the agreed terms of the transaction with vendor.

No significant acquisition-related costs were incurred.

The Group had elected to measure the non-controlling interest in Travel Inn Limited at the proportionate share of the identifiable net assets.

None of the trade receivables was impaired and it was expected that all contractual amounts could be collected.

Included in the loss for the year is profit of approximately HK$8,500 attributable to Travel Inn Limited. Revenue for the year includes approximately HK$175,000 in respect of Travel Inn Limited. Had the business combination been effected on 1 April 2013, the revenue and loss of the Group for the year ended 31 March 2014 would have been approximately HK$65,199,000 and HK$490,012,000 respectively. The directors considered these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference results for comparison in future periods.

b) Good Magic Limited

Acquisition of assets and liabilities through acquisition of subsidiaries

On 18 February 2014, the Group obtained control of Good Magic Limited and its subsidiaries by acquiring 100% equity interest and voting rights in Good Magic Limited from an independent third party. The Group accounted for the acquisition of subsidiaries as an asset acquisition. The acquisition was made with the aim to diversify Group's businesses.

The following summarized the recognised amounts of assets acquired and liabilities assumed as at 18 February 2014.

	HK$'000
Property, plant and equipment	39
Investment properties	23,699
Other receivables	27
Cash and cash equivalents	103
Trade and other payables	(110)
Loans and borrowings	(23,388)
Total net identifiable assets	370
Total consideration	370

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Good Magic Limited is as follows:

	HK$'000
Purchase consideration settled in cash	(370)
Cash and cash equivalents acquired	103
Net cash outflow on acquisition	(267)

18. CONTINGENT LIABILITIES

Partnership harvesting agreement

On 18 July 2011, UTRB entered into an agreement (the "Partnership Harvesting Agreement" or the "Agreement") with R2R Indústria e Comércio de Produtos Florestais Ltda. ("R2R"). Under the Agreement, UTRB will harvest logs on forest area supposedly owned by R2R under a Sustainable Forest Management Plan and pay R2R Florestal a total of R$9,602,000 (or approximately HK$41 million) by installments. R2R was responsible to obtain the necessary harvesting permit ("AUTEF") within 30 days of the Agreement. R2R was late in presenting the AUTEF to UTRB and failed to produce documentations that support its ownership of the subject forest area. In addition, UTRB's harvesting team discovered various environmental crimes in the subject forest area during its preparatory inspection. A total sum of R$840,000 (or approximately HK$3,869,000) was paid by UTRB under the Agreement while the remaining balance was withheld due to the above breach and irregularities. In the meantime, R2R sent various notices demanding for performance under the Agreement. On 17 January 2012, UTRB served a termination notice to R2R and demanded for the return of the deposits paid. On 23 February 2012, R2R sent UTRB an amicable settlement offer where reducing the outstanding balance to R$1,621,000 (or approximately HK$6,910,000) as final settlement for the immediate termination of the Agreement. According to the opinion of inhouse and external legal counsels, UTRB has adequate legal ground to terminate the Agreement, demand for the return of the deposit and ask for penalties.

19. LITIGATIONS

Service agreement

On 30 May 2010, UTRB entered into a service agreement ("Service Agreement") with F Um Terraplanagem ("Terraplanagem"). Under the Service Agreement, Terraplanagem would carry out earthwork service in the hydropower plant in Rondonia, Brazil for a service fee of R$892,500 (or approximately HK$3,069,000). After signing the agreement, Terraplanagem did not provide any earthwork service and UTRB had to hire another company to complete the earthworks. However, in the land search of the freehold lands of UTRB, it revealed that Terraplanagem submitted a claim to a court against UTRB to pay for alleged outstanding service fee of approximately R$1,291,000 (or approximately HK$4,439,000) and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold lands with carrying value of approximately R$10,391,000 (or approximately HK$35,734,000) as at 31 March 2014 without properly paying possible claim to itself. At the moment, UTRB did not receive any writ from the court in due course. Up to the date of approval of financial statements, the court hearing has not yet been scheduled. UTRB will investigate the issue and defend itself vigorously in coming legal proceeding. To the best understanding of the Company, the claim was at a preliminary stage. The Company will inform its shareholders in due course. For the sake of prudence, the claim of approximately R$1,291,000 (or approximately HK$4,439,000) has been provided and included in other payables.

Labour claim

During the financial year ended 31 March 2014, the Company revealed that a labour claim against UTRB for US$600,000 (or approximately HK$4,655,000 or approximately R$1,354,000) was filed by Leandro Dos Martires Guerra ("Leandro"), a former director of the Company. At the moment UTRB did not receive any writ from the court in due course. The court made an order to UTRB for paying Leandro the claim of US$600,000 (or approximately HK$4,655,000 or approximately R$1,354,000). UTRB filed a legal appeal after consulting legal counsels. The Company will inform its shareholders in due course. For the sake of prudence, the claim of US$600,000 (or approximately HK$4,655,000 or approximately R$1,354,000) has been provided and included in other payables.

Logistical agreement and long-term supply agreement

On 19 July 2010, SFH Trading Limited, a subsidiary of the Company, entered into a logistical agreement and a long-term supply agreement with Viewscm Corporation Ltd. ("Viewscm"). According to the logistical agreement, Viewscm was appointed as the sole logistics service provider to SFH Trading Limited for export of logs and timbers from hydroelectric power plant area in the state of Rondonia, Brazil to China. However, after Viewscm formulated the logistic plan under the logistical agreement, the proposed transportation cost from Viewscm did not meet the target cost of SFH Trading Limited. Thus, SFH Trading Limited did not use any logistics service by Viewscm. Also, according to the long-term supply agreement, SFH Trading Limited would sell logs to Viewscm in Brazil and the origin of the logs should be from the hydroelectric power plant area. The Group was engaged by the Main Contractor to provide tree felling service in the hydroelectric power plant area. The relationship with the Main Contractor deteriorated since occurrence of the harassments from the Alleged Agent of the Main Contractor and operating staff and officers of our Group were rejected access to the hydroelectric power plant area. As such, SFH Trading Limited could not sell any logs to Viewscm.

Viewscm asserted claims against SFH Trading Limited by reason of the alleged breaches of the logistical agreement and long-term supply agreement by SFH Trading Limited. The alleged breaches of the logistical agreement and long-term supply agreement were dealt with under arbitration proceedings which hearings were held at South China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission respectively. On 20 March 2013, South China International Economic and Trade Arbitration Commission issued an award of approximately RMB784,000 (or approximately HK$991,000) in favour of Viewscm for the alleged breach of logistical agreement by SFH Trading Limited and on 12 April 2013, Shenzhen Arbitration Commission issued an award of approximately RMB703,000 (or approximately HK$888,000) in favour of Viewscm for the alleged breach of longterm supply agreement by SFH Trading Limited.

On 19 September 2013, SFH Trading Limited received two court orders for the enforcement of arbitration awards issued by South China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission totaling approximately RMB1,487,000 (or approximately HK$1,879,000) and related legal expenses in favour of Viewscm. The Company will inform its shareholders for new development in due course. The total claims of approximately RMB1,487,000 (or approximately HK$1,879,000) has been provided and included in other payables.

SFH Trading Limited has been inactive since 1 April 2012 and was in net liabilities position as at 31 March 2014.

20. SUBSEQUENT EVENTS

(a) After the end of the reporting period, the Company completed the issue of 139,179,601 shares through the open offer at the subscription price of HK$0.32 per offer share on the basis of one offer share for every ten existing shares held with an issue of five bonus shares for every offer share subscribed. The Company also completed the issue of 150,867,613 convertible preferred share ("CPS") through the open offer at the subscription price of HK$0.01 per offer CPS on the basis of one offer CPS for every ten existing CPS held with five bonus CPS for every offer CPS subscribed. The open offers were completed in May 2014 and funds of approximately HK$46.4 million before expense were raised.

(b) After the end of the reporting period, the board changed the operation model in Acre, Brazil, from own harvesting to leasing out the forest in Brazil to enhance the income stream of the Group.

EXTRACTS FROM INDEPENDENT AUDITORS' REPORT

Basis for disclaimer of opinion

Scope limitation – fair value of biological assets, change in fair value of biological assets, carrying amount of goodwill, impairment of goodwill and deferred tax credit

During the year, an impairment loss of goodwill, HK$302,118,000 and change in the fair value of the biological assets approximately HK$292,758,000 have been recognized and charged to the profit or loss. As set out in note 20 and 21 to the consolidated financial statements, the directors of the Company engaged an independent valuer to perform the valuation of the fair value of the biological assets and valuation of the fair value of the business value for sustainable forest management for assessing the recoverabilities of the goodwill.

However, we were unable to obtain sufficient evidence to satisfy ourselves as to whether the assumptions adopted by the valuer in these valuations were appropriate. Whether the cash generating unit ("CGU") of the sustainable forest management is able to generate future economic benefits to the Group is dependent on the feasibility of the future business plan provided by the Company. We were unable to obtain sufficient information to verify the reasonableness of the assumptions and the feasibility of the business plan based on which the valuations were performed, and accordingly, we were unable to satisfy ourselves as to whether the fair value of the biological assets of approximately HK$17,538,000 and the carrying amount of the goodwill HK$Nil and the interest in subsidiaries of approximately HK$19,896,000 as at 31 March 2014, and whether the impairment loss of goodwill of approximately HK$302,118,000, the change in fair value of the biological assets of approximately HK$292,758,000 and the related deferred tax credit of approximately HK$73,187,000 recognized in the profit or loss for the year ended 31 March 2014 and the impairment of amount due from subsidiaries of approximately HK$588,196,000 recognised in the company level profit or loss for the year ended 31 March 2014 were free from material misstatement.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Group and the Company as at 31 March 2014, and of the Group's loss and cash flows for the year then ended and the related disclosures in the consolidated financial statements.

Qualification arising from Scope limitation – trade and other payables

Included in the trade and other payables of approximately HK$56,910,000 in the consolidated statement of financial position as at 31 March 2014 was trade payable of approximately HK$36,032,000 which was subject to an interest of 1% per month for overdue payment. During the audit of the consolidated financial statement for the year ended 31 March 2011, the related trade creditor confirmed that no interest was billed to the Group. Therefore, the Group did not accrue interest for overdue payment. However, due to the non-reply to our confirmation request, absence of new information of the trade creditor, and no sufficient appropriate audit evidence to prove that no interest was required to be accrued, there were no other alternative audit procedures that we could carry out to obtain sufficient appropriate audit evidence to verify the existence, completeness and valuation of the trade payable as at 31 March 2014, 2013 and 1 April 2012. Accordingly, we were unable to satisfy ourselves as to whether these amounts were fairly stated in the financial statements as at 31 March 2014 and 2013. Our audited opinion on the Group's financial statements for the years ended 31 March 2013 and 2012 was also qualified accordingly.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Group as at 31 March 2014 and 2013 and 1 April 2012 and of its loss and cash flows for the year then ended and the related disclosures in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group's revenue decreased from HK$76.6 million to HK$63.9 million for the year ended 31 March 2014. The total revenue consisted primarily of sales of timber products. The Group's net loss after tax increased from HK$326.7 million to HK$490.2 million for the year ended 31 March 2014. The net loss for the current year was primarily due to a decrease in fair value of biological assets of HK$292.8 million and impairment loss on goodwill of HK$302.1 million.

BUSINESS REVIEW

China

The PRC is the world's largest consumer and importer of timber and logs and it continues to be the primary market for our forestry and timber products. Demand for the Group's timber products remains sluggish.

Brazil

Business environment continued to be difficult for the Group in Brazil. On 27 March 2012, the board decided to suspend harvesting operations in Acre, Brazil for one year and until the operating environment for its Brazilian subsidiary improves. For the financial year ended 31 March 2014, Acre's operations remained suspended. On 5 June 2014, the board of directors changed the operation model in Acre from own harvesting to leasing out the forest in Brazil (the "Change in Operation Model") so as to enhance the income stream of the Group. The Group is actively negotiating terms and conditions with potential lessees relating to the Group's biological assets in Brazil. However, due to the short period of time from 5 June 2014 to the date of this announcement, the Change in Operation Model has not been crystallized and no lease relating to the Group's biological assets in Brazil has been entered into by the Group. As there is no lease entered into by the Group, the economic value of the future income stream from leasing out the Group forest cannot be reasonably assessed at the date of this announcement. The Group has to preclude the economic value of the future income stream from leasing out the Group's forest from measurement of the fair value of the goodwill for prudence. The details of the decrease in fair value of the biological assets are disclosed in Note 12 to the consolidated financial statements.

Acquisitions of new business opportunities

The Group has been keen on identifying and considering new business opportunities that diversifies the Group's business portfolio and provides the Group with a stable revenue stream. In February 2014, the Group completed the acquisition of 95% interest in Travel Inn Limited for a total consideration of HK$1.2 million. Travel Inn Limited is principally engaged in the business of licensed travel agent under the Travel Agents Ordinance of the Laws of Hong Kong. Also, in February 2014, the Group completed the acquisition of entire interest of Good Magic Limited and its subsidiaries for a total consideration of HK$0.4 million. Good Magic Limited and its subsidiaries are principally engaged in the business of property investment. The acquisitions will enable the Group to diversify into businesses of licensed travel agent and property investment.

Share consolidation and reorganization

Pursuant to an ordinary resolution passed on 30 September 2013, the share consolidation was approved and effective from 2 October 2013 every six ordinary shares of HK$0.0533̇ each in the authorised and issued share capital of the Company were consolidated into one ordinary share of HK$0.32 each in the authorised and issued share capital of the Company.

Pursuant to a special resolution passed on 30 September 2013, the capital reorganization was approved and effective from 2 October 2013 in the following manner (i) the issued ordinary share capital of the Company was reduced through a cancellation of paid up capital of the Company to the extent of HK$0.31 on each of the ordinary shares of HK$0.32 such that the nominal value of each issued ordinary share was reduced from HK$0.32 to HK$0.01; (ii) all of the authorised but unissued ordinary shares of HK$0.32 each were cancelled; and (iii) the authorised share capital of the Company was increased to HK$575,340,000 by the creation of an additional 28,608,305,027 unissued ordinary shares of HK$0.01 each so that the authorised share capital of the Company comprised a total of 30,000,000,000 ordinary shares of HK$0.01 each and 27,534,000,000 convertible preferred shares of HK$0.01 each.

The share consolidation reduced the transaction costs for dealing in the consolidated shares as the board lot value would increase after the share consolidation became effective. While the capital reorganisation gave greater flexibility to the Company to raise funds through the issue of new shares in the future.

Fund raising

In terms of the financial position of the Group, the net assets of the Group had been eroded by the unfavourable economic environment in the past years. During the financial year ended 31 March 2014, the Group was actively exploring opportunities to enhance the capital base and financial position of the Group. By way of fund raising exercises, the Group successfully raised funds of approximately HK$65.2 million before expenses from open offers completed in May 2013 and funds of approximately HK$46.4 million before expenses from open offers completed subsequent to the end of the reporting period in May 2014. These funds have significantly strengthened the financial position and enhanced the liquidity of the Group.

OUTLOOK

Uncertain market conditions and poor demand for timber products continued to affect the Group's near term outlook. The Group will continue to control its expenses and look for new business opportunities as well as divest unprofitable business to restore and enhance shareholders' value.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group had cash and cash equivalents that amounted to HK$9.0 million (2013: HK$216.5 million).

The Group's gearing ratio expressed as a percentage of total interest bearing borrowings (including all interest bearing borrowings from shareholders, non-controlling shareholder and related companies), over equity attributable to the owners of the Company, increased from 53.8% as at 31 March 2013 to 84.7% as at 31 March 2014.

As at 31 March 2014, the Group had HK$28.3 million in interest bearing borrowings from independent third parties of which HK$5.3 million were repayable within one year and the remaining HK$23.0 million were repayable after one year. As at 31 March 2013, the Group had HK$36.1 million in interest bearing borrowings from an independent third party of which were repayable within one year. As at 31 March 2014, the interest bearing borrowings of HK$28.3 million from the independent third parties consisted of HK$13.3 million in bank loans and HK$15.0 million in other borrowings. As at 31 March 2013, the interest bearing borrowings of HK$36.1 million from the independent third party were other borrowings. As at 31 March 2014, the Group's had net current liabilities of HK$59.6 million (2013: net current assets of HK$59.0 million). In addition, interest bearing borrowings from shareholders, non-controlling shareholder and related companies totaled HK$21.4 million and HK$241.9 million for the years ended 31 March 2014 and 2013, respectively.

CHARGE ON ASSETS

As at 31 March 2014, property, plant and equipment of HK$3.2 million (2013: Nil) and investment properties of HK$23.7 million (2013: Nil) of the Group were pledged to secure bank mortgages. As at 31 March 2014, certain area of the freehold lands with carrying value of HK$33.1 million (2013: Nil) was filed with a precautionary injunction by a claimant.

CONTINGENT LIABILITIES AND LITIGATIONS

The Group's contingent liabilities and litigations at 31 March 2014 are disclosed in Notes 18 and 19 to the consolidated financial statements.

FOREIGN EXCHANGE RISK

The Group's continuing operation mainly operates in Brazil, China and Hong Kong.

During the year ended 31 March 2014, revenue from operations was denominated mainly in Renminbi while its costs and expenses were primarily in Renminbi, Hong Kong dollars and Brazilian Reais where the Group's operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged.

In addition, the main operational assets of the Group are located and denominated in local currencies in Brazil and China while the Group's reporting currency is in Hong Kong dollars. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

The Group did not enter into any arrangements or financial instruments for the purpose of hedging against the potential foreign exchange risks during the year under review. Management believes that the Group's exposure to foreign exchange risks are minimal since Renminbi has been in strength while Reais have been weakening somewhat against US dollars during the current period. In the event that Reais were to rise substantially against US dollars, the risk can be mitigated by increasing local sales denominated in Reais. As for the operational assets of the Group, any foreign exchange gain or losses due to translation of the carrying value of the assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature. As such, active hedging activities are not considered warranted. Nonetheless, management will monitor closely its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2014, the Group had approximately 24 employees (2013: 305) mainly in Hong Kong, China and Brazil (2013: Hong Kong, China, Brazil and USA). The total remuneration paid by the Group to its employees (including directors) for the year was approximately HK$10.3 million (2013: HK$39.0 million).

The Group rewards its employees according to prevailing market practices, individual experience, performance and requirements under applicable labor laws in the Group's operational locations. In addition to the provision of annual bonus, provident fund scheme and medical insurance coverage, discretionary bonuses and share options are also available to employees.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 March 2014 (2013: HK$Nil per ordinary share and HK$Nil per convertible preferred share).

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2014, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code ("the CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviations mentioned below:

Code Provision A.2.1

Under the Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of the chairman ("Chairman") and the chief executive ("CE") of the Company are segregated and are clearly defined to ensure their respective independence, accountability and responsibilities. The Chairman is responsible for the formulation of the Group's overall business development policies while the CE is responsible for the implementation of major decisions of the Board and overall management of the Group's businesses.

On 6 April 2011, Mr. LEUNG Chau Ping, Paul was re-designated from the position as an executive director of the Company to a non-executive director and resigned as the CE. Since then and to up the date of this announcement, the position of the CE has not been appointed. Since the beginning of the current financial year, Ms. ZHOU Jing acted as the Chairman. During the current financial year when no CE was appointed, the functions of the CE have been performed by the Executive Directors with the assistance of the management of the Company. The Board considers that such structure does not impair the balance of power and authority between the Board and the management of the Company. The Board will however regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings. However, Mr. NG Wai Hung was unable to attend the special general meeting held in Hong Kong on 30 September 2013 as he had another business engagement.

The Company periodically reviews its corporate governance practices to ensure that it continues to meet the requirements under the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 March 2014.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2014.

AUDIT COMMITTEE

The Audit Committee comprised three members, namely Mr. William Keith JACOBSEN (chairman of the Audit Committee), Mr. WU Wang Li and Mr. NG Wai Hung and all of them are independent non-executive directors. The Audit Committee has reviewed the accounting principles and practice adopted by the Group, reviewed the annual results for the year ended 31 March 2014 and discussed the internal controls together with the management.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited ("Crowe Horwath"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath on the announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.susfor.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report for 2013/14 will be published on the above websites and despatched to the Shareholders on or before 31 July 2014.

By Order of the Board
Sustainable Forest Holdings Limited
Zhou Jing
Chairman

Hong Kong, 30 June 2014

As at the date of this announcement, the Board comprises Ms. Zhou Jing and Mr. Mung Wai Ming as executive directors; and Mr. William Keith Jacobsen, Mr. Wu Wang Li and Mr. Ng Wai Hung as independent non-executive directors.