中國農林低碳控股有限公司

China Agroforestry Low-Carbon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01069)

Annual Report 2015

Contents

Corporate Information

DIRECTORS

Executive Directors:

Mr. Lei Zuliang *(Chairman)*
Mr. Long Weihua
Mr. Wang Yue *(Appointed on 1 July 2015)*
Professor Fei Phillip *(Appointed on 24 July 2015)*

Non-executive Director:

Professor Liu Zhikun
Mr. Zhou Xianyan

Independent Non-executive Directors:

Ms. Tian Guangmei
Mr. Liang Guoxin
Mr. Liu Zhaoxiang

AUDIT COMMITTEE

Ms. Tian Guangmei
Mr. Liang Guoxin
Mr. Liu Zhaoxiang

REMUNERATION COMMITTEE

Mr. Liang Guoxin
Mr. Liu Zhaoxiang
Mr. Lei Zuliang

NOMINATION COMMITTEE

Mr. Liu Zhaoxiang
Mr. Liang Guoxin
Mr. Lei Zuliang

JOINT COMPANY SECRETARIES

Mr. Ding Liang CGA, ACCA
Mr. Leung Man Kit FCPA

AUTHORISED REPRESENTATIVES

Mr. Lei Zuliang
Mr. Leung Man Kit FCPA

INDEPENDENT AUDITORS

CCTH CPA Limited
Certified Public Accountants

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1002–1003, 10/F
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Hong Kong

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

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Guangdong Province
The PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.
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Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

China Construction Bank (Asia) Corporation Limited
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COMPANY WEBSITE

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STOCK CODE

01069

Financial Highlights

ANNUAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

- Turnover for the financial year ended 31 December 2015 amounted to approximately Renminbi ("**RMB**") 10.1 million (2014: RMB26.8 million), representing a decrease of approximately 62.2% as compared with corresponding period in 2014.

- Segment revenue from the forestry business, biomass fuel business and money lending business for the financial year ended 31 December 2015 were approximately RMB0.6 million (2014: RMB12.0 million), RMB8.4 million (2014: RMB14.8 million) and RMB1.1 million (2014: Nil) respectively.

- Segment results from the forestry business, biomass fuel business and money lending business for the financial year ended 31 December 2015 were loss of approximately RMB7.7 million (2014: profit of RMB6.6 million), loss of approximately RMB22.4 million (2014: loss of RMB3.4 million) and profit of approximately RMB1.0 million (2014: Nil).

- Loss attributable to the owners of the Company for the financial year ended 31 December 2015 amounted to approximately RMB59.9 million (2014: RMB90.3 million), representing a decrease in loss of approximately 33.7% as compared with corresponding period in 2014.

- Total comprehensive expenses attributable to the owners of the Company for the financial year ended 31 December 2015 amounted to approximately RMB63.7 million (2014: RMB91.5 million), representing a decrease of approximately 30.4% as compared with corresponding period in 2014.

- The gearing ratio for the financial year ended 31 December 2015 was approximately 41.7% (2014: 54.3%), representing a decrease of 23.2% as compared with corresponding period in 2014.

- Basic loss per share for the financial year ended 31 December 2015 amounted to RMB2.15 cents (2014: RMB3.90 cents).

- The board (the "**Board**") of directors of the Company (the "**Directors**") does not recommend the payment of a final dividend for the financial year ended 31 December 2015 (2014: nil).

Chairman's Statement

On behalf of the Board, I am pleased to present to our valued shareholders and investors the annual report (the "**Annual Report**") of China Agroforestry Low-Carbon Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 December 2015.

Due to the adjustments in the way of economic growth of the People's Republic of China ("**China**" or the "**PRC**") in the year of 2015, the consequential slowdown in various economic metrics, the decline in the performance of the manufacturing industry and the energy sector, the fluctuation of raw materials prices, the rise of the statutory minimum wages and the lack of supporting policies for the energy sector, the Group's principal business, the market development and operation of biomass fuel products, faced severe challenges, directly resulting in losses.

The management team of the Group made ongoing efforts to seek appropriate projects for the development of the Group's business, along with continuous investments and expansion of its biomass fuel production capacity. According to the Company's announcement dated 27 November 2015, the Group negotiated with Shenzhen Hengfudelaisi Smart Housing Company Limited* (深圳恒富得萊斯智能房屋有限公司) ("**Shenzhen Hengfu**") and its relevant shareholders, which are independent third parties to the Company, regarding potential cooperation in relation to Shenzhen Hengfu's business in leasing, sales and installation of container houses and related business (the "**Potential New Business**"). The Company believed that there is a great potential market and investment opportunities for the development of the Potential New Business, which allows us to explore potential business opportunities and to enable the Company to tap into the multi-purpose container-related industry in the PRC. On 22 January 2016, the Company entered into the non-legally binding Memorandum of Understanding with certain prospective vendors in relation to the Possible Acquisition, aiming at bringing further diversity to the Group's businesses and broaden its income source and improve its financial performance.

In conclusion, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and others who have extended their invaluable support to the Group and my fellow directors and all staff for their considerable contributions to the Group.

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 31 March 2016

* *for identification purpose only*

BUSINESS AND OPERATIONAL REVIEW

After the completion of the acquisition of China Timbers Limited ("**China Timbers**") and its subsidiaries (collectively referred to as "**China Timbers Group**") in late May 2013 and the disposal of the entire issued share capital of Newshine International Limited ("**Newshine**") and its subsidiaries on 30 June 2014, the Group has ceased its operation of manufacturing and wholesaling of apparels, and focused on its businesses of (a) forestry management; (b) sale, research and development of biomass fuel produced by biomass materials such as timber processing and forestry waste; and (c) money lending.

CONTINUING OPERATIONS

Forestry management business

As at 31 December 2015, the long-lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu (equivalent to approximately of 235 hectares) and 21,045 Chinese Mu (equivalent to approximately of 1,403 hectares) in Dali City of Yunnan Province (the "**Yunnan Forest**") and Jiange County of Sichuan Province (the "**Sichuan Forest**"), respectively.

The Sichuan Forest is held by China Timbers Group, which were acquired by the Group on 28 May 2013 and became part of the Group. The Group harvested timber logs of approximately 400 cubic metres (2014: 15,000 cubic metres) in the Sichuan Forest during the year ended 31 December 2015. As at 31 December 2015, the Sichuan Forest is estimated to comprise of approximately 1,389 hectares of Cypress with approximately 13 hectares of tree plantations aged 40 years or older.

The Yunnan Forest have been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, no revenue has been contributed from the Yunnan Forest to the Group for the year ended 31 December 2015. As at 31 December 2015, the Yunnan Forest is estimated to comprise of approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations with age 40 years or older.

For the year of 2015, the forestry management business of the Group achieved a revenue of RMB607,000, which accounted for 6% of the total revenue, representing a decrease of 95% as compared to the year of 2014. Such decrease was due to a drop in the number of logs harvest in the Sichuan Forest. The drop was mainly due to the relevant PRC authority's delay in granting the relevant annual logging permit for the Group to harvest the Sichuan Forest. Such permit was only granted to the Group in late November 2015, whereas the previous annual logging permit was granted in around July 2014, thus leaving the Group with much less time to harvest the logs in the Sichuan Forest in the financial year ended 31 December 2015 than in the financial year ended 31 December 2014.

Biomass fuel business

Pursuant to a capital injection agreement dated 21 October 2014 and a supplemental agreement dated 15 May 2015, the Group agreed to inject a total amount of RMB10,155,000 by way of capital contribution to Xinyu Bio Energy (Anhui) Company Limited ("**Anhui Xinyu**") in exchange for 52% of its equity interests. As at the date of this Announcement, RMB10,155,000 has been fully paid by the Group as capital contribution to Anhui Xinyu. Anhui Xinyu is principally engaged in the manufacture and sale of biomass fuel products.

During the year ended 31 December 2015, the Group produced approximately 11,000 tons of biomass fuel (year ended 31 December 2014: approximately 17,000 tons). In 2015, the biomass fuel business of the Group achieved a revenue of approximately RMB8.4 million (2014: RMB14.8 million), which accounted for 83% of the total revenue.

Money Lending Business

The Company's wholly-owned subsidiary, namely, Forever Biosource (Credit) Limited, is engaged in money lending business and recorded a gain of approximately RMB1.1 million (2014: Nil) as interest income during the financial year ended 31 December 2015.

FUNDRAISING ACTIVITIES

During the year ended 31 December 2015, in order to support the development of the Group's forestry management business and the biomass fuel business, the Group has engaged in certain fundraising activities, details of which are set out as follows:

Issue of corporate bonds

During the year ended 31 December 2015, the Company entered into placing agreements with AMTD Asset Management Limited and SinoPac Securities (Asia) Limited on 15 July 2015 and 8 December 2015 respectively for the issue of corporate bonds, details of which are set out in the announcements of the Company dated 15 July 2015, 15 October 2015 and 11 December 2015 respectively. In this connection, the Company issued the corporate bonds in the aggregate principal amount of HK$57,600,000 for cash consideration of HK$55,710,000 (before expense), bearing interest rates ranged from 0% to 8% per annum and maturity dates ranging from 3 months to 7 years from the date of issue. During the year ended 31 December 2015, the Company repaid part of the corporate bonds with the principal amount of HK$31,000,000 for a consideration of HK$31,000,000. At the end of the reporting period, the corporate bonds payable with the principal amount of HK$140,700,000 (2014: HK$114,100,000) remained outstanding.

The net proceeds from the issue of corporate bonds, after deducting the interests and other related expenses payable by the Company, were approximately HK$25 million. The actual use of proceeds as to (i) approximately HK$1 million for investment in biomass fuel project(s), (ii) approximately HK$23 million for repayment of liabilities, and (iii) approximately HK$1 million for general working capital, such as staff salaries and occupancy costs.

Placing of new shares under the general mandate

On 22 April 2015, the Company entered into a placing agreement with Glory Sky Global Markets Limited (the "**Placing Agent**") whereby the Company agreed to place, through the Placing Agent, on a best effort basis, 232,776,295 new shares (the "**Shares**", each being a share of the Company) to not less than six placees at a price of HK$0.306 per placing share under the general mandate. The placing shares represent approximately 9% of the then issued share capital of the Company and 8.25% of the then enlarged issued share capital of the Company.

An aggregate of 173,960,000 placing Shares of the Company were placed on 14 May 2015. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$52.54 million. The actual use of proceeds as to (i) approximately HK$21 million for investment in biomass fuel project(s), (ii) approximately HK$26 million for repayment of liabilities; and (iii) approximately HK$6 million for general working capital, such as staff salaries and occupancy costs.

MAJOR NON-CASH TRANSACTIONS

As set out in the Company's announcement dated 15 July 2015, on 15 July 2015, the Company and Maple Reach Limited entered into a subscription and settlement agreement whereby the parties agreed to a full and final settlement of a remaining balance of the redemption premium of approximately HK$22,327,000 in consideration of the allotment and issue by the Company to Maple Reach Limited of 69,762,915 new shares at the subscription price of HK$0.32004. Maple Reach further agreed to release and discharge the Company immediately after completion of the Subscription and Settlement Agreement from all claims, damages, liabilities, causes of action and demands whatsoever which it had or may consider it had against the Company in relation to the redemption premium payable pursuant to the Subscription Agreement and its Supplemental Deed as defined under the Company's announcement dated 15 July 2015.

FINANCIAL REVIEW

Turnover

During the financial year ended 31 December 2015, the Company recorded a turnover of approximately RMB10.1 million, representing an approximately 62.2% decrease as compared to approximately RMB26.8 million for 2014. Such drop was mainly due to the reduction of both domestic and overseas demand for timber and the delayed issue of the PRC government's annual quota on forest logging.

Turnover from the Company's forestry management business for the year ended 31 December 2015 was approximately RMB0.6 million (2014: RMB12.0 million), representing an approximately 95% decrease as compared to the year ended 31 December 2014. However, such decrease was due to the decrease in the number of logging in Sichuan Forest. The drop was mainly due to the relevant PRC authority's delay in granting the relevant annual logging permit for the Group to harvest the Sichuan Forest. Such permit was only granted to the Group in late November 2015, whereas the previous annual logging permit was granted in around July 2014, thus leaving the Group with much less time to harvest the logs in the Sichuan Forest in the financial year ended 31 December 2015 than in the financial year ended 31 December 2014. The revenue for this business segment is attributable solely to the sale of the forest stock harvested from the Sichuan Forest during the financial year ended 31 December 2015. The Group expects the revenue generated from this business to further increase in the coming year with the commencement of harvesting of the Yunnan Forest and the new forest which has been recently acquired by the Group in January 2016 subject to the relevant logging permit from the relevant PRC authority.

Turnover from the Company's biomass fuel business for the year ended 31 December 2015 was approximately RMB8.4 million (2014: RMB14.8 million), representing an approximately 43.2% decrease as compared to the year ended 31 December 2014. The Group expects the revenue generated from this business to further increase in the coming year as a result of the acquisition of Anhui Xinyu, which is principally engaged in the manufacture and sale of biomass fuel products.

The Group also received interest income of approximately RMB1.1 million (2014: nil) from the money lending business engaged by its wholly owned subsidiary during the financial year ended 31 December 2015.

Gross Profit/Loss

The Group recorded a gross loss of approximately RMB3.3 million for the year ended 31 December 2015 (2014: Gross profit of approximately RMB4.2 million), representing a decrease of approximately 179.06% as compared to the year ended 31 December 2014. Such decrease was mainly due to the decrease in revenue of the forestry management business and biomass fuel business. Concerning the decrease in revenue of the forestry management business, the PRC government strictly implemented an annual quota system for wood logging and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations and hence generating revenue in the forestry segment. During the year of 2015, the Group only received the relevant annual logging permit for the Sichuan Forest from the relevant PRC authority in late November 2015. The previous annual logging permit for the Sichuan Forest was granted in around July 2014, thus leaving the Group with much less time to harvest the logs in the Sichuan Forest in the financial year ended 31 December 2015 than in the financial year ended 31 December 2014. In addition, the decrease in revenue from the biomass fuel business was mainly due to low utilization rate of the production facilities and the increase in the price of raw materials resulting in the increase of unit production costs.

Loss/gain on change in fair value less costs to sell of plantation forest assets

During the year ended 31 December 2015, the Group recognised a loss on change in fair value of plantation forest assets of approximately RMB6.1 million (2014: Gain on change of approximately RMB7.2 million).

Qualifications and independence of the valuer and forestry specialist consultant

Ascent Partners Valuation Service Limited ("**Ascent Partners**" or the "**Independent Valuer**") is an independent professional qualified valuer appointed by the Company for the purpose of preparing the valuation reports dated 21 March 2016 and 22 March 2016 (the "**Valuation Reports**") on the fair market value of the forest lands with a total site area of approximately 3,530 Chinese Mu and 21,045 Chinese Mu located in Dali City of Yunnan Province (the "**Dali Forests**") and Jiange County of Sichuan Province (the "**Jiange Forests**", together with the Dali Forests, the "**Forests**"), the PRC, respectively. The Independent Valuer has extensive experience in performing valuation of businesses, tangible and intangible assets and financial instruments, and has served as the independent valuer for various forestry projects for listed companies on the Stock Exchange.

The Valuation Report was prepared by Mr. William SW Yuen and Mr. Paul Wu of Ascent Partners. Mr. William SW Yuen is a Chartered Financial Analyst and Financial Risk Manager. He holds a Master degree of Science in Finance and has extensive experience in valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. He has over six years of experience in the valuation industry and has experience in valuing biological assets. Mr. Paul Wu, holder of a Master degree of Science, had worked in the senior management of world class technology companies. He has extensive experience in corporate valuation and advisory, as well as financial and statistical analyses and solutions. He has over five years of experience in the valuation industry and has experience in valuing biological assets.

Set out below are the companies (Hong Kong listed and private) and their respective valuation projects that have been conducted by Mr. William SW Yuen and Mr. Paul Wu, which are similar to the valuation report for the Forests:

Company	Stock code	Date of valuation report	Date of circular/ announcement issued	Items of valuation
Jiangchen International Holdings Ltd.	1069.HK	30 April 2013	30 April 2013	Acquisition of pine forestry plantation in Jiange, Sichuan Province
A private company in Qingyuan, Guangdong Province	–	26 September 2012	Nil	Annual valuation of eucalyptus plantation
China Environmental Resources Group Ltd.	1130.HK	June, 2009–2012	Nil	Annual valuation of polar plantation in Shihezi, Xinjiang Province
Jiangchen International Holdings Ltd.	1069.HK	10 May 2012	21 May 2012	Acquisition of pine forestry plantation in Dali, Yunnan Province
Sustainable Forest Holdings Ltd.	0723.HK	December 2009	Nil	Second opinion on the valuation of a mixed plantation in Brazilian

In performing the valuation of the Forests, the Independent Valuer has consulted a forestry specialist consultant, Mr. Peng Tuming (彭土明) ("**Mr. Peng**"), to, amongst other, provide certain technical advice and expert opinions in respect of the biological assets, verify the species of the cypress trees, assist in data collection, issue and confirm the conditions of the biological assets in the Forests.

Mr. Peng, aged 57, studied and graduated in 湖南林業學校 (Hunan Forestry School*, now known as Central South University of Forestry and Technology (中南林業科技大學)) in the PRC in 1985. Mr. Peng obtained his bachelor in forestry in Central South University of Forestry and Technology in 1993. He has been working in 國家林業局中南調查規劃設計院 (Academy of Central South Forest Inventory and Planning of SFA) since 1985 and is currently a senior engineer. The Academy of Central South Forest Inventory and Planning of SFA is directly supervised by the SFA and is awarded a Class A qualification (甲A級資質), which is the highest credential in the forestry field in the PRC. All data collected and work performed by the Academy of Central South Forest Inventory and Planning of SFA are reported to the SFA. Research published by the SFA as the official governmental data are mainly based on the information collated by the various academies of forest inventory and planning.

Mr. Peng has over 26 years of experience in the forestry related works in the PRC, especially the national 1st class and 2nd class forestry resources survey (國家一類與二類森林資源調查). Mr. Peng has been engaged in a wide variety of technical forestry works in 17 provinces in the PRC, including but not limited to, forestry policy planning, forestry researching, forestry resources inspection and surveying, planning and designing of ecological forests and natural reserve forests and forestry resources monitoring by using remote sensing technology. During his employment with Academy of Central South Forest Inventory and Planning of SFA, he has participated in over 100 forestry surveying, verification and planning tasks and he has published over 30 theses and/or technical reports on forestry resources surveying and planning independently. The above forestry tasks handled by Mr. Peng in the Academy of Central South Forest Investory and Planning of SFA involved the tree stock volume estimation and the experimental procedure for the determination and verification of various parameters used in forestry valuations.

Set out below are some of the technical forestry works in relation to the forests with cypress trees in the PRC that Mr. Peng has conducted previously:

Project	Year	Items of works
Provide technical advice and expert opinions in respect of the forest lands of the Group with a total site area of approximately 21,786 Chinese mu located in Jiange County, Sichuan Province, the PRC	2012	To monitor and investigate the forest resources, such as stock volume and their biological conditions, such as ages, health statuses, diameter at breast height, of the area.
Monitoring and investigation project for the protection of natural forest in Wanyuan City (萬源市) of Sichuan Province	2006	To monitor and investigate the forest resources, such as stock volume and their biological conditions, such as ages, health statuses, diameter at breast height, of the area.
The inspection project of transforming farmland to forest in Li County (理縣) and Songpan County (松潘縣) of Sichuan Province	2001	To inspect the progress of turning the farmland into forest in the area, as well as the checking of biological conditions of the forest in the area, such as ages, health statuses and diameter at breast height.

* *for identification purpose only*

Project	Year	Items of works
National 2nd class forestry resources survey in Mingxi County of Fujian Province (福建省明溪縣國家森林資源二類調查)	July–December 1996	To collect the data of the forest resources, such as stock volume, as well as their biological conditions, such as ages, health statuses, diameter at breast height, in the area for the future governmental planning purposes.
National 2nd class forestry resources survey in Fenyi County of Jiangxi Province (江西省分宜縣國家森林資源二類調查)	May–November 1989	To collect the data of the forest resources, such as stock volume, as well as their biological conditions, such as ages, health statuses, diameter at breast height, in the area for the future governmental planning purposes.
National 2nd class forestry resources survey in Youxi County of Fujian Province (福建省尤溪縣國家森林資源二類清查)	September 1985 –May 1986	To collect the data of the forest resources, such as stock volume, as well as their biological conditions, such as ages, health statuses, diameter at breast height, in the area for the future governmental planning purposes.

In 2016, Mr. Peng prepared two technical reports for advisory purposes for the valuation of the forests lands of the Group with a total site area of approximately 3,530 Chinese Mu located in Dali City of Yunnan Province and approximately 21,045 Chinese Mu located in Jiange County, Sichuan Province, the PRC respectively.

Save for the above, Mr. Peng has not performed any similar technical report for advisory purposes for the valuation of forests similar to the Forests for private enterprises nor the listed companies in Hong Kong. However, Mr. Peng has conducted numerous governmental forestry related technical works for forests in the PRC, in particular, in relation to the estimation of tree volume of cypress trees as disclosed above, which are therefore relevant to the conducting and providing of technical advices on the Forests as a forestry specialist consultant.

Having considered the abovementioned educational background, qualifications and experience of Mr. Peng, and in particular, the following factors, the Board and the Independent Valuer are satisfied that Mr. Peng is competent to perform the current tasks, including but not limited to, conducting and providing technical advices, in particular, the estimation of the stock volume, the parameters used in the forestry valuation and the conditions of the plantation assets of the Forests:

(i) as a senior engineer at the Academy of Central South Forest Inventory and Planning of SFA, Mr. Peng has over 25 years of experience in the forestry related works in the PRC, especially in the national 1st class and 2nd class forestry resources survey (國家森林資源一類與二類調查), for different kinds of forests and trees, including cypress trees;

(ii) Mr. Peng has been engaged in a wide variety of technical forestry works in 17 provinces in the PRC, including but not limited to, forestry resources estimation, forestry policy planning, forestry researching, forestry resources inspection and surveying, planning and designing of ecological forests and natural reserve forests and forestry resources monitoring. The aforesaid forestry related works include the estimation of tree stock volume, assessment and determination of various forestry data, for instance, the yielding rate;

(iii) during Mr. Peng's employment with Academy of Central South Forest Inventory and Planning of SFA, he has participated in over 100 forestry surveying, verification and planning tasks and he has published over 30 theses and/or technical reports on forestry resources surveying and planning independently; and

(iv) the key skills and knowledge required for conducting the above forestry related works, including but not limited to, collect sample data in the forests, investigate the biological conditions of the forestry resources, estimate and assess the forestry growth rate, adopt appropriate methodology for assessing the standing tree stock volumes, are the same set of skills in relation to providing technical advices of the Forests.

Ascent Partners is an independent firm providing a full range of valuation and advisory services. The Valuation Reports have been prepared independently. Neither Ascent Partners nor any authors of the Valuation Reports hold any interest in the Company or its related parties. The fee for providing the Valuation Reports is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in the Valuation Reports.

Mr. Peng does not hold any interest in the Company or its related parties and is independent of and not connected (as defined in the Listing Rules) with the Group and its associates.

In view of the above, the Directors are of the view that the Independent Valuer and Mr. Peng are independent and competent for the purpose of determining the fair value of the Forests.

Valuation methodology and assumptions

In carrying out the valuation of the Forests, the Independent Valuer considered the following approaches and methodologies:

Cost Approach — The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost it takes to form the asset. In the opinion of the Independent Valuer, this method is inapplicable to the analysis of the Forests as there is no convincing association of the market value of the subject asset with its cost.

Market Approach — In this approach, the value of an asset is derived by looking at how the market prices similar assets. This approach employs market data either directly from active market, or indirectly through comparable companies or similar transactions to develop a measure of value for the subject assets.

The market approach is preferred by Hong Kong Accounting Standards (HKAS). According to HKAS 41, in particular paragraph B27, if an active market exists for a biological asset, the quoted price in that market is the appropriate basis for determining the fair value of that asset. However, as an active market for transactions of biological assets with similar characteristics and conditions such as types, sizes, population, environment, etc. does not exist, the market approach is not employed in the valuation of the Forests.

Income Approach — In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present market value.

This Income Approach is considered the most appropriate and adopted by the Independent Valuer for the valuation of the Forests in the absence of an active market. The method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its business operation.

Work performed by the Independent Valuer and Mr. Peng

(i) Jiange Forests

Sampling investigation work by random was done by Mr. Peng on the plantation land among each of the 123 sub-compartments being divided in accordance to 《森林資源規劃設計調查主要技術規定》(國家林業局，2003年4月) by using a 1:10000 topographic map. In addition, angle gauge sample plot (角規樣地) approach was adopted to determine the timber volume in each sub-compartment.

The survey of a total of 1,403.03 hectare (equivalent to 21,045.4 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 1 town and 6 administrative villages, which comprises of 6 compartments and 182 sub-compartments.

Mr. Peng and his two assistants investigated the health status of the trees through visual inspection in the Forests during the fieldwork surveying period. This is a common general practice for determination of the health status of trees in the PRC.

According to the requirements of the sampling survey, non-stratified sampling method was used for this survey. Mr. Peng has adopted a commonly used sampling method as detailed in the Principal Technical Requirements on Forestry Resources Planning and Design Survey, which is a national regulation and guideline issued by the SFA for conducting forestry resources designing, planning, surveying and investigation.

Based on the said guideline for the determination of the numbers of angle gauge survey sample plots required, 455 angle gauge survey sample plots were selected randomly and set up according to the Principal Technical Requirements on Forestry Resources Planning and Design Survey. The stock volume in one sub-compartment can be derived by multiplying the stock volume per unit ha to the area of the sub-compartment. Such sample size is sufficient in ascertaining the stock volume of the Forests which enables to draw the conclusions of the Forests according to the abovementioned guideline in the determination of the numbers of angle gauge survey sample plots required in the forests for sampling purpose.

(ii) Dali Forests

The Independent Valuer has visited the Dali Forests for this fiscal year. They have confirmed with the Company that there is no material change with the stock volume and conditions of the forest plantations. The Independent Valuer has relied on the technical report provided by Mr. Peng as basis for the valuation of the Dali Forest.

Material input, included bases and assumptions used in the valuation

Key inputs

The key inputs used in the valuation of the Forests are as follows:

Timber Sale Revenue = Planned Cutting Volume (m^3) X Average Selling Price (RMB/m^3) X Yielding Rate (%) X Price Growth Factor

The experimental form factor formula originally developed by Professor Lin Changgeng ("**Professor Lin**") of Nanjing Forestry University in 1964, to calculate the standing timber volume was adopted as below:

$$V = F * (H+3) * G$$

where V is standing timber stock volume calculated, F is the experimental form factor, H is the average height of trees, and G is the basal area measured by angle gauge. The values of G and H are collected and derived from the raw data collected on-site by Mr. Peng, while the value of F is retrieved from the ArcGIS, a complete geographical system which integrates hardware, software, and data for capturing, managing, analyzing, and displaying all forms of geographically referenced information and related database.

Key assumptions

The key assumptions made by the Independent Valuer in valuing the Forests are as follows:

a. The Independent Valuer has assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of Jiange Hengchang Low-Carbon Forestry Development Co., Ltd*. (劍閣縣恒昌低碳林業開發有限公司) ("**Jiange Hengchang**") and Dalilanhai Forestry Ltd* (大理藍海) ("**Dalilanhai**").

b. The Independent Valuer has not investigated any financial data to determine the earning capacity of the operation in which the assets are used, and assumed that the prospective earnings would provide a reasonable return on the fair market value of the assets.

c. The Independent Valuer has visited the premises of Dalilanhai for this fiscal year, they have confirmed with the Company that there is no material change in conditions of the Dali Forest and have relied on the technical report by Mr Peng for the valuation of Dalilanhai. We have relied on the assistance of and information provided by the Company and Dalilanhai.

* *for identification purpose only*

Discount rate

(i) Jiange Forests

As at the date of the Valuation Report, Jiange Hengchang has no borrowings outstanding and no expected loan upcoming as confirmed by the management, hence their respective Debt-to-Equity value is assumed to be zero, and their respective weighted average cost of capital is equal to their respective cost of equity.

The cost of equity, according to the Capital Asset Pricing Model (CAPM), is given by:

$$\text{Cost of Equity} = \text{Risk-Free Rate} + \beta_l \times \text{Market Risk Premium}$$

Where

- β_l is the sensitivity of return on equity of Jiange Hengchang to the market risk premium; and
- the market risk premium is the difference between the expected rate of return on the market portfolio and the risk-free rate.

The value of β_l is given by

$\beta_l = \beta_u + \beta_u(1\text{-}t)D/E$

where

- β_u is the unlevered sensitivity of return on equity of forestry industry to the market risk premium;
- t is the effective tax rate of Jiange Hengchang; and
- D/E is the debt-to-equity ratio of Jiange Hengchang.

(ii) Dali Forests

As at the date of the Valuation Report, Dalilanhai has no borrowings outstanding and no expected loan upcoming as confirmed by the management, hence their respective Debt-to-Equity value is assumed to be zero, and their respective weighted average cost of capital is equal to their respective cost of equity.

The cost of equity, according to the Capital Asset Pricing Model (CAPM), is given by:

$$\text{Cost of Equity} = \text{Risk-Free Rate} + \beta_l \times \text{Market Risk Premium}$$

Where

- β_l is the sensitivity of return on equity of Dalilanhai to the market risk premium; and
- the market risk premium is the difference between the expected rate of return on the market portfolio and the risk-free rate.

The value of β_l is given by

$\beta_l = \beta_u + \beta_u(1\text{-}t)D/E$

where

- β_u is the unlevered sensitivity of return on equity of the forestry industry to the market risk premium;
- t is the effective tax rate of Dalilanhai; and
- D/E is the debt-to-equity ratio of Dalilanhai.

Selling prices

(i) Jiange Forests

According to the search of the various websites in the internet, including but not limited to:

http://www.178sj.net
http://www.wood168.com
http://www.chinatimber.org
http://www.jiage88.com
http://www.myw189.com
http://jiage.china.alibaba.com
http://www.wood365.cn
http://www.chinaforest.com.cn

Based on the results of the research from the websites above, the average tree prices of the cypress timber to be stable around RMB1,800 per cubic meters for the year 2015. In accordance with the sales contract between Jiange Hengchang and its subcontractors , the sales price of the cypress timber was determined to be RMB2,000 per cubic meters. The average price of RMB1,800 is adopted as a conservative estimation of the market price of the cypress timber. As the market price is based on the dimension of the tree log rather than the age of the trees, in particular the diameter of the tree log, the weighted average is derived by taking into the account of the diameter at breast height distribution which affects the price of cypress log, and hence the valuation of the Jiange Forests. Accordingly, the age of the trees is not being considered in the valuation of the Jiange Forests.

(ii) Dali Forests

According to the search of the various websites in the internet, including but not limited to:

http://www.jiage88.com
http://www.myw189.com
http://jiage.china.alibaba.com
http://www.wood365.cn
http://www.chinaforest.com.cn
http://miaomu.yuanlin365.com

The prevailing average market prices were RMB1,500 and RMB1,900 for Yunnan pine and oak, respectively. As the market price is based on the dimension of the tree log rather than the age of the trees, in particular the diameter of the tree log, the weighted average is derived by taking into the account of the diameter at breast height distribution which affects the price of pine and oak logs, and hence the valuation of the Dali Forests. Accordingly, the age of the trees is not being considered in the valuation of the Dali Forests.

Costs in the cash flow projections

(i) Jiange Forests

- Timber operational cost rate: RMB66/Chinese Mu for maintenance cost, RMB72/m^3 for timber logging cost, RMB66/Chinese Mu for road construction and maintenance cost and RMB 64/m^3 for timber transportation cost;
- Scrap sale rate: RMB329/ton;
- Scrap produced rate: 4 tons/Chinese Mu;
- Corporate tax: 0% (waived);
- Silviculture fund collection rate: RMB72/m^3;
- Agriculture subsidy: RMB200/Chinese Mu;
- Management & staff cost: RMB56,174 per month; and
- Land rental cost: RMB40/Chinese Mu

(ii) Dali Forests

- Timber operational cost rate: RMB66/Chinese Mu for maintenance cost, RMB72/m^3 for timber logging cost, RMB66/Chinese Mu for road construction and maintenance cost and RMB64/m^3 for timber transportation cost;
- Scrap sale rate: RMB300/ton;
- Scrap produced rate: 4 tons/Chinese Mu;
- Corporate tax: 0% (waived);
- Silviculture fund collection: 10% on the timber sales;
- Agriculture Subsidy: RMB200/Chinese Mu;
- Management & Staff Cost: RMB15,934 per month; and
- Land Rental Cost: RMB40/Chinese Mu

Historical yield of the biological assets

(i) Jiange Forests

- Yielding rate: 66%
- Cypress tree biological growth rate: 5.43%

(ii) *Dali Forests*

- Yielding rates: 55% for Yunnan pine and 52% for oak tree
- Yunnan pine and oak tree biological growth rate: 5.73% and 4.78% respectively

Sensitivity analysis for the enterprise value

(i) Jiange Forests

Discount rate

Variance	Discount Rate	Enterprise Value	% Change
3%	18.84%	RMB186,848,000	–7.00%
2%	17.84%	RMB191,354,000	–4.76%
1%	16.84%	RMB196,042,000	–2.43%
0%	15.84%	RMB200,922,000	0.00%
–1%	14.84%	RMB206,004,000	2.53%
–2%	13.84%	RMB211,299,000	5.16%
–3%	12.84%	RMB216,819,000	7.91%

Cypress market price

Variance	Price per m^3	Enterprise Value	% Change
15%	RMB2,070	RMB234,742,000	16.83%
10%	RMB1,980	RMB223,469,000	11.22%
5%	RMB1,890	RMB212,196,000	5.61%
0%	RMB1,800	RMB200,922,000	0.00%
–5%	RMB1,710	RMB189,649,000	–5.61%
–10%	RMB1,620	RMB178,376,000	–11.22%
–15%	RMB1,530	RMB167,102,000	–16.83%

Estimation of cypress volume

Variance	Volume per m^3	Enterprise Value	% Change
15%	267,802	RMB220,270,000	9.63%
10%	256,158	RMB213,517,000	6.27%
5%	244,515	RMB207,242,000	3.15%
0%	232,871	RMB200,922,000	0.00%
–5%	221,227	RMB193,977,000	–3.46%
–10%	209,584	RMB186,413,000	–7.22%
–15%	197,940	RMB179,634,000	–10.60%

Estimation of cypress growth rate

Variance	Growth Rate	Enterprise Value	% Change
3%	8.43%	RMB212,952,000	5.99%
2%	7.43%	RMB208,687,000	3.86%
1%	6.43%	RMB204,810,000	1.94%
0%	5.43%	RMB200,922,000	0.00%
–1%	4.43%	RMB197,055,000	–1.92%
–2%	3.43%	RMB193,236,000	–3.83%
–3%	2.43%	RMB189,490,000	–5.69%

Estimation of logging cost

Variance	Logging Cost per m^3	Enterprise Value	% Change
100%	RMB145	RMB187,496,000	–6.68%
50%	RMB109	RMB194,209,000	–3.34%
25%	RMB91	RMB197,566,000	–1.67%
0%	RMB72	RMB200,922,000	0.00%
–10%	RMB65	RMB202,265,000	0.67%
–25%	RMB54	RMB204,279,000	1.67%
–75%	RMB18	RMB210,992,000	5.01%

Estimation of road construction cost

Variance	Road Construction Cost per Chinese Mu	Enterprise Value	% Change
100%	RMB132	RMB195,246,000	–2.82%
50%	RMB99	RMB198,084,000	–1.41%
25%	RMB82	RMB199,503,000	–0.71%
0%	RMB66	RMB200,922,000	0.00%
–10%	RMB59	RMB201,490,000	0.28%
–25%	RMB49	RMB202,341,000	0.71%
–75%	RMB16	RMB205,179,000	2.12%

Estimation of transportation cost

Variance	Transportation cost per m^3	Enterprise Value	% Change
100%	RMB127	RMB193,135,000	–3.88%
50%	RMB96	RMB197,029,000	–1.94%
25%	RMB80	RMB198,976,000	–0.97%
0%	RMB64	RMB200,922,000	0.00%
–10%	RMB57	RMB201,701,000	0.39%
–25%	RMB48	RMB202,869,000	0.97%
–75%	RMB16	RMB206,763,000	2.91%

Estimation of operational cost

Variance	Operational Cost per Chinese Mu	Enterprise Value	% Change
100%	RMB132	RMB195,246,000	–2.82%
50%	RMB99	RMB198,084,000	–1.41%
25%	RMB82	RMB199,503,000	–0.71%
0%	RMB66	RMB200,922,000	0.00%
–10%	RMB59	RMB201,490,000	0.28%
–25%	RMB49	RMB202,341,000	0.71%
–75%	RMB16	RMB205,179,000	2.12%

(ii) Dali Forests

Discount rate

Variance	Discount Rate	Enterprise Value	% Change
3%	18.84%	RMB18,015,000	–10.17%
2%	17.84%	RMB18,662,000	–6.94%
1%	16.84%	RMB19,341,000	–3.56%
0%	15.84%	RMB20,055,000	0.00%
–1%	14.84%	RMB20,805,000	3.74%
–2%	13.84%	RMB21,594,000	7.67%
–3%	12.84%	RMB22,424,000	11.82%

Yunnan pine market price

Variance	Market Price per m^3	Enterprise Value	% Change
15%	RMB1,725	RMB21,546,000	7.44%
10%	RMB1,650	RMB21,049,000	4.96%
5%	RMB1,575	RMB20,552,000	2.48%
0%	RMB1,500	RMB20,055,000	0.00%
–5%	RMB1,425	RMB19,557,000	–2.48%
–10%	RMB1,350	RMB19,060,000	–4.96%
–15%	RMB1,275	RMB18,563,000	–7.44%

Oak market price

Variance	Market Price per m³	Enterprise Value	% Change
15%	RMB2,185	RMB21,989,000	9.65%
10%	RMB2,090	RMB21,344,000	6.43%
5%	RMB1,995	RMB20,699,000	3.22%
0%	RMB1,900	RMB20,055,000	0.00%
–5%	RMB1,805	RMB19,410,000	–3.22%
–10%	RMB1,710	RMB18,765,000	–6.43%
–15%	RMB1,615	RMB18,120,000	–9.65%

Estimation of Yunnan pine volume

Variance	Volume per m³	Enterprise Value	% Change
15%	18,201	RMB21,368,000	6.55%
10%	17,410	RMB20,866,000	4.04%
5%	16,618	RMB20,408,000	1.76%
0%	15,827	RMB20,055,000	0.00%
–5%	15,036	RMB19,676,000	–1.89%
–10%	14,244	RMB19,272,000	–3.90%
–15%	13,453	RMB18,843,000	–6.04%

Estimation of oak volume

Variance	Volume per m³	Enterprise Value	% Change
15%	18,815	RMB21,578,000	7.60%
10%	17,997	RMB21,005,000	4.74%
5%	17,179	RMB20,479,000	2.12%
0%	16,361	RMB20,055,000	0.00%
–5%	15,543	RMB19,606,000	–2.24%
–10%	14,725	RMB19,131,000	–4.60%
–15%	13,907	RMB18,632,000	–7.10%

Estimation of Yunnan pine growth rate

Variance	Growth Rate	Enterprise Value	% Change
3%	8.73%	RMB21,383,000	6.62%
2%	7.73%	RMB20,843,000	3.93%
1%	6.73%	RMB20,363,000	1.54%
0%	5.73%	RMB20,055,000	0.00%
–1%	4.73%	RMB19,738,000	–1.58%
–2%	3.73%	RMB19,416,000	–3.18%
–3%	2.73%	RMB19,093,000	–4.79%

Estimation of oak growth rate

Variance	Growth Rate	Enterprise Value	% Change
3%	7.78%	RMB20,790,000	3.66%
2%	6.78%	RMB20,482,000	2.13%
1%	5.78%	RMB20,268,000	1.06%
0%	4.78%	RMB20,055,000	0.00%
–1%	3.78%	RMB19,843,000	–1.06%
–2%	2.78%	RMB19,634,000	–2.10%
–3%	1.78%	RMB19,428,000	–3.12%

Estimation of logging cost

Variance	Logging Cost per m^3	Enterprise Value	% Change
100%	RMB145	RMB18,320,000	–8.65%
50%	RMB109	RMB19,187,000	–4.33%
25%	RMB91	RMB19,621,000	–2.16%
0%	RMB72	RMB20,055,000	0.00%
–10%	RMB65	RMB20,228,000	0.87%
–25%	RMB54	RMB20,488,000	2.16%
–75%	RMB18	RMB21,355,813	6.49%

Estimation of road construction cost

Variance	Road Construction Cost per Chinese Mu	Enterprise Value	% Change
100%	RMB132	RMB19,177,000	–4.38%
50%	RMB99	RMB19,616,000	–2.19%
25%	RMB82	RMB19,835,000	–1.09%
0%	RMB66	RMB20,055,000	0.00%
–10%	RMB59	RMB20,142,000	0.44%
–25%	RMB49	RMB20,274,000	1.09%
–75%	RMB16	RMB20,713,000	3.28%

Estimation of transportation cost

Variance	Transportation Cost per m^3	Enterprise Value	% Change
100%	RMB127	RMB19,241,000	–4.05%
50%	RMB96	RMB19,648,000	–2.03%
25%	RMB80	RMB19,851,000	–1.01%
0%	RMB64	RMB20,055,000	0.00%
–10%	RMB57	RMB20,136,000	0.41%
–25%	RMB48	RMB20,258,000	1.01%
–75%	RMB16	RMB20,665,000	3.04%

Estimation of operational cost

Variance	Operational Cost per Chinese Mu	Enterprise Value	% Change
100%	RMB132	RMB19,177,000	–4.38%
50%	RMB99	RMB19,616,000	–2.19%
25%	RMB82	RMB19,835,000	–1.09%
0%	RMB66	RMB20,055,000	0.00%
–10%	RMB59	RMB20,142,000	0.44%
–25%	RMB49	RMB20,274,000	1.09%
–75%	RMB16	RMB20,713,000	3.28%

Selling and Distribution Costs

The selling and distribution costs of the Group increased from RMB0.12 million for the year ended 31 December 2014 to approximately RMB0.9 million for the year ended 31 December 2015. The selling and distribution costs were mainly attributable to the transportation costs incurred by the biomass fuel business.

Administrative Expenses

The administrative expenses of the Group decreased by approximately 29% from approximately RMB42 million for the year ended 31 December 2014 to approximately RMB29.8 million for the year ended 31 December 2015. The decrease in administrative expenses was mainly attributable to the reduction of consultation fees, and administrative costs associated with head office expenses and the forestry management and biomass fuel businesses.

Impairment loss recognised in respect of trade receivables

Impairment loss approximately RMB0.335 million was recognised in respect of trade receivables for the year ended 31 December 2015 (2014: Nil).

Finance Costs

The finance costs include mainly interests on (i) the promissory notes ("**Note A**"), bearing 15% interest per annum and with the principal amount of HK$190 million issued on 8 January 2013 but Note A was fully repaid by the Company as at 31 December 2015; (ii) the promissory notes ("**Note B**"), bearing 3% interest per annum and with the principal amount of HK$144 million issued on 28 May 2013; (iii) the corporate bonds issued during the year with the principal amount of HK$57.6 million and at interest rates ranged from 0% to 8% per annum; and (iv) interest on loan from a shareholder.

Income Tax Expense

For the year ended 31 December 2015, the income tax expense of the Group was approximately RMB0.01 million (2014: RMB0.12 million), which was attributable to the Hong Kong Profits Tax imposed on profits of a Hong Kong subsidiary.

Profit/Loss and Total Comprehensive Income/Expenses Attributable to Owners of the Company

As a result of the above changes, the Company has recorded a loss of approximately RMB61.8 million, representing a decrease of approximately 31.8% as compared to a loss of approximately RMB90.6 million for the year ended 31 December 2014. The total comprehensive expenses attributable to owners of the Company was approximately RMB63.7 million for the year ended 31 December 2015, which represents a decrease of approximately 30.4% compared to approximately RMB91.5 million for the year ended 31 December 2014.

Basic Loss per Share

Basic loss per share for the financial year ended 31 December 2015 amounted to RMB2.15 cents (2014: RMB3.90 cents), representing a decrease of approximately 44.9% as compared to that for the previous financial year.

LOANS RECEIVABLE

During the financial year ended 31 December 2015, a subsidiary of the Company entered into agreements with certain independent third parties, pursuant to which loans in the aggregate principal amount of HK$45,750,000 (equivalent to RMB36,750,000 (2014: Nil)) at the interest rate 6% per annum and with the maturity dates from 1 to 2 years from the loan drawdown date were made by the said subsidiary to such parties. Certain of the loans receivable with the principal amount of HK$37,000,000 are secured by machineries held by one of the borrowers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed a total of 125 employees (150 as at 31 December 2014). Total staff costs for the year under review, including the Directors' remuneration and termination benefits, amounted to approximately RMB12.6 million (2014: approximately RMB15.4 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of the performance and the level of experience of each individual employee. Other employee benefits include contributions to social insurance scheme.

The Group has adopted a share option scheme pursuant to which the Directors may grant options to individuals including Directors, employees or consultants of the Group to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high calibre executives and employees.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows, fundraising activities and bank borrowings. As at 31 December 2015, the Group had total assets of approximately RMB340.3 million (2014: RMB331.8 million) and net assets of approximately RMB198.5 million (2014: RMB151.6 million). The Group's cash and bank balances as at 31 December 2015 amounted to approximately RMB40.9 million (2014: RMB17.1 million). As at 31 December 2015, there were no unutilised banking facilities (2014: nil).

As discussed above, the Group has engaged in certain equity fundraising activities during the year, including the issuance of corporate bonds and placing of new shares of the Company under the general mandate.

Taking into account the cash reserves and internally generated cash flows from its operating activities, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and seek other opportunities in order to achieve its business objectives.

PLEDGE ON ASSETS

During the year ended 31 December 2015, the Company has released its entire equity interest of all subsidiaries under Rongxuan and China Timbers to Maple Reach Limited ("**Maple Reach**") as security for the pledge notes issued to Maple Reach.

COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
— Acquisition of subsidiaries	–	115,331
— Plant and machinery	1,391	2,796
	1,391	118,127

The Group leases certain of its office and factory premises under operating lease arrangements with leases negotiated for an average term of one to 20 years and rentals are fixed over the lease term. At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	3,021	3,276
In the second to fifth year inclusive	2,130	3,169
More than five years	506	428
	5,657	6,873

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB, being the functional currencies of relevant group entities. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the financial year ended 31 December 2015, the Group did not experience significant exposure to the exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 41.7% as at 31 December 2015 (31 December 2014: 54.3%).

The decrease in the gearing ratio of the Group is primarily attributable to the repayment of Note A and Note B.

During the year ended 31 December 2015, the Company repaid all outstanding part of the Note A with the principal amount of HK$59,024,000 for an aggregate consideration of HK$67,256,000, comprising cash paid by the Company amounted to HK$59,024,000 and Redemption Premium payable to noteholder amounted to HK$8,232,000. As at 31 December 2015, the Note A was fully repaid by the Company and the Warrant B as defined below convertible into 104,030,000 new shares was lapsed.

During the year ended 31 December 2015, the Company redeemed part of the Note B with the principal amount of HK$1,000,000 for cash consideration of HK$1,000,000. As at 31 December 2015, the Note B with the principal amount of HK$27,503,000 (2014: HK$28,503,000) remained outstanding.

CAPITAL STRUCTURE

The capital structure of the Group consisted of net debt, which includes promissory notes payable (as detailed above) and corporate bonds payable, and equity attributable to owners of the Company, comprising issued share capital and reserves. Pursuant to the resolutions passed at the Company's extraordinary general meeting held on 8 July 2015, the Company effected a share capital subdivision that every one issued and unissued shares of HK$0.01 each in the Company were subdivided into five subdivided share of HK 0.002 each. As at 31 December 2015, the total number of the ordinary shares of the Company in issue was 3,016,284,395 shares (2014: 2,589,001,480 shares). The total equity attributable to the owners of the Company as at 31 December 2015 was approximately RMB191.3 million (2014: RMB140.1 million).

Promissory note issued on 8 January 2013 (the "Note A")

On 8 January 2013, the Company issued the Note A with the principal amount of HK$190,000,000 to a third party, Maple Reach, for a cash consideration of HK$190,000,000. The Note A bears interest at 15% per annum, payable on a semi-annual basis, and is payable on the maturity date of two years after the date of issue with a redemption premium of HK$26,610,000. Under the terms of the Note A, the Company was entitled to early redeem the note after six months from the issue date at the principal amount of the note plus the redemption premium as specified therein. The Note A was secured by 934,250,000 shares of the Company owned by existing shareholders of the Company, the Company's entire equity interest of Rongxuan and its subsidiaries and the Group's entire equity interest of all subsidiaries under the China Timbers Group upon completion of its acquisition by the Group.

On 16 May 2013, the parties to the Note A reached an agreement for the change in the terms of the note, under which warrants with the nominal value of HK$26,610,000 (the "**Warrant B**") was issued by the Company to Maple Reach and the redemption premium of HK$26,610,000 referred above was agreed not to be paid by the Company upon redemption of the Note A. The holder of the warrants is entitled to convert the warrants into new shares of the Company (the "**Warrant Shares**") for the following period at the conversion price of HK$0.21288 per share. The revision of the terms of the Note A was effective from 5 July 2013.

Number of shares under the Warrant B	Exercisable period
31,250,000	8 July 2013 to 31 January 2015
31,250,000	8 January 2014 to 31 January 2015
31,250,000	8 July 2014 to 31 January 2015
31,250,000	8 January 2015 to 31 January 2015
125,000,000*	

* adjusted to reflect the effect of the share subdivision made by the Company during the year.

During the year ended 31 December 2014, the Company repaid part of the Note A with the principal amount of HK$130,976,000 for an aggregate consideration of HK$144,890,000, comprising cash consideration paid of HK$130,976,000 and redemption premium payable of HK$13,914,000, and Warrant B convertible into 20,970,000 shares lapsed upon repayment of the Note A. At 31 December 2014, the Note A with the principal amount of HK$59,024,000 (2013: HK$190,000,000) remained outstanding which was secured by the pledge of 307,750,000 shares (2013: 527,750,000 shares) of the Company owned by Well Bright. As at that date, the Warrant B convertible into 104,030,000 (2013: 125,000,000) new shares of the Company remained outstanding. During the year ended 31 December 2015, the Company repaid the remaining part of the Note A with the principal amount of HK$59,024,000 for an aggregate cash consideration of HK$67,256,000, comprising cash paid by the Company amounted to HK$59,024,000 and Redemption Premium payable to noteholder amounted to HK$8,232,000. At 31 December 2015, the Note A was fully repaid by the Company, and the Warrant B convertible into 104,030,000 new shares was lapsed.

Warrants issued on 28 March 2013

On 28 March 2013, the Company issued an aggregate of 110,000,000 warrants at the issue price of HK$0.002 per warrant ("**Warrant A**"). The holders of the warrants are entitled to convert each unit of the warrants into one new share of the Company at the subscription price of HK$0.198 per share during the period of three years commencing from the date of issue of the warrants. On 24 November 2015, the Warrant A has been converted into 110,000,000 new shares of the Company.

Promissory note issued on 28 May 2013 (the "Note B")

On 28 May 2013, the Company issued the Note B with the principal amount of HK$144,000,000 as part of the consideration for the acquisition of certain subsidiaries. The Note B, which is unsecured, bears interest at 3% per annum for the first two years from the date of issue and 8% per annum thereafter, and is payable the maturity date of 28 May 2018 at the principal amount. The Company is also entitled to redeem the whole or part of the Note B at the principal amount at any time before the maturity date.

During the year ended 31 December 2013, the Company repaid part of the Note B with the principal amount of HK$25,000,000 for cash consideration of HK$25,000,000.

During the year ended 31 December 2014, the Company repaid part of the Note B with the principal amount of HK$90,497,000 for cash consideration of HK$90,497,000. At 31 December 2014 ,the Note B with the principal amount of HK$28,503,000 (2013: HK$119,000,000) remained outstanding.

During the year ended 31 December 2015, the Company redeemed part of the Note B with the principal amount of HK$1,000,000 at cash consideration of HK$1,000,000. At 31 December 2015, the Note B with the principal amount of HK$27,503,000 (2014: HK$28,503,000) remained outstanding. Subsequent to the end of 31 December 2015, no part of the Note B was redeemed.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of Anhui Xinyu

Anhui Xinyu was incorporated in the PRC and, through its subsidiaries, is principally engaged in production and sale of biomass fuel products in the PRC. During the year ended 31 December 2015, Anhui Xinyu implemented a reduction of its registered capital, under which the registered capital was reduced from RMB39,000,000 to RMB19,500,000. The repayment of the registered capital of RMB19,500,000 was satisfied by (i) the disposal of machinery by Anhui Xinyu for a consideration of RMB2,355,000 to an independent third party and (ii) set off against the amount of RMB17,145,000 due to the subsidiary of the Company. As a result, the percentage of the registered capital contributed by the Group was reduced to 52.07% with the remaining of 47.93% contributed by an independent third party.

Save as disclosed above, there were no significant investment held or material acquisitions and disposals of subsidiaries for the year ended 31 December 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In view of the fact that biomass fuel was categorized by the PRC government as clean energy, the Group will continue to expand its biomass fuel business, particularly in moderately developed areas where there is no natural gas supply and within 200 kilometres from factories, by securing large-scale industrial park projects; constructing energy equipment and boilers for our customers; providing energy supply technology and services, and sharing the reduction of energy costs with our customers.

The Group will continue to increase its investment and research and development, and co-operate with forestry research universities in China to establish a biomass fuel academy in the PRC, which aims to research biomass materials liquefaction, specialization and minimisation of biomass fuel's production facilities and upgrade of biomass boilers. At the same time, the Group will cooperate with enterprises which produce biomass fuels in the PRC to broaden the upstream supply sources and actively expand into the downstream market.

As disclosed in the Company's announcement dated 27 November 2015, the Company negotiated with Shenzhen Hengfu and its relevant shareholders, which are independent third parties to the Company, regarding potential cooperation in the Potential New Business. As stated in the Company's announcement dated 22 January 2016, following the negotiation, the Company entered into non-legally binding memorandum of understanding with certain prospective vendors in relation to a possible acquisition of a company in order to bring further diversity to the Group's businesses and broaden its income source and improve its financial performance.

As disclosed in the Company's announcement dated 21 January 2016, on 21 January 2016, the Company and an independent third party vendor entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire from the vendor the sale shares of 100% equity interest in Exceed Target Investment Group Limited (the "**Exceed Target**") at the consideration of HK$65,000,000, Exceed Target is an investment holding company incorporated in the BVI with limited liability. Through its wholly owned subsidiary, Exceed Target engaged in the operation and management of the forests in Jiange County, Sichuan Province, the PRC (the "**Forests**") and possesses the Forests and the right to be engaged in the operations and management of the Forests. The Directors consider that the acquisition will allow the Company to expand forest management business and invest in the low carbon industry by engaging in research and development of biomass fuel produced by wood waste. The Acquisition is in line with the Group's growth strategies and shall benefit the Group by strengthening its core business and diversifying its revenue sources.

Save as disclosed above, the Group had no other future plans for material investments or capital assets as at 31 December 2015.

SUMMARY OF FIVE-YEAR FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

Results

	For the year ended 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	184,804	92,438	66,956	26,837	**10,132**
Gross profit/(loss)	12,884	(884)	(1,661)	4,189	**(3,312)**
Profit/(loss) before tax	1,531	(20,037)	(19,632)	(85,201)	**(61,773)**
Profit/(loss) attributable to owners of the Company	411	(20,037)	(19,632)	(90,322)	**(59,854)**

Assets and Liabilities

	As at 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	22,432	26,699	246,825	264,676	**280,553**
Current assets	74,749	66,627	77,852	67,134	**59,737**
Current liabilities	15,759	6,864	7,262	77,314	**17,694**
Net assets	81,422	73,868	81,744	151,586	**198,519**

EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

In addition to those disclosed in the consolidated financial statements, the following events took place subsequent to year ended 31 December 2015:

(a) On 6 January 2016, a subsidiary of the Company entered into two years loan agreements with two independent third parties, pursuant to which loans totalled HK$23,500,000 were made by the subsidiary to such parties. These loans are secured by certain assets held by one of the borrowers, carry interest rate at 8% per annum and each has maturity of 2 years.

(b) On 15 January 2016, the Company entered into the subscription agreements with certain independent subscribers, pursuant to which the subscribers conditionally agreed to subscribe, and the Company conditionally agreed to issue the convertible bonds in the aggregate principal amount of HK$9,000,000 to the subscribers. The convertible bonds, which carry interest rate at 5% per annum and are mature after one year from the date of issue of the convertible bonds, are convertible into new Shares of the Company at the initial conversion price of HK$0.175 per Share commencing from the date immediately after 3 months from their issue date. Completion of the issue of the convertible bonds took place in January 2016. The net proceeds from the issue of corporate bonds, after deducting the interests and other related expenses payable by the Company, were approximately HK$8.7 million. It will be used for the purpose of investment in biomass fuel project(s), repayment of liabilities and general working capital. As at 31 March 2016, it is not yet utilised and will be applied as intended.

(c) On 21 January 2016, the Company entered into an acquisition agreement with an independent third party pursuant to which the Company has conditionally agreed to acquire 100% equity interest in Exceed Target for a consideration of HK$65,000,000. The Exceed Target, through its indirect subsidiary, is principally engaged in the operation and management of the forests in Jiange County, Sichuan Province, the PRC. Completion of the acquisition of Exceed Target took place on 26 February 2016 and the consideration for acquisition was satisfied by the issue of 328,282,828 new shares of the Company at the issue price of HK$0.198 per share. The fair value of assets and liabilities of Exceed Target as at the date of its acquisition are currently not determined, according goodwill on this acquisition is yet to be measured.

(d) On 22 January 2016, the Company entered into non-legally binding memorandum of understanding with certain prospective vendors in relation to a possible acquisition of a company with the Potential New Business in order to bring further diversity to the Group's businesses and broaden its income source and improve its financial performance.

PROSPECT AND OUTLOOK

Given that the PRC's economy is no longer developing at double-digit rates of growth and has entered a mature stage featuring more robust but slower growth, the Group is cautiously optimistic about the future of the forestry management and biomass fuel industry.

As set out in the Company's announcement dated 27 November 2015, the Company has been actively seeking diversified business opportunities so as to achieve steady growth of the Group. The Company has announced that the Group intends to negotiate with Shenzhen Hengfu and its relevant shareholders, which are independent third parties, regarding any potential cooperation in order to explore potential business opportunities and to enable the Company to tap into the multi-purpose container related industry ("**Potential New Business**") in the PRC. The Company believes that there is a great potential market and investment opportunities for the development of the Potential New Business (if materialises) of the Group. The Board considers that the Potential New Business (if materialises) will help diversify the business of the Company and broaden its income base, and is in the interests of the Company and its shareholders as a whole. Notwithstanding the Group's intention to explore the Potential New Business, the forestry management business and biomass fuel business will continue to be the core businesses of the Group.

In addition, the Group would continue to develop its money lending business, The Group is optimistic in the prospect of its money lending business in view of the demand for loan financing from potential borrowers under the current challenging business environment. With low gearing and solid financial position, our management believes that a cautious approach in the money lending field will enable the Group to manage risk and generate interest income.

BOARD OF DIRECTORS

Executive Directors

Mr. Lei Zuliang (雷祖亮), aged 64, is an executive Director, the Chairman of the Board and an authorised representative of the Company. He completed his diploma study in politics at Wuhan University in the PRC in 1988. He served in Chinese military from 1968 to 1990 and was promoted to Lieutenant-Colonel in 1988. From 1990 to 1996, he worked for Dongfeng Motor Corporation. From 1996 to 2001, he was the party secretary general of the department of general affairs and department of infrastructure construction of Hubei University of Automotive Technology. Since 2001, he has held senior positions in various commercial firms. He is currently the president of Yuepengda Forestry (Shenzhen) Company Limited, a wholly owned subsidiary of the Company. He has extensive experiences in corporate business administration and management.

Mr. Long Weihua (龍衛華), aged 49, was appointed as an independent non-executive Director on 19 March 2012 and was re-designated from an independent non-executive Director to an executive Director with effect from 1 November 2013. He graduated with a master's degree in engineering at the Hunan University of the PRC in 1993 and also completed the Tsinghua capital management class (investment and financing stream) for presidents organized by the Research Institute of Tsinghua University in Shenzhen in 2011. He has been a qualified engineer in the PRC since 1996. He has extensive experiences in project development, project investment and project management. He is a project manager in the department of engineering of Shenzhen Yantian Port Group Co., Ltd since April 1996. He is a founder and the dean of general affairs of Shenzhen Lions Organization Bodhi branch (深圳獅子會菩提分會).

Mr. Wang Yue (王岳), aged 32, is an executive Director and the chief executive officer of the Company. He obtained a bachelor's degree in Business and Economics from the University of Leeds in the United Kingdom in 2004. He has been the general manager of Hunan Kai Xuan Real Estate Development Company Limited* (湖南凱軒房地產開發有限公司) since 2005.

Mr. Fei Phillip (凌鋒), aged 59, is an executive Director of the Company. He is the professor of International Economic Department of the University of International Relations (國際關係學院), the Peoples Republic of China. Currently he is the council member of the Chinese Overseas Friendship Association (中華海外聯誼會理事) and the China Council for the Promotion of Peaceful National Reunification (中國和平統一促進會). He is also the specially-invited committee member of the Hebei Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese and Foreign Affairs* (河北港澳台僑和外事委員會). He has over 10 years of experience in the international finance, trading business and economic researches.

* *for identification purpose only*

Non-Executive Directors

Professor Liu Zhikun (劉志坤), aged 60, is a non-executive Director. He graduated with a master's degree in timber logging and transportation at the Northeast Forestry University in the PRC in 1990 and graduated with a bachelor's degree in Central South University of Forestry and Technology in 1982. He is a professor, co-supervisor for doctoral candidates, supervisor for graduates and the vice president for National Engineering and Technology Research Center of Wood-based Resources Comprehensive Utilization in Zhejiang Agricultural and Forestry University. He has been teaching, researching and performing administrative management duties since 1990. Professor Liu's main research works focus on the efficient use of raw material resources, such as wood, bamboo, plywood and etc. He has completed various national and provincial level research projects, and possessed in-depth technical knowledge and achieved fruitful result in the forest industry.

Mr. Zhou Xianyan (周先雁), aged 59, is a non-executive director. He graduated with a Bachelor degree in civil engineering, a Master's degree in civil engineering specializing in highway engineering, and a Doctor's degree in civil engineering specializing in structural engineering at the Hunan University of the PRC in 1982, 1986, and 1996 respectively. He has extensive experiences in national or provincial research projects and has been publishing research papers. He has been a deputy head of civil engineering at the Hunan University for more than 4 years since 1994. Mr. Zhou has then become the general manager of Baiquan Group Company of Hunan University for approximately 3 years. Since 2001, Mr. Zhou has been the Principal or Vice Principal of three universities or colleges in Hunan. He has been the Principal of Central South University of Forestry and Technology since November 2008. Besides, Mr. Zhou has achieved various awards from national or provincial science and technology progress.

Independent Non-Executive Directors

Ms. Tian Guangmei (田光梅), aged 54, is an independent non-executive Director. She graduated in accounting at Beijing Trade Finance and Commerce College (北京財貿金融學院) in 1988. Subsequently in 1999, Ms. Tian was awarded the certificate to certify the middle level of specialty in economics — finance by Shenzhen Zhi Cheng Guan Li Office (深圳市職稱管理辦公室). Since 1983, Ms. Tian has held positions in various commercial firms. She is currently the finance manager of Shenzhen Urban Construction Company Limited (深圳市城建集團有限公司).

Mr. Liang Guoxin (梁國新), aged 53, is an independent non-executive Director. He graduated with a master's degree in the technical economics from the Harbin Institute of Technology in 1992 and graduated with a bachelor's degree in mechanization of harvesting transportation from Jilin Forestry College in 1984. Mr. Liang has been a senior economist certified by Guangdong Provincial Personnel Department (廣東省人事廳) since 2000. Mr. Liang has extensive experiences in project development and project management. He was the management of Shenzhen Yantian District Urban Development Co. (深圳市鹽田區城建開發公司), from 1999 to 2005. Since 2005, he has been the person in charge of the construction of two golf courses, clubhouse and villa projects of Shenzhen OCT East Co., Ltd. (深圳東部華僑城有限公司).

Mr. Liu Zhaoxiang (劉兆祥), aged 68, is an independent non-executive Director. He graduated with a Bachelor degree in industrial economics and management at the Economics Management and Journal Union University (經濟管理刊授聯合大學) of the PRC in 1986. Mr. Liu has been a member of the Chinese Institute of Certified Public Accountants since 18 March 2000. He has more than 42 years of experience in accounting and auditing, and worked at various stated-owned enterprises, government departments at municipal level and an accounting firm in Hubei Province of the PRC. From 2005 to 2012, Mr. Liu had been a partner of Wongga Partners Certified Public Accountants (SZ) (深圳皇嘉會計師事務所) and since 2012, he has been a chief auditor of the said accounting firm.

Senior Management

Mr. Ding Liang ("Mr. Ding"), aged 43, joined the Group in June 2013 and is the chief financial officer and a joint company secretary of the Company. Mr. Ding holds a bachelor's degree in economics from Shanghai Institute of Foreign Trade (now known as Shanghai University of International Business and Economics) in 1998. Mr. Ding is a fellow member of the Association of Chartered Certified Accountants and a Certified General Accountant of the Association of Canada. Mr. Ding has over 11 years' experience in auditing, accounting and finance industry. He is currently the assistant company secretary of the Company. Prior to joining the Company, he has served as a financial controller of a company listed on the TSX Venture Exchange in Canada.

Mr. Leung Man Kit ("Mr. Leung"), aged 39, joined the Group in March 2014 and is the assistant to Chairman, project director, a joint company secretary and an authorised representative of the Company. Mr. Leung is a Fellow Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants as well as a Fellow Member of the Association of International Accountants, Fellow Member of the Taxation Institute of Hong Kong and also a Member of The Hong Kong Institute of Directors. He obtained a Master Degree of Business Administration in Financial Management from The University of Hull in the United Kingdom. Mr. Leung has over 13 years of audit and tax experience from various listed and private companies in Hong Kong and the PRC. He is also experienced in carrying out compliance duties of companies listed on the Stock Exchange. Mr. Leung was an executive director of Modern Beauty Salon Holdings Limited (Stock Code: 919), a company listed on the Main Board of the Stock Exchange, from 15 September 2010 to 13 February 2014.

The Directors are pleased to present this Annual Report together with the audited financial statements of the Group for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 42 to the consolidated financial statements. In 2015, the Group has positioned the forestry management business and biomass fuel business as its core business and there were no significant changes in the nature of Group's principal activities during the year. As at 31 December 2015, the long and medium lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu and 21,045 Chinese Mu in the Yunnan Forest and the Sichuan Forest, respectively. The Group harvested timber logs of approximately 400 cubic metres (2014: 15,000 cubic metres) in the Sichuan Forest during the year ended 31 December 2015. Regarding the biomass fuel business, the Group produced approximately 11,000 tons of biomass fuel (2014: 17,000 tons), contributing to 83.0% (2014: 55.2%) of the total revenue for the year ended 31 December 2015.

An analysis of the Group's performance for the financial year ended 31 December 2015 by business and geographical segments is set out in Note 6 to the consolidated financial statements of this Annual Report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 has been stated in the Chairman's statement and Management Discussion and Analysis on pages 5 to 30 of this Annual Report.

For the year ended 31 December 2015, the Group recorded a turnover of approximately RMB10.1 million (2014: RMB26.8 million), representing an approximately decrease of 62.2% as compared with that of the previous financial year. The decrease was mainly due to the reduction of both domestic and overseas demand for timber and the delayed issue of the PRC government's annual quota on forest logging.

The Group recorded gross loss of approximately RMB3.3 million for the year ended 31 December 2015 (2014: gross profit of approximately RMB4.2 million), representing a decrease of approximately 179.06% as compared to that in the previous financial year. Such decrease was mainly attributable to the decrease in revenue of the forestry management business and biomass fuel business.

The Group received interest income of approximately RMB1.1 million from the Group's new money lending business engaged by its wholly owned subsidiary during the financial year ended 31 December 2015.

FINANCIAL RESULTS

The performance of the Group for the year ended 31 December 2015 and the Group's financial position at that date are set out in the consolidated financial statements on pages 62 to 138 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2015 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for (%)
Purchase	
— the largest supplier	16%
— the five largest suppliers combined	41%
Sales	
— the largest customer	20%
— the five largest customers combined	68%

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2015 are set out in Note 16 to the consolidated financial statements of this Annual Report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements of this Annual Report.

BORROWINGS

The Group has no secured bank borrowings as at 31 December 2015. Details of promissory notes and corporate bonds payable by the Group are set out in Notes 26 and Note 27 respectively.

GROUP FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past 5 financial years is set out in the section of Five-Year Financial Information of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to acting in an environmentally responsible manner, the Group strives to ensure minimal environmental impacts by carefully managing our energy consumption, water usage and waste production, such as using LED lamps, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy. At office level, the Company has implemented green initiatives and encourage staff to join environmental related training, resulted in more efficient use of resources, as well as reduction of waste.

COMPLIANCE WITH LAWS AND REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and other applicable local laws and regulations in various jurisdictions. The Board pays attention to the Group's policies and practices on compliance with legal and regulatory requirements. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group. Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need. The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group's approach to tackle them.

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities in Mainland China. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Currency risk

No revenue derived by the Group in respect of the years ended 31 December 2015 was denominated in foreign currencies. Substantially all of the costs incurred for both of the years ended 31 December 2015 was denominated in functional currencies of the group entities. As at 31 December 2015, the Group had no significant monetary assets and liabilities which were denominated in foreign currencies. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

As at 31 December 2015, the Group was also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The Group has concentration of credit risk as 13% (2014: 72%) and 74% (2014: 97%) of the total trade receivables was due from the Group's largest customer and the five largest customers. The Group's concentration of credit risk by geographical location is mainly in the PRC which accounted for all of the total trade receivables as at 31 December 2015 and 31 December 2014.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

FUTURE DEVELOPMENT OF THE BUSINESS

In the coming year, the Group targets to develop an innovative business model and expand the target clients and scope of corporate services. The operation team of the Group is make ongoing efforts to seek appropriate projects for the development of the Group's business, along with continuous investments and expansion of its biomass fuel production capacity.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors knowledge, at least 25% of the Company's issued shares was held by the public throughout the year ended 31 December 2015.

RESERVES

Details of movements in the reserves of the Company and the Group during the financial year ended 31 December 2015 are set out in Note 41 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company does not have any reserve available for distribution to owners (2014: nil).

DIRECTORS

The list of Directors during the year and up to the date of this Annual Report is set out in the Board Composition section of this Annual Report. Information about the Board, including board members' appointments and retirements, and their interests in Company's shares, is set out in the Corporate Governance Report of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management as at the date of this Annual Report are set out in the Biographical Information of Directors and Senior Management section of this Annual Report.

DIRECTORS' SERVICE AGREEMENT

None of the Directors, including those retired or to be re-elected at the forthcoming annual general meeting, has a service agreement which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the directors and five individuals with highest emoluments are set out in Note 12 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in shares of the Company

Name of directors	Capacity	Number of ordinary shares	Percentage of issued share capital
Fei Phillip	Beneficial owner	3,000,000	0.10
Lei Zuliang	Beneficial owner	11,900,000	0.39
Liang Guoxin	Beneficial owner	1,530,000	0.05
Liu Zhaoxiang	Beneficial owner	2,250,000	0.07
Liu Zhikun	Beneficial owner	1,500,000	0.05
Long Weihua	Beneficial owner	6,540,000	0.22
Tian Guangmei	Beneficial owner	2,290,000	0.07
Wang Yue	Beneficial owner	332,750,000	11.03
Zhou Xianyan	Beneficial owner	1,500,000	0.05

Save as disclosed above, as at 31 December 2015, none of the Directors of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules relating to the required standard of dealings by the directors to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as is known to the Directors and taking no account of the shares to be issued pursuant to options which may be granted under the share option scheme (as defined below), the following persons (other than the Directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Long position in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
Jendens Equity Finance Ltd.	Person having a security interest in shares	137,000,000[1]	4.54
Pinnacle Global Partners	Interest of controlled corporation	137,000,000[1]	4.54

Notes:

1. These shares are the underlying shares held by Victor Charm Investments Limited ("**Victor Charm**") and pledged to Jendens Equity Finance Ltd. ("**Jendens**"). Jendens is a direct wholly-owned subsidiary of Pinnacle Global Partners, which is therefore deemed to be interested in all the Shares held by Jendens.

Short position in shares of the Company

Name of directors	Capacity	Number of ordinary shares	Percentage of issued share capital
Victor Charm	Beneficial owner	137,000,000[1]	4.54
Xu Sai Sai	Interest of controlled corporation	137,000,000[1]	4.54

Note:

1. Mr. Xu Sai Sai beneficially owned 100% of Victor Charm and is therefore deemed to be interested in all the short positions held by Victor Charm.

Save as disclosed under the sections headed "Interests and Short positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Interests and Short positions of Substantial Shareholders in Shares and Underlying Shares of the Company" above, as at 31 December 2015, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

ANNUAL DIVIDEND

The Directors do not recommend the payment of an annual dividend for the financial year ended 31 December 2015 (2014: nil) and there is no disclosure of the registers of members accordingly.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

No transactions were entered into by the Group during the year ended 31 December 2015, which constitute connected transactions under the Listing Rules.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the financial year under review and up to and including the date of this Annual Report, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

SHARE OPTION SCHEME ("2009 Scheme")

The Scheme was approved and adopted pursuant to a written resolution of all the Shareholders of the Company on 15 September 2009 (the "**Adoption Date**").

On 10 November 2014, 185,000,000 shares options were granted to certain eligible participants (the "**Grantees**") to subscribe for up to an aggregate of 185,000,000 ordinary Shares of the Company of HK$0.552 each in the share capital of the Company under the Scheme, which represented 10% of issued share capital of the Company as at the date of approval of the Scheme.

Summary of the 2009 Scheme is set out as follows:

(a) Purpose of the 2009 Scheme

The purpose of the 2009 Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Participants of the 2009 Scheme

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe the Shares as it may determine in accordance with the terms of the Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Total Number of Shares Available for Issue under the 2009 Scheme

(i) The maximum number of shares in respect of which options may be granted under the 2009 Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 10 November 2014, the date on which the Share Option Scheme was adopted.

(ii) The maximum number of shares in respect of which options may be granted to grantees under the Share Option Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

(iii) As at 10 November 2014, the total number of shares available for issue under the Share Option Scheme was 185,000,000 shares.

(d) Maximum Entitlement of Each Participant under the 2009 Scheme

Unless approved by the Shareholders of the Company, the total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company for the time being.

(e) Option Period

One year

(f) Consideration and Acceptance of the Option

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

(g) Basis of Determining the Exercise Price

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option to a participant, which must be a trading day (i.e. any day on which the Stock Exchange is open for business of dealing in securities);

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of an option to a participant; and

(iii) the nominal value of a Share on the date of offer of an option to a participant, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Main Board for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before Listing.

(h) The remaining life of the 2009 Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the 2009 Scheme and in such event no further options will be offered or granted. Subject to the aforesaid, the 2009 Scheme shall be valid and effective from 10 November 2014 and expiring on 9 November 2015, both days inclusive.

Details of the share options movements during the year of 2015 under the Scheme are as follows:

Name	Date of grant of share options	Exercise price (HK$)	Number of share options granted	Exercised in 2015	Cancelled/ Lapsed in 2015	Outstanding as at 31 December 2015	Exercise Period	% of the total issued share capital
Directors								
Mr. Lei Zuliang	10 November 2014	0.552	5,000,000	5,000,000	0	0	10 November 2014– 9 November 2015	0
Mr. Long Weihua	10 November 2014	0.552	4,000,000	0	4,000,000	0	10 November 2014– 9 November 2015	0
Professor Liu Zhikun	10 November 2014	0.552	750,000	0	750,000	0	10 November 2014– 9 November 2015	0
Mr. Zhou Xianyan	10 November 2014	0.552	750,000	0	750,000	0	10 November 2014– 9 November 2015	0
Ms. Tian Guangmei	10 November 2014	0.552	750,000	750,000	0	0	10 November 2014– 9 November 2015	0
Mr. Liang Guoxin	10 November 2014	0.552	750,000	750,000	0	0	10 November 2014– 9 November 2015	0
Mr. Liu Zhaoxiang	10 November 2014	0.552	750,000	750,000	0	0	10 November 2014– 9 November 2015	0
Subtotal			12,750,000	7,250,000	5,500,0000	0	10 November 2014– 9 November 2015	0
Employees	10 November 2014	0.552	19,000,000	19,000,000	0	0	10 November 2014– 9 November 2015	0
Others	10 November 2014	0.552	153,250,000	47,310,000	105,940,000	0	10 November 2014– 9 November 2015	0
Total			185,000,000	73,560,000	111,440,000	0	10 November 2014– 9 November 2015	0

Note:

1. The relevant percentages are calculated by reference to the Shares in issue on 31 December 2015 i.e.3,016,284,395 shares.

For the value of options granted and the accounting policy adopted for the share options, please refer to Note 30 to the consolidated financial statements.

SHARE OPTION SCHEME ("2015 Scheme")

The Extraordinary General Meeting (the "**EGM**") held on 28 May 2015, the ordinary resolution (the "**Resolution**") as set out in the EGM Notice dated 4 May 2015 was duly passed by the Shareholders to refresh and renew the existing scheme mandate limit of the share option scheme adopted by the Company on 15 September 2009.

On 30 July 2015, shares options were granted to certain eligible participants (the "**Grantees**") to subscribe for up to an aggregate of 276,296,145 ordinary Shares of the Company of HK$0.331 each in the share capital of the Company under the Scheme, which represented 10% of issued share capital of the Company as at the date of approval of the Scheme.

Summary of the 2015 Scheme is set out as follows:

(a) Purpose of the 2015 Scheme

The purpose of the 2015 Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Participants of the 2015 Scheme

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe the Shares as it may determine in accordance with the terms of the Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Total Number of Shares Available for Issue under the 2015 Scheme

(i) The maximum number of shares in respect of which options may be granted under the 2015 Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 28 May 2015, the date on which was duly passed by the Shareholders to refresh and renew the existing scheme mandate limit of the share option scheme adopted by the Company on 15 September 2009.

(ii) The maximum number of shares in respect of which options may be granted to grantees under the Share Option Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

(iii) As at 30 July 2015, the total number of shares available for issue under the Share Option Scheme was 276,296,145 shares.

(d) Maximum Entitlement of Each Participant under the 2015 Scheme

Unless approved by the Shareholders of the Company, the total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company for the time being.

(e) Option Period

One year

(f) Consideration and Acceptance of the option

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

(g) Basis of Determining the Exercise Price

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option to a participant, which must be a trading day (i.e. any day on which the Stock Exchange is open for business of dealing in securities);

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of an option to a participant; and

(iii) the nominal value of a Share on the date of offer of an option to a participant, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Main Board for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before Listing.

(h) The remaining life of the 2015 Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the 2015 Scheme and in such event no further options will be offered or granted. Subject to the aforesaid, the 2015 Scheme shall be valid and effective from 30 July 2015 and expiring on 29 July 2016, both days inclusive.

Details of the share options movements during the year of 2015 under the Scheme are as follows:

Name	Date of grant of share options	Exercise price (HK$)	Number of share options granted	Exercised in 2015	Cancelled/ Lapsed in 2015	Outstanding as at 31 December 2015	Exercise period	% of the total issued share Capital [1]
Directors								
Mr. Lei Zuliang	30 July 2015	0.331	5,000,000	0	0	5,000,000	30 July 2015– 29 July 2016	0.16
Mr. Wang Yue[3]	30 July 2015	0.331	25,000,000	0	0	25,000,000	30 July 2015– 29 July 2016	0.83
Professor Fei Phillip[4]	30 July 2015	0.331	3,000,000	0	0	3,000,000	30 July 2015– 29 July 2016	0.10
Mr. Long Weihua	30 July 2015	0.331	2,500,000	0	0	2,500,000	30 July 2015– 29 July 2016	0.08
Professor Liu Zhikun	30 July 2015	0.331	1,500,000	0	0	1,500,000	30 July 2015– 29 July 2016	0.05
Mr. Zhou Xianyan	30 July 2015	0.331	1,500,000	0	0	1,500,000	30 July 2015– 29 July 2016	0.05
Ms. Tian Guangmei	30 July 2015	0.331	1,500,000	0	0	1,500,000	30 July 2015– 29 July 2016	0.05
Mr. Liang Guoxin	30 July 2015	0.331	1,500,000	0	0	1,500,000	30 July 2015– 29 July 2016	0.05
Mr. Liu Zhaoxiang	30 July 2015	0.331	1,500,000	0	0	1,500,000	30 July 2015– 29 July 2016	0.05
Subtotal			43,000,000	0	0	43,000,000	30 July 2015– 29 July 2016	1.42
Employees	30 July 2015	0.331	70,796,145	0	0	70,796,145	30 July 2015– 29 July 2016	2.35
Others	30 July 2015	0.331	162,500,000	0	0	162,500,000	30 July 2015– 29 July 2016	5.38
Total			276,296,145	0	0	276,296,145		9.15

Notes:

1. The relevant percentages are calculated by reference to the Shares in issue on 31 December 2015 i.e. 3,016,284,395 shares.

2. There is no share option cancelled during the year.

3. Mr. Wang Yue appointed as an executive Director with effect from 1 July 2015.

4. Professor Fei Phillip appointed as an executive Director with effect from 24 July 2015.

For the value of options granted and the accounting policy adopted for the share options, please refer to Note 30 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or existed.

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in Note 31 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report of this Annual Report.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**AGM**") will be held on 30 May 2016. Notice of the annual general meeting will be published and despatched to the Shareholders together with this Annual Report.

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 were audited by CCTH CPA Limited, who would retire at the forthcoming AGM of the Company and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the AGM to re-appoint CCTH CPA Limited as auditors of the Company.

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 31 March 2016

The Company is committed to maintaining high standards of corporate governance and practices to protect the interests of the shareholders of the Company. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. The Company adopts the principles set out in the Corporate Governance Code and embedding best governance practices throughout the organization.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the code provisions (the "**Code Provisions**") contained in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules as the Company's code of corporate governance. Throughout the year ended 31 December 2015, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exception of Code Provisions A.1.8, A.2.1 and A.4.1 as addressed below:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this report, the Company has not arranged to purchase any Directors and Officers' Liability Insurance, which covers in respect of legal action against the Directors. While the Company is committed to achieving high standards of corporate governance and to complying with the code provisions, the Company decided to delay the compliance with such code provision as the Board is currently considering quotations from different underwriters and will select the Directors and Officer's Liability insurance with the most cost-efficient.

2. Pursuant to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Since the Company has not appointed a chief executive officer, the roles of the chairman and chief executive officer are not separated and performed by two different individuals. Mr. Lei Zuliang is the Chairman of the Company, who is responsible for the Group's overall development direction and strategies and ensures the Board functions effectively and discharges its responsibilities. As there is no chief executive officer appointed, the daily operations of the Group are delegated to other executive directors and the senior management. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

3. Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, none of the non-executive Directors has been appointed for a specific term to allow flexibility and they are subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company's articles of association.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the Code Provisions during the year of 31 December 2015. The key corporate governance principles and practices of the Company are summarised in this Annual Report.

THE BOARD

Roles and Responsibilities

The Board is responsible for overseeing the overall development of the Company's businesses with the objective of enhancing shareholders' value including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance half-yearly and developing and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The non-executive Directors (including the independent non-executive Directors) serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings.

Board Composition

The Board structure is governed by the Company's articles of association. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

As at the date of this Annual Report, the Board comprises two executive Directors, two non-executive Director and three independent non-executive Directors as follows:

Executive Directors:
Mr. Lei Zuliang *(Chairman)*
Mr. Long Weihua
Mr. Wang Yue *(Appointed on 1 July 2015)*
Professor Fei Phillip *(Appointed on 24 July 2015)*

Non-executive Director:
Professor Liu Zhikun
Mr. Zhou Xianyan

Independent non-executive Directors:
Ms. Tian Guangmei
Mr. Liang Guoxin
Mr. Liu Zhaoxiang

The biographical details of the Directors and the relationship among the members of the Board are set out in the Biographical Information of Directors and Senior Management on pages 31 to 33 of this Annual Report.

Appointment, Re-Election and Removal of Directors

- On 1 July 2015, Mr. Wang Yue was appointed as an executive Director.

- On 24 July 2015, Professor Fei Phillip was appointed as an executive Director.

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, none of the non-executive Directors has been appointed for a specific term.

Notwithstanding the aforesaid deviation, one-third of the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at each of the Company's annual general meeting and every Director shall be subject to retirement by rotation at least once in every three years in compliance with the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line with the underlying intentions of Code Provision A.4.1 of the CG Code.

During the year ended 31 December 2015, the Board complied at all times with the requirement of the Listing Rules relating to the appointment of at least 3 independent non-executive directors representing at least one-third of the board and at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

Mr. Liu Zhaoxiang, as independent non-executive Directors, have the relevant accounting qualifications and experience.

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election. Pursuant to the Company's articles of association, all Directors are all eligible for re-appointment and three of them shall retire from office at the coming AGM, who shall be eligible for re-election.

The members of the Board have no financial, business, family or other material/relevant relationship with each other.

The Board also takes up the corporate governance functions pursuant to the Code. During the year under review, the work performed by the Board on corporate governance function is summarized as follows:

(a) developed and reviewed policies and practices on corporate governance;

(b) reviewed and monitored the training and continuous professional development of directors and senior management;

(c) reviewed and monitored the policies and practices on compliance with legal and regulatory requirements;

(d) developed, reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

Delegation to Management

Day-to-day operational responsibilities are specifically delegated by the Board to the management under the leadership of the Chief Executive Officer ("**CEO**"). Major matters include implementation of the strategies and decisions approved by the Board and the management assumes full responsibility to the Board for operations of the Group.

Directors' Participation in Continuous Professional Trainings

Code Provision A.6.5 of the Code provides that all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. All Directors have been required to provide the Company with their training records. During the year under review, the Company organized training courses to the Directors or provided written materials to develop and refresh their professional skills on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. Some Directors participated in continuous professional development by attending other professional training courses or by reading relevant materials in relation to corporate governance matter. The Company has received from the relevant Directors the confirmations on taking continuous professional training course during the year under review as follows:

Mr. Lei Zuling	Reading materials
Mr. Wang Yue	Participation in training courses
Professor Fei Phillip	Reading materials
Mr. Long Weihua	Reading materials
Professor Liu Zhikun	Reading materials
Mr. Zhou Xianyan	Reading materials
Ms. Tian Guangmei	Reading materials
Ms. Liang Guoxin	Participation in training courses
Ms. Liu Zhaoxiang	Participation in training courses

Code Provision A.6.7

Code Provision A.6.7 provides that Independent Non-executive Directors and other Non-executive Directors of the Company should attend general meetings and develop a balanced understanding of the views of the shareholders.

Mr. Liang Guoxin, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 28 May 2015 due to personal reason.

Mr. Liu Zhaoxiang, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 28 May 2015 due to personal reason.

Mr. Zhou Xianyan, a Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 28 May 2015 due to personal reason.

Professor Liu Zhikun, a Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 28 May 2015 due to personal reason.

Independence of non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the non-executive Directors is independent. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence.

Induction and Development

Every newly appointed Director will be given an induction training so as to ensure that he has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organised by professional bodies or chambers in Hong Kong. All the Directors are requested to provide the Company with their respective training records pursuant to the CG Code.

All Directors have participated in appropriate continuous professional development to refresh their knowledge and skills during the year. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars and self-reading which are relevant to the business or directors duties.

Board Meetings

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. The Board normally has four scheduled meetings a year at quarterly interval and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend.

The following table is the attendance record of each of the Directors at the meetings held during the year of 2015:

Directors	Attendance/Number of meetings
Executive Directors	
Mr. Lei Zuliang *(Chairman)*	42/42
Mr. Long Weihua	18/42
Mr. Wang Yue *(Appointed on 1 July 2015)*	16/18
Professor Fei Phillip *(Appointed on 24 July 2015)*	11/11
Non-executive Director	
Professor Liu Zhikun	1/42
Mr. Zhou Xianyan	2/42
Independent non-executive Directors	
Ms. Tian Guangmei	41/42
Mr. Liang Guoxin	16/42
Mr. Liu Zhaoxiang	17/42

Board papers are circulated at least 3 days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

All Directors have full and timely access to all relevant information as well as the advice and service of the Joint Company Secretaries to ensure Board procedures and all applicable rules and regulations are followed.

The Joint Company Secretaries prepare minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Joint Company Secretaries also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

DELEGATION BY THE BOARD

Board Committees

The Board has delegated authority to 3 standing Committees with specific roles and responsibilities. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

The Board delegates the responsibility of implementing its strategies and the day-to-day activities to the management of the Company with department heads responsible for different aspects of the business. Management of the Company is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval.

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the Code:

- Remuneration Committee
- Nomination Committee
- Audit Committee

Each Committee has authority to engage outside consultants or experts as it considers necessary to discharge the Committee's responsibilities. Minutes of all committees meetings are circulated to their members. To further reinforce independence and effectiveness, all Audit Committee members are INEDs, and the Nomination and Remuneration Committees have been structured with a majority of INEDs as members.

Nomination Committee

The Company established a nomination committee in September 2009 with written terms of reference in compliance with the Code Provisions. The principal duties of the nomination committee are to identify and nominate suitable candidates for the appointment of the Directors and make recommendations to the Board on succession planning for the Directors. As at the date of this Annual Report, the nomination committee comprised one executive Director, namely Mr. Lei Zuliang and two independent non-executive Directors namely Mr. Liu Zhaoxiang and Mr. Liang Guoxin. Mr. Liu Zhaoxiang has been appointed as the chairman of the nomination committee.

The following table is the attendance record of each of the nomination committee members at the meetings held during the financial year ended 31 December 2015:

During the year under review, the Nomination Committee met twice. Details of the attendance of the members of the Remuneration Committee in the said meeting(s) are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The work performed by the Nomination Committee during the year under review is summarized as follows:

a. reviewed the structure, size and composition of the Board;

b. discussed the maximum term of office for INEDs;

c. assessed the independence of INEDs;

d. considered the re-appointment of Mr Lei Zuliang, Professor Liu Zhikun and Mr Liu Zhaoxiang and made recommendations to the Board; and

e. considered the appointments of Mr. Wang Yue and Professor Fei Phillip and made recommendations to the Board.

	Attendance/Number of meetings
Mr. Liu Zhaoxiang *(Chairman)*	2/2
Mr. Liang Guoxin	2/2
Mr. Lei Zuliang	1/2

Remuneration Committee

The Company established a remuneration committee in September 2009 with written terms of reference in compliance with the Code Provisions. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management. The remuneration committee comprises one executive Director, namely, Mr. Lei Zuliang and two independent non-executive Directors, namely Mr. Liu Zhaoxing and Mr. Liang Guoxin. Mr. Liang Guoxin has been appointed as the chairman of the remuneration committee.

The following table is the attendance record of each of the remuneration committee members at the meetings held during the financial year ended 31 December 2015:

During the year under review, the Remuneration Committee met three times. Details of the attendance of the members of the Remuneration Committee in the said meeting(s) are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The work performed by the Remuneration Committee during the year under review is summarized as follows:

a. reviewed remuneration policy, organizational structure and human resources deployment;

b. consulted the Board Chairman about remuneration proposals for other Executive Directors;

c. approved the remuneration package of Directors and Management;

d. reviewed performance and remuneration of Executive Directors and senior management for the year under review; and

e. reviewed the compensation and benefits for directors and senior management for the year under review.

	Attendance/Number of meetings
Mr. Liang Guoxin *(Chairman)*	3/3
Mr. Liu Zhaoxiang	3/3
Mr. Lei Zuliang	2/3

Audit Committee

The Company established an audit committee in September 2009 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Main Board Listing Rules, which were reviewed from time to time by the Board to keep them in line with the most up-to-date requirements. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process, risk management and internal control system of our Group. As at the date of this Annual Report, the audit committee has three members comprising our three independent non-executive Directors, namely Mr. Liu Zhaoxiang, Ms. Tian Guangmei and Mr. Liang Guoxin. Ms. Tian Guangmei has been appointed as the chairman of the audit committee.

The audit committee reviews the quarterly, interim and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The Audit Committee held two private sessions/meetings with the external auditors without the presence of the Executive Directors in the reporting period, allowing dialogues and opinions between the Audit Committee and the external auditors to be completely candid.

During the year under review, the Audit Committee met twice. Details of the attendance of the members of the Audit Committee in the said meeting(s) are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The work performed by the Audit Committee during the year under review is summarized as follows:

a. approved the remuneration and terms of engagement of CCTH as the external auditor of the Company;

b. reviewed the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

c. reviewed the audit planning for the annual results circulated to them;

d. reviewed and considered the proposal of payment of final dividends for the year ended 31 December 2014 and the interim dividend proposal for the six months ended 30 June 2015 and made recommendations to the Board;

e. reviewed and discussed the financial results of the Group for the year ended 31 December 2014 and the first quarter ended 31 March 2015;

f. reviewed and discussed the interim results for the six months ended 30 June 2015, including the interim results announcement and interim report, and made recommendations to the Board;

g. reviewed the interim and annual financial statements before submission to the Board; and

h. reviewed the audit programme of the internal audit function and risk management systems.

The Audit Committee had reviewed and approved the Group's annual results for the year under review prior to their approval by the Board.

The audit committee met two times during the reviewed period, and the attendance records of individual committee members are set out below:

	Attendance/Number of meetings
Ms. Tian Guangmei *(Chairman)*	2/2
Mr. Liang Guoxin	2/2
Mr. Liu Zhaoxiang	2/2

JOINT COMPANY SECRETARIES

The joint company secretaries report to the Chairman on Board governance matters, and are responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with Shareholders and management.

The Joint Company Secretaries' biographies are set out in the Board of Directors and senior management section of this Annual Report. In compliance with Rule 3.29 of the Listing Rules, each of Mr. Ding Liang ("**Mr. Ding**") and Mr. Leung Man Kit ("**Mr. Leung**") has undertaken no less than 15 hours of relevant professional training during the financial year ended 31 December 2015.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. Details of the remuneration committee and other relevant information are set out in the section of Remuneration Committee of this Annual Report.

The remuneration paid or payable to eleven directors and senior management by band for the year under review is set out below:

Remuneration bands (HK$)	Number of persons
HK$Nil to HK$1,000,000	10
HK$1,000,001 to HK$2,000,000	1
Over HK$2,000,000	–

Further particulars regarding Director's remuneration and the five highest paid employees are set out in notes 12(a) and 12(b) to the financial statements, respectively.

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the year ended 31 December 2015.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs, results, and cash flow of the Group for the year. The financial statements set out on pages 62 to 138 were prepared on a historical cost basis. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. In preparing the financial statements for the year ended 31 December 2015, the Board:

(a) adopted HKFRSs, which conform to the International Financial Reporting Standards in all material respects;

(b) selected suitable accounting policies and applied them consistently;

(c) made prudent and reasonable judgments and estimates; and

(d) ensured that the financial statements were prepared on a historical cost basis.

For the year ended 31 December 2015, the remuneration paid to the auditors in respect of audit services amounted to RMB829,000 and non-audit service assignment (agreed-upon procedures regarding interim financial information for the six months ended 30 June 2015) amounted to RMB122,000.

For the year ended 31 December 2014, the remuneration paid to the auditors in respect of audit services amounted to RMB736,000 and non-audit service assignment (agreed-upon procedure regarding interim financial information for the six months ended 30 June 2014 and certain professional services relating to the Group's major disposal) amounted to RMB240,000.

The reporting responsibilities of the Company's auditor, CCTH CPA Limited, are set out in the Independent Auditors' Report on pages 60 and 61.

Internal Controls and Risk Management

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries.

The Board is responsible for maintaining a sound and effective system of internal controls in the Group and for reviewing its effectiveness through the Audit Committee. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has delegated to executive management the design, implementation and ongoing assessment of such systems of internal controls, while the Board through its Audit Committee oversees and reviews the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. Qualified personnel throughout the Group maintain and monitor these systems of controls on an ongoing basis.

Based on the results of evaluations and representations made by the senior management, the Audit Committee is satisfied that:

- there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; and

- an appropriate system of internal control and risk management has been in place for the year under review, and up to the date of approval of this annual report.

SHAREHOLDER RELATIONS

Shareholder Engagement and Communication

The Board gives high priority to balanced, clear, and transparent communications which allow Shareholders and investors to understand the Group's prospects and the market environment in which it operates. The Company engages with Shareholders and investors in a number of different ways to help ensure that their views and concerns are understood and addressed in a constructive way.

(a) Convening a Extraordinary General Meeting on Requisition by Shareholders

Shareholders shall have the right to request the Board to convene an extraordinary general meeting ("**EGM**") of the Company. Two or more Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company which carries the right of voting at the general meeting of the Company may send a written request to the Board of the Company to request for a EGM. The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the registered office of the Company.

(b) Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Joint Company Secretaries of the Company at the principal place of business address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

(c) ***Making Enquiry to the Board***

Shareholders may send written enquiries, either by post or by email, together with his/her contact details, such as postal address, email or fax, addressing to the principal place of business address of the Company at the following address or facsimile number or via the website of the Company:

Address: Rooms 1002-1003, 10/F, Great Eagle Centre
23 Harbour Road, Wanchai, Hong Kong

Website: www.chinacaflc.com

All enquiries shall be collected by the Joint Company Secretaries who shall report to the Executive Directors periodically on the enquiries collected. The Executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Joint Company Secretaries will collect the answers for the Executive Directors' review and approval. The Joint Company Secretaries shall then be authorised by the Executive Directors to reply all enquiries in writing.

INVESTOR RELATION

Constitutional Documents

There was no change to the Company's Memorandum and Articles of Association during the financial year ended 31 December 2015. A copy of the Memorandum and Articles of Association is posted on the websites of the Company and the Stock Exchange.

CHANGES AFTER CLOSURE OF THE FINANCIAL YEAR

This Annual Report takes into account the changes that have occurred since the end of the financial year ended 2015 to the date of approval of this Annual Report.

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 31 March 2016

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
CHINA AGROFORESTRY LOW-CARBON HOLDINGS LIMITED
中國農林低碳控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Agroforestry Low-Carbon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 138, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2016

Kwong Tin Lap
Practising certificate number P01953

Unit 5-6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Continuing Operations			
Revenue	5	**10,132**	26,837
Cost of sales		**(13,444)**	(22,648)
Gross (loss) profit		**(3,312)**	4,189
Investment and other income	7	**91**	45
Other gains and losses	8	**(15,173)**	(12,239)
Selling and distribution costs		**(897)**	(120)
Administrative expenses		**(29,802)**	(41,997)
Finance costs	9	**(12,680)**	(35,079)
Loss before tax		**(61,773)**	(85,201)
Income tax expense	10	**(11)**	(124)
Loss for the year from continuing operations	11	**(61,784)**	(85,325)
Discontinued Operations			
Loss for the year from discontinued operations	13	**–**	(5,232)
Loss for the year		**(61,784)**	(90,557)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations			
Exchange differences arising during the year		**(3,805)**	(2,350)
Reclassification adjustments relating to foreign operations disposed of during the year		**–**	1,182
Other comprehensive expense for the year		**(3,805)**	(1,168)
Total comprehensive expenses for the year		**(65,589)**	(91,725)

	Notes	2015 RMB'000	2014 RMB'000
Loss for the year from continuing operations attributable to:			
Owners of the Company		**(59,854)**	(85,090)
Non-controlling interests		**(1,930)**	(235)
		(61,784)	(85,325)
Loss for the year from continuing and discontinued operations attributable to:			
Owners of the Company		**(59,854)**	(90,322)
Non-controlling interests		**(1,930)**	(235)
		(61,784)	(90,557)
Total comprehensive expense attributable to:			
Owners of the Company		**(63,659)**	(91,490)
Non-controlling interests		**(1,930)**	(235)
		(65,589)	(91,725)

	Notes	2015	2014 (restated)
Loss per share:	15		
From continuing and discontinued operations			
Basic		**RMB(2.15) cents**	RMB(3.90) cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**RMB(2.15) cents**	RMB(3.67) cents
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	16	**15,235**	21,965
Prepaid lease payments	17	**9,117**	9,298
Plantation forest assets	18	**220,977**	227,408
Deposit paid for acquisition of subsidiaries	19	**–**	3,000
Deposit paid for acquisition of property, plant and equipment		**–**	3,005
Loans receivable	20	**35,224**	–
		280,553	264,676
Current assets			
Inventories	21	**1,529**	3,104
Trade and other receivables	22	**8,463**	21,023
Loans receivable	20	**3,426**	3,952
Deposits and prepayments	23	**5,198**	21,718
Prepaid lease payments	17	**237**	287
Bank balances and cash	24	**40,884**	17,050
		59,737	67,134
Current liabilities			
Trade and other payables	25	**9,058**	20,868
Current tax payable		**134**	124
Promissory notes payable	26	**–**	56,322
Corporate bonds payable	27	**8,502**	–
		17,694	77,314
Net current assets (liabilities)		**42,043**	(10,180)
Total assets less current liabilities		**322,596**	254,496
Non-current liabilities			
Promissory notes payable	26	**20,075**	18,067
Corporate bonds payable	27	**104,002**	84,843
		124,077	102,910
Net assets		**198,519**	151,586
Capital and reserves			
Share capital	28	**5,115**	4,431
Reserves		**186,773**	135,690
Total equity attributable to owners of the Company		**191,888**	140,121
Non-controlling interests		**6,631**	11,465
Total equity		**198,519**	151,586

The consolidated financial statements on pages 62 to 138 were approved and authorised for issue by the board of directors on 31 March 2016 and are signed on its behalf by:

Lei Zuliang
Director

Wang Yue
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000 (Note a)	Warrants reserve RMB'000 (Note 29)	Share option reserve RMB'000 (Note 30)	Translation reserve RMB'000	Other reserves RMB'000 (Note b)	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014	3,466	36,133	10	5,943	12,297	–	1,993	18,038	3,864	81,744	–	81,744
Loss for the year	–	–	–	–	–	–	–	–	(90,322)	(90,322)	(235)	(90,557)
Other comprehensive expense for the year	–	–	–	–	–	–	(1,168)	–	–	(1,168)	–	(1,168)
Total comprehensive expenses for the year	–	–	–	–	–	–	(1,168)	–	(90,322)	(91,490)	(235)	(91,725)
Non-controlling interests arising on acquisition of subsidiaries (note 34)	–	–	–	–	–	–	–	–	–	–	11,700	11,700
Issue of shares upon shares placement	965	137,822	–	–	–	–	–	–	–	138,787	–	138,787
Share issue expenses	–	(1,797)	–	–	–	–	–	–	–	(1,797)	–	(1,797)
Recognition of equity-settled share-based payments	–	–	–	–	–	12,877	–	–	–	12.877	–	12,877
Warrants lapsed during the year	–	–	–	–	(2,033)	–	–	–	2,033	–	–	–
Transfer to accumulated losses on disposal of subsidiaries	–	–	(10)	(5,943)	–	–	–	–	5,953	–	–	–
At 31 December 2014 and 1 January 2015	**4,431**	**172,158**	**–**	**–**	**10,264**	**12,877**	**825**	**18,038**	**(78,472)**	**140,121**	**11,465**	**151,586**
Loss for the year	–	–	–	–	–	–	–	–	(59,854)	(59,854)	(1,930)	(61,784)
Other comprehensive expense for the year	–	–	–	–	–	–	(3,805)	–	–	(3,805)	–	(3,805)
Total comprehensive expenses for the year	–	–	–	–	–	–	(3,805)	–	(59,854)	(63,659)	(1,930)	(65,589)
Issue of shares upon:												
— Shares placement and subscription	387	59,509	–	–	–	–	–	–	–	59,896	–	59,896
— Exercise of share options	116	37,055	–	–	–	(5,122)	–	–	–	32,049	–	32,049
— Conversion of warrants	181	17,954	–	–	(178)	–	–	–	–	17,957	–	17,957
Share issue expenses	–	(507)	–	–	–	–	–	–	–	(507)	–	(507)
Recognition of equity-settled share-based payments	–	–	–	–	–	5,356	–	–	–	5,356	–	5,356
Warrants lapsed during the year	–	–	–	–	(10,086)	–	–	–	10,086	–	–	–
Share options lapsed during the year	–	–	–	–	–	(7,755)	–	–	7,755	–	–	–
Change in ownership interest in a subsidiary without change of control (Note 42)	–	–	–	–	–	–	–	675	–	675	(2,904)	(2,229)
At 31 December 2015	**5,115**	**286,169**	**–**	**–**	**–**	**5,356**	**(2,980)**	**18,713**	**(120,485)**	**191,888**	**6,631**	**198,519**

Notes:

a. Statutory reserves

Statutory reserves were established in accordance with the relevant rules and regulations of the People's Republic of China (the "PRC") for the subsidiaries which are established in the PRC. Appropriations to the reserves were approved by the directors of the subsidiaries.

The relevant subsidiaries were disposed during the year ended 31 December 2014 and the reserves were transferred to accumulated losses.

b. Other reserves

Other reserves at 1 January 2014, 31 December 2014 and 1 January 2015 comprise the following:

— Merger reserve arising from common control combination for entity acquired in December 2010;

— Surplus from the share capital of the subsidiaries, acquired pursuant to the group reorganisation over acquisition consideration; and

— Difference between the nominal value of the shares of a subsidiary, acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Operating activities		
Loss for the year	**(61,784)**	(90,557)
Adjustments for:		
Tax charge recognised in profit or loss	**11**	124
Amortisation of prepaid lease payments	**231**	250
Depreciation of property, plant and equipment	**2,887**	1,236
Harvested timber transferred from plantation forest assets to cost of inventories sold	**347**	8,873
Finance costs	**12,680**	35,079
Net loss (gain) on change in fair value less costs to sell of plantation forest assets	**6,084**	(7,164)
Gain on disposal of subsidiaries	**–**	(2,467)
Share-based payments	**5,356**	12,877
Bank interest income	**(18)**	(39)
Loss on early repayment of promissory notes	**87**	18,789
Loss on disposal of property, plant and equipment	**15**	–
Impairment losses recognised in respect of:		
— property, plant and equipment	**6,613**	–
— inventories	**255**	301
— trade receivables	**335**	–
— other receivables	**500**	–
— deposit paid on acquisition of property, plant and equipment	**596**	–
Exchange losses (gains)	**2,440**	(2,638)
Operating cash flows before movements in working capital	**(23,365)**	(25,336)
Decrease (increase) in inventories	**1,320**	(1,355)
Increase in loans receivable	**(33,034)**	(3,952)
Decrease in trade and other receivables	**14,796**	7,087
Decrease (increase) in deposits and prepayments	**17,940**	(20,936)
(Decrease) increase in trade and other payables	**(2,051)**	3,557
Decrease in amount due to a former controlling shareholder	**–**	(297)
Net cash used in operating activities	**(24,394)**	(41,232)

	Notes	2015 RMB'000	2014 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(2,663)**	(7,163)
Proceeds on disposal of property, plant and equipment		**2**	–
Acquisition of subsidiaries	34	**–**	(1,232)
Proceeds from disposal of subsidiaries	35	**–**	33,938
Deposit paid on acquisition of property, plant and equipment		**–**	(3,005)
Deposit paid on acquisition of subsidiaries		**–**	(3,000)
Interests received		**18**	39
Net cash (used in) from investing activities		**(2,643)**	19,577
Financing activities			
Interest paid		**(11,420)**	(26,124)
Proceeds from issue of shares, net of issue expenses		**91,453**	136,990
Proceeds from issue of corporate bonds, net of issue expenses		**43,473**	81,501
Repayments of corporate bonds		**(24,902)**	–
Repayment of promissory notes		**(48,215)**	(175,478)
Net cash from financing activities		**50,389**	16,889
Net decrease in cash and cash equivalents		**23,352**	(4,766)
Cash and cash equivalents at beginning of the year		**17,050**	21,844
Effect of foreign exchange rate changes		**482**	(28)
Cash and cash equivalents at end of the year, represented by:			
Bank balances and cash		**40,884**	17,050

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands. The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2009 and were withdrawn from the GEM on 13 May 2011. On 16 May 2011, the Company's shares are listed on the Main Board of the Stock Exchange.

The address of the registered office and principal place of business are Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Rooms 1002-1003, 10th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong respectively. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in forestry management, production and sale of biomass fuel products, money lending and investment holding.

The Company's functional currency is Hong Kong dollars ("HK$") while that for the major subsidiaries in Mainland China (the "PRC") is Renminbi ("RMB"). As the operations of the Group are mainly carried out in the PRC, the directors of the Company consider it appropriate to present the consolidated financial statements in RMB.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations[2]

1 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application is permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
4 No mandatory effective date yet determined but is available for adoption.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued on 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset and give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types or transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have significant impacts on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company anticipate that the application of these amendments to HKAS 16 and HKAS 41 in issue but not yet effective will have no material impact on the consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not yet effective will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to certain provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statement for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for plantation forest assets that are measured at fair values less costs to sell at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date when the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income/expenses are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income/expenses of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income/expenses in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

— deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

— the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the Group; and

— the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant leases.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, and a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Share-based payment transactions of the Company

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred and deducted from accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plantation forest assets

Plantation forest assets predominately consist of standing trees in a forest on which the Group undertakes agricultural activities to transform the standing trees into agricultural produce for sale. The forest establishment and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Plantation forest assets are stated at fair value less costs to sell at the end of each reporting period and the gain or loss arising from the changes in the fair value less costs to sell of the plantation forest assets is recognised in profit or loss in the period in which it arises.

If an active market exists for standing trees with reference to the distribution of the forest area by age-class, land tenure, forest health, expected growth and yield of the tree crops are adopted for determining the fair value of these assets. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

At the time the tree is harvested, the agricultural produce is measured at its fair value less costs to sell at the point of harvest. It is taken out of the plantation forest assets (non-current assets) and accounted for under inventories (current assets). Depletion of plantation forest assets is calculated based on the rate corresponding to the volume of standing trees actually harvested and the total estimated standing trees volume of the plantation forest assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes are carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling in the near term; or

— it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— if forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in other gains or losses in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, promissory notes payable and corporate bonds payable) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Approval of logging permits for the plantation forest assets

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment.

Up to the date of approval of the consolidated financial statements, the permits for logging of the Group's plantation forest assets in the year 2016 and onwards have not been granted by the PRC government authorities. In the opinion of the directors of the Company, the absence of the logging permits does not impair the value of the forest assets to the Group as the Group has legally obtained ownership title to such assets, is qualified to make the relevant application of the logging permits which will be granted by the PRC government shortly after application.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Fair value of plantation forest assets

The Group's plantation forest assets are stated at fair value less costs to sell. In determining the fair value of the plantation forest assets, the net present value approach has been adopted which requires a number of key assumptions and estimates to be made such as the successful application of logging permits, discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation forest assets significantly. Management reviews the assumptions and estimates periodically to identify any significant change in the fair value less costs to sell of the plantation forest assets. The carrying amount of the Group's plantation forest assets as at 31 December 2015 is approximately RMB220,977,000 (2014: RMB227,408,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment and prepaid lease payments

Management of the Group determines on a regular basis whether the property, plant and equipment and prepaid lease payments are impaired. Impairment losses for property, plant and equipment and prepaid lease payments are recognised when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on higher of fair value less costs to sell and value-in-use. The value-in-use calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2015, the carrying amounts of property, plant and equipment and prepaid lease payments are approximately RMB15,235,000 (2014: RMB21,965,000) and RMB9,354,000 (2014: RMB9,585,000) respectively. Impairment losses on property, plant and equipment amounted to HK$6,613,000 (2014: Nil) have been recognised to profit or loss in respect of the year. No impairment loss of prepaid lease payments was recognised in respect of both of the years presented.

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charges for the future years.

(d) Impairment of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and write-down of inventories in the period in which such estimate is changed. As at 31 December 2015, the carrying amount of inventories is approximately RMB1,529,000 (2014: RMB3,104,000). Write down of inventories amounted to RMB255,000 (2014: RMB301,000) has been charged to profit or loss in respect of the year.

(e) Impairment of loans receivable

Management regularly reviews the recoverability of the loans receivable. Appropriate impairment loss for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flows discounted using the original effective interest rate. As at 31 December 2015, the carrying amount of loans receivable is RMB38,650,000 (2014: Nil). No impairment loss has been recognised on the loans receivable in respect of both of the years presented.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(f) Impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and other debtors and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors and make allowance for doubtful debts on outstanding receivables by reference to historical experience and debtors' financial position. As at 31 December 2015, the carrying amount of trade and other receivables is approximately RMB8,463,000 (2014: RMB21,023,000), net of allowance for doubtful debts of approximately RMB835,000 (2014: Nil). Allowance for doubtful debts amounted to RMB835,000 (2014: Nil) has been recognised in profit or loss in respect of the year.

5. REVENUE

An analysis of the Group's revenue is as follows:

	2015 RMB'000	2014 RMB'000
Revenue from sales of goods	9,019	26,837
Interest income from money lending business	1,113	–
	10,132	26,837

6. SEGMENT INFORMATION

Information reported to the chairman of the board (being the chief executive decision maker) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods and services delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Continuing operations

(i) Forestry Business — plantation, logging and sale of timber related products.

(ii) Biomass Fuel Business — manufacture and sale of biomass fuel products.

(iii) Money Lending Business — provision of money lending services.

6. SEGMENT INFORMATION (Continued)

Discontinued operations

(i) OEM Business — manufacturing and sale of apparel products made according to design and specifications specified by customers.

(ii) Brand business — sale of apparel designed in-house and sold under the Group's own brand name.

Information regarding the above segments for the years ended 31 December 2015 and 2014 is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2015

	Continuing Operations				Discontinued Operations			
	Forestry Business RMB'000	Biomass Fuel Business RMB'000	Money Lending Business RMB'000	Sub-total RMB'000	OEM Business RMB'000	Brand Business RMB'000	Sub-total RMB'000	Total RMB'000
Revenue	607	8,412	1,113	10,132	–	–	–	10,132
Segment profit (loss)	(7,716)	(22,384)	990	(29,110)	–	–	–	(29,110)
Bank interest income								18
Other unallocated income								73
Gain on disposal of subsidiaries								–
Loss on early repayment of promissory notes								(87)
Other unallocated expenses								(19,987)
Finance costs								(12,680)
Loss before tax								(61,773)
Income tax expense								(11)
Loss for the year								(61,784)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2014

	Continuing Operations				Discontinued Operations			
	Forestry Business RMB'000	Biomass Fuel Business RMB'000	Money Lending Business RMB'000	Sub-total RMB'000	OEM Business RMB'000	Brand Business RMB'000	Sub-total RMB'000	Total RMB'000
Revenue	12,024	14,813	–	26,837	–	–	–	26,837
Segment profit (loss)	6,602	(3,440)	–	3,162	(5,968)	(1,768)	(7,736)	(4,574)
Bank interest income								39
Other unallocated income								7
Gain on disposal of subsidiaries								2,467
Loss on early repayment of promissory notes								(18,789)
Other unallocated expenses								(34,504)
Finance costs								(35,079)
Loss before tax								(90,433)
Income tax expense								(124)
Loss for the year								(90,557)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit/loss represent the profit/loss earned from each segment without allocation of central administrative costs including directors' salaries and other corporate administrative costs, gain on disposal of subsidiaries, bank interest income, loss on early repayment of promissory notes and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

Segment assets	2015 RMB '000	2014 RMB '000
Forestry Business	**230,365**	248,990
Biomass Fuel Business	**22,657**	47,912
Money Lending Business	**38,650**	3,952
Total segment assets	**291,672**	300,854
Assets relating to the discontinued operations		
— OEM Business	**–**	–
— Brand Business	**–**	–
Unallocated	**48,618**	30,956
Consolidated assets	**340,290**	331,810

Segment liabilities	2015 RMB '000	2014 RMB '000
Forestry Business	**3,016**	2,968
Biomass Fuel Business	**3,466**	5,748
Money Lending Business	**18**	–
Total segment liabilities	**6,500**	8,716
Liabilities relating to the discontinued operations		
— OEM Business	**–**	–
— Brand Business	**–**	–
Unallocated	**135,271**	171,508
Consolidated liabilities	**141,771**	180,224

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to operating segments other than bank balances and cash and other assets for corporate use including certain property, plant and equipment and other receivables. Assets used jointly by segments are allocated on the basis of the revenue earned by individual segments; and

— all liabilities are allocated to operating segments other than promissory notes payable, corporate bonds payable, current tax payable and certain other payables. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2015

	Continuing Operations				Discontinued Operations				
	Forestry Business RMB'000	Biomass Fuel Business RMB'000	Money Lending Business RMB'000	Sub-total RMB'000	OEM Business RMB'000	Brand Business RMB'000	Sub-total RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss/profit or segment assets									
Additions to non-current assets	17	2,646	–	2,663	–	–	–	–	2,663
Depreciation of property, plant and equipment	72	2,518	–	2,590	–	–	–	297	2,887
Amortisation of prepaid lease payments	223	8	–	231	–	–	–	–	231
Loss on disposal of property, plant and equipment	5	10	–	15	–	–	–	–	15
Net loss on change in fair value less costs to sell of plantation forest assets	6,084	–	–	6,084	–	–	–	–	6,084
Impairment losses recognised in respect of:									
— property, plant and equipment	–	6,613	–	6,613	–	–	–	–	6,613
— trade receivables	–	335	–	335	–	–	–	–	335
— other receivables	–	500	–	500	–	–	–	–	500
— deposit paid on acquisition of property, plant and equipment	–	596	–	596	–	–	–	–	596

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2014

	Continuing Operations				Discontinued Operations				
	Forestry Business RMB'000	Biomass Fuel Business RMB'000	Money Lending Business RMB'000	Sub-total RMB'000	OEM Business RMB'000	Brand Business RMB'000	Sub-total RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss/profit or segment assets									
Additions to non-current assets	45	7,118	–	7,163	–	–	–	–	7,163
Depreciation of property, plant and equipment	65	674	–	739	129	75	204	293	1,236
Amortisation of prepaid lease payments	223	5	–	228	17	5	22	–	250
Loss on disposal of property, plant and equipment	–	–	–	–	–	–	–	–	–
Net gain on change in fair value less costs to sell of plantation forest assets	7,164	–	–	7,164	–	–	–	–	7,164
Impairment losses recognised in respect of:									
— property, plant and equipment	–	–	–	–	–	–	–	–	–
— trade receivables	–	–	–	–	–	–	–	–	–
— other receivables	–	–	–	–	–	–	–	–	–
— deposit paid on acquisition of property, plant and equipment	–	–	–	–	–	–	–	–	–

6. SEGMENT INFORMATION (Continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers as below:

	2015 RMB'000	2014 RMB'000
PRC	**9,019**	26,837
Hong Kong	**1,113**	–
	10,132	26,837

Information about the Group's non-current assets based on the geographical location of the assets is not presented as the Group's non-current assets (excluding loans receivable) are substantially located in the PRC.

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

	Revenue generated from	2015 RMB'000	2014 RMB'000
Customer A	Forestry Business	**N/A[1]**	12,024
Customer B	Biomass Fuel Business	**2,061**	N/A[2]
Customer C	Biomass Fuel Business	**1,958**	7,441
Customer D	Biomass Fuel Business	**1,339**	N/A[2]
Customer E	Biomass Fuel Business	**N/A[1]**	5,296

1 The revenue from each of the customers for the current year did not contribute over 10% of the total revenue for the year.

2 The revenue from each of the customers for the corresponding prior year did not contribute over 10% of the total revenue for that year.

7. INVESTMENT AND OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Bank interest income	**18**	38	**–**	1	**18**	39
Sundry income	**73**	7	**–**	–	**73**	7
	91	45	**–**	1	**91**	46

8. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operations		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Exchange (losses) gains, net	**(943)**	(614)	**–**	36	**(943)**	(578)
Net (loss) gain on change in fair value less costs to sell of plantation forest assets (Note 18)	**(6,084)**	7,164	**–**	–	**(6,084)**	7,164
Loss on early repayment of promissory notes (Note 26)	**(87)**	(18,789)	**–**	–	**(87)**	(18,789)
Loss on disposal of property, plant and equipment	**(15)**	–	**–**	–	**(15)**	–
Impairment losses recognised in respect of:						
— property, plant and equipment (Note 16)	**(6,613)**	–	**–**	–	**(6,613)**	–
— trade receivables (Note 22)	**(335)**	–	**–**	–	**(335)**	–
— other receivables (Note 22)	**(500)**	–	**–**	–	**(500)**	–
— deposit paid on acquisition of property, plant and machinery	**(596)**	–	**–**	–	**(596)**	–
	(15,173)	(12,239)	**–**	36	**(15,173)**	(12,203)

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interests on:						
— promissory notes (Note 26)	**3,983**	31,388	**–**	–	**3,983**	31,388
— corporate bonds (Note 27)	**8,502**	3,691	**–**	–	**8,502**	3,691
— borrowings from a shareholder (Note 38(a)(i))	**195**	–	**–**	–	**195**	–
	12,680	35,079	**–**	–	**12,680**	35,079

10. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Hong Kong Profit Tax	**11**	–	**–**	–	**11**	–
PRC Enterprise Income Tax	**–**	124	**–**	–	**–**	124
	11	124	**–**	–	**11**	124

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Pursuant to the Implementation Regulation of the EIT Law, the Group's PRC subsidiaries which are engaged in forestry business are entitled to full exemption from PRC Enterprise Income Tax in respect of both of the years presented.

10. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Loss before tax from:		
Continuing operations	**(61,773)**	(85,201)
Discontinued operations (Note 13)	**–**	(5,232)
Loss before tax	**(61,773)**	(90,433)
Tax credit at applicable income tax rate	**(10,714)**	(18,028)
Tax effect of expenses not deductible for tax purpose	**9,378**	17,968
Tax effect of income not taxable for tax purpose	**(801)**	(3)
Tax effect of tax losses not recognised	**2,148**	112
Tax effect of deductible temporary differences not recognised	**–**	75
Income tax expense for the year	**11**	124

As at 31 December 2015, the Group had unrecognised tax losses of approximately RMB11,238,000 (2014: RMB2,649,000), which can be carried forward to offset future taxable profit and will expire after five years. No deferred tax asset had been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB25,239,000 (2014: RMB21,125,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. LOSS FOR THE YEAR

	Continuing Operations		Discontinued Operations		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loss for the year has been arrived at after charging:						
Directors' emoluments (Note 12)	**2,317**	1,686	**–**	34	**2,317**	1,720
Other staff costs	**10,324**	6,381	**–**	7,309	**10,324**	13,690
Total staff costs (Note i)	**12,641**	8,067	**–**	7,343	**12,641**	15,410
Auditors' remuneration						
— audit services	**829**	736	**–**	–	**829**	736
— non-audit services	**122**	240	**–**	–	**122**	240
Cost of inventories recognised and timber harvested	**13,189**	22,347	**–**	–	**13,189**	22,347
Depreciation of property, plant and equipment	**2,887**	1,032	**–**	204	**2,887**	1,236
Amortisation of prepaid lease payments	**231**	228	**–**	22	**231**	250
Impairment loss on inventories	**255**	301	**–**	–	**255**	301
Share-based payment expenses (Note ii)	**3,130**	10,617	**–**	–	**3,130**	10,617
Loss on disposal of property, plant and equipment	**15**	–	**–**	–	**15**	–
Operating lease rentals in respect of rented premises	**3,385**	2,839	**–**	116	**3,385**	2,955

Notes:

(i) The total staff costs include the share-based payment expenses amounted to RMB2,226,000 (2014: RMB2,260,000) attributable to the directors and other employees of the Group.

(ii) The share-based payment expenses shown above exclude those attributable to the directors and other employees of the Group.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and chief executive

The emoluments paid or payable to each of the ten (2014: nine) directors and chief executive were as follows:

For the year ended 31 December 2015

	Fees RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Cai Shuiyong[1]	–	–	–	–	–
Mr. Lei Zuliang	452	–	133	–	585
Mr. Long Weihua	96	–	66	–	162
Professor Fei Phillip[2]	84	–	80	–	164
Mr. Wang Yue[3]	241	–	665	–	906
Non-executive directors:					
Professor Liu Zhikun	36	–	40	–	76
Mr. Zhou Xianyan[4]	48	–	40	–	88
Independent non-executive directors:					
Ms. Tian Guangmei	139	–	40	–	179
Mr. Zhou Wei[5]	–	–	–	–	–
Mr. Liang Guoxin	48	–	40	–	88
Mr. Liu Zhaoxiang[6]	29	–	40	–	69
Total	1,173	–	1,144	–	2,317

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors and chief executive (Continued)

For the year ended 31 December 2014

	Fees RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Cai Shuiyong[1]	–	30	–	4	34
Mr. Lei Zuliang	418	–	350	–	768
Mr. Long Weihua	95	–	280	–	375
Professor Fei Phillip[2]	–	–	–	–	–
Mr. Wang Yue[3]	–	–	–	–	–
Non-executive directors:					
Professor Liu Zhikun	36	–	53	–	89
Mr. Zhou Xianyan[4]	40	–	53	–	93
Independent non-executive directors:					
Ms. Tian Guangmei	128	–	53	–	181
Mr. Zhou Wei[5]	7	–	–	–	7
Mr. Liang Guoxin	47	–	53	–	100
Mr. Liu Zhaoxiang[6]	20	–	53	–	73
Total	791	30	895	4	1,720

1 Resigned on 4 July 2014
2 Appointed on 24 July 2015
3 Appointed on 1 July 2015
4 Appointed on 5 March 2014
5 Resigned on 16 April 2014
6 Appointed on 16 April 2014

There was no arrangement under which the directors of the Company waived or agreed to waive any remuneration during the year.

During the years ended 31 December 2015 and 31 December 2014, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 30 to the Group's consolidated financial statements.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2014: three) were directors of the Company whose emoluments are included in the above disclosures. The emoluments of the remaining three (2014: two) individuals were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	1,378	903
Retirement benefits scheme contributions	14	21
Share-based payments	887	626
	2,279	1,550

These three highest paid employees (2014: two employees) whose remuneration fell within the following bands are as follows:

	2015	2014
Nil to HK$1,000,000 (equivalent to RMB803,000)	2	1
HK$1,000,001 to HK$1,500,000 (equivalent to RMB1,205,000)	1	1
	3	2

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emolument during the years ended 31 December 2015 and 2014.

13. DISCONTINUED OPERATIONS

On 30 June 2014, the Company disposed of 100% equity interest in a subsidiary, Newshine International Limited, and its subsidiaries (together the "Disposed Group"), to a third party, Pu Xing Group Limited, for a cash consideration of RMB34,012,000. On the same date, the Group discontinued its business of OEM business and Brand business undertaken by the Disposed Group. An analysis of the profit/loss for the year from the discontinued operations is as follows:

	2015 RMB'000	2014 RMB'000
Loss for the year from discontinued businesses (Note below)	–	(7,699)
Gain on disposal of the Disposed Group (Note 35)	–	2,467
Loss for the year from discontinued operations	–	(5,232)

13. DISCONTINUED OPERATIONS (Continued)

Note: The results of the discontinued businesses are analysed below:

	OEM Business		Brand Business		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	–	–	–	–	–	–
Cost of sales	–	–	–	–	–	–
Gross profit	–	–	–	–	–	–
Investment and other income (Note 7)	–	1	–	–	–	1
Other gains and losses (Note 8)	–	36	–	–	–	36
Administrative expenses	–	(5,968)	–	(1,768)	–	(7,736)
Loss before tax	–	(5,931)	–	(1,768)	–	(7,699)
Income tax expense (Note 10)	–	–	–	–	–	–
Loss for the year attributable to owners of the Company (Note 11)	–	(5,931)	–	(1,768)	–	(7,699)

The cash flows from the discontinued operations are analysed as follows:

	2015	2014
	RMB'000	RMB'000
Net cash inflow from operating activities	–	23
Net cash inflow from investing activities	–	1
Net cash inflow	–	24

14. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2015 (2014: Nil) nor had any dividend been proposed since the end of the reporting period (2014: Nil).

15. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Continuing and Discontinued Operations		Continuing Operations	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss				
Loss for the purpose of basic loss per share				
Loss for the year attributable to owners of the Company	**(59,854)**	(90,322)	**(59,854)**	(85,090)
Effect of dilutive potential ordinary shares:				
— Loss on early repayment of promissory notes	**2,086**	(3,398)	**2,086**	(3,398)
— Interest expense on promissory notes	**188**	809	**188**	809
Loss for the purpose of diluted earnings/loss per share	**N/A**	N/A	**N/A**	N/A

	Continuing and Discontinued Operations		Continuing Operations	
	2015	2014	**2015**	2014
	'000	'000	**'000**	'000
		(restated)		(restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,780,679**	2,318,400	**2,780,679**	2,318,400
Effect of dilutive potential ordinary shares:				
— Share options	**–**	26,355	**–**	26,355
— Warrants	**48,230**	176,750	**48,230**	176,750
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	**2,828,909**	2,521,505	**2,828,909**	2,521,505

As the Group sustained a loss for both of the years presented, diluted earnings/loss per share for these years are not presented as the effects of potential shares issuable arising from exercise of share options and warrants and the conversion of the convertible bonds are regarded anti-dilutive.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both of the years presented above has been adjusted for the subdivision of the Company's shares on the basis of every one share held into five subdivided shares made in the current year. The weighted average number of shares for the year ended 31 December 2014 has been restated accordingly.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014	4,917	4,088	365	1,385	274	12	11,041
Acquired on acquisition of subsidiaries	–	5,378	58	7,073	–	–	12,509
Additions	–	4,314	425	2,045	–	379	7,163
Reclassification of construction in progress	–	–	–	12	–	(12)	–
Derecognised on disposal of a subsidiary	(4,917)	(1,793)	(180)	(585)	–	–	(7,475)
Exchange realignment	–	–	–	(3)	–	–	(3)
At 31 December 2014 and 1 January 2015	**–**	**11,987**	**668**	**9,927**	**274**	**379**	**23,235**
Additions	**–**	**1,416**	**20**	**1,191**	**–**	**36**	**2,663**
Transferred from deposit paid for acquisition of property, plant and equipment	**–**	**1,963**	**–**	**446**	**–**	**–**	**2,409**
Reclassification of construction in progress	**–**	**–**	**–**	**–**	**415**	**(415)**	**–**
Disposals	**–**	**(1,651)**	**(17)**	**(786)**	**–**	**–**	**(2,454)**
Exchange realignment	**–**	**–**	**5**	**50**	**–**	**–**	**55**
At 31 December 2015	**–**	**13,715**	**676**	**10,828**	**689**	**–**	**25,908**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	1,789	1,396	187	681	48	–	4,101
Depreciation provided for the year	111	601	87	377	60	–	1,236
Eliminated on disposal of subsidiaries	(1,900)	(1,487)	(153)	(526)	–	–	(4,066)
Exchange realignment	–	–	–	(1)	–	–	(1)
At 31 December 2014 and 1 January 2015	**–**	**510**	**121**	**531**	**108**	**–**	**1,270**
Depreciation provided for the year	**–**	**1,537**	**233**	**1,025**	**92**	**–**	**2,887**
Impairment loss recognised in profit or loss	**–**	**4,809**	**–**	**1,347**	**457**	**–**	**6,613**
Eliminated on disposals	**–**	**(114)**	**(8)**	**(14)**	**–**	**–**	**(136)**
Exchange realignment	**–**	**–**	**3**	**36**	**–**	**–**	**39**
At 31 December 2015	**–**	**6,742**	**349**	**2,925**	**657**	**–**	**10,673**
CARRYING AMOUNTS							
At 31 December 2015	**–**	**6,973**	**327**	**7,903**	**32**	**–**	**15,235**
At 31 December 2014	–	11,477	547	9,396	166	379	21,965

All the buildings of the Group are situated on land with medium-term land use rights in the PRC.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account their estimated residual value. The estimated useful lives of the property, plant and equipment are as follows:

Buildings	20 years or over the lease term of the relevant land, whichever is shorter
Machinery	4–10 years
Office equipment, furniture and fixtures	2–10 years
Leasehold improvement	30 years or over the relevant lease, whichever is shorter
Motor vehicles	4–5 years

Following the Group's evaluation that sales of biomass fuel products produced by a subsidiary will be dramatically dropped in future years, the management conducted a review of the economic viability of the Group's property, plant and equipment relating to this subsidiary and considered it appropriate to recognise impairment loss of RMB6,613,000 (2014: RMB Nil) on such assets based on their recoverable amounts. Such impairment loss has been recognised in profit or loss in respect of the year and was included in other gains and loss (Note 8).

17. PREPAID LEASE PAYMENTS

	Note	2015 RMB'000	2014 RMB'000
At 1 January		**9,585**	11,035
Acquired on acquisition of subsidiaries		**–**	635
Amortised for the year		**(231)**	(250)
Derecognised on disposal of subsidiaries		**–**	(1,835)
At 31 December		**9,354**	9,585
Analysed for reporting purposes as:			
Non-current asset		**9,117**	9,298
Current asset		**237**	287
		9,354	9,585
Prepaid lease payments in respect of land in the PRC:			
Medium-term lease in Sichuan	(i)	**7,483**	7,687
Medium-term lease in Anhui		**623**	630
		8,106	8,317
Long lease in Yunnan	(i)	**1,248**	1,268
		9,354	9,585

Notes:

(i) Prepaid lease payments in respect of land located in Sichuan and Yunnan, the PRC represent the amounts allocated as land portion from the consideration in respect of the forests on such land acquired by the Group. Usage of the land is regulated by the implementation regulations of PRC forest law issued by the State Council of the PRC.

(ii) The prepaid lease payments in Anhui, Sichuan and Yunnan are amortised over the terms of relevant land lease ranging from 40 to 65 years.

18. PLANTATION FOREST ASSETS

	Yunnan Forest RMB'000	Sichuan Forest RMB'000	Total RMB'000
At 1 January 2014	19,983	209,134	229,117
Harvested timber transferred to cost of inventories sold	–	(8,873)	(8,873)
Changes in fair value less costs to sell (Note 8)	(1,707)	8,871	7,164
At 31 December 2014 and 1 January 2015	18,276	209,132	227,408
Harvested timber transferred to cost of inventories sold	–	(347)	(347)
Changes in fair value less costs to sell (Note 8)	1,779	(7,863)	(6,084)
At 31 December 2015	20,055	200,922	220,977

Notes:

(a) **Yunnan Forest**

On 11 July 2012, the Group acquired the entire interest in Rongxuan Forestry Investment Holdings Limited ("Rongxuan") and its subsidiaries (collectively referred to as the "Rongxuan Group") which principally holds plantation forest assets in Dali, Yunnan Province, the PRC ("Yunnan Forest"). The Yunnan Forest had a total leasehold land base of approximately 3,530 Chinese Mu (equivalent to approximately 235 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Yunnan Forest. During the year under review, approval of the logging permit in respect of the Yunnan Forest was not obtained by the Group and no timber logs were harvested (2014: Nil). As at 31 December 2015, the Yunnan Forest is estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations with age 40 years or older.

(b) **Sichuan Forest**

On 28 May 2013, the Group acquired the entire equity interest in China Timbers Limited ("China Timbers") and its subsidiaries (collectively referred as to the "China Timbers Group") which are principally engaged in the operation and management of the forest in Jiange County, Sichuan Province, the PRC ("Sichuan Forest"). The Sichuan Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Sichuan Forest. During the year under review, timber logs of approximately 400 cubic metres (2014: 15,000 cubic metres) in respect of the Sichuan Forest were harvested and the fair value of the timber logs harvested amounted to approximately RMB347,000 (2014: RMB8,873,000), which was estimated by reference to their sale prices less costs to less, was transferred to cost of inventories sold. As at 31 December 2015, the Sichuan Forest is estimated to comprise approximately 1,389 hectares of Cypress with approximately 13 hectares of tree plantations aged 40 years or older.

(c) **Valuation of Plantation Forest Assets**

The Group's plantation forest assets are regarded as biological assets and are carried at 31 December 2015 at fair value less costs to sell, which are independently valued by Ascent Partners Valuation Service Limited ("Ascent Partners"), independent professional valuers. In view of the non-availability of market value for tree plantations in the PRC, the professional valuers have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at the pre-tax discount rate of 15.84% and 15.84% for the Yunnan Forest and Sichuan Forest respectively, to arrive at the fair value of the plantation forest assets.

18. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(c) Valuation of Plantation Forest Assets (Continued)

The principal valuation methodology and assumptions adopted are as follows:

Applicable to both of Yunnan Forest and Sichuan Forest

— The logging permit will be granted by the relevant government authorities.

— The forests are managed on a sustainable basis and sufficient logging quota will be continuously granted by the relevant government authorities.

— The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishment following harvest, or of land not yet planted.

— The cash flows do not take into account income tax and finance costs.

— The cash flows have been prepared in real terms and have not therefore included inflationary effects.

— The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forests is not taken into account.

— Costs have been derived from external sources and as determined by management. The costs are current average costs. No allowance has been made for cost improvements in future operations.

— Prices have been derived from independent market information and not prices actually received by the Group.

— The discount rates used in the valuation of the plantation forest assets are determined based on Capital Asset Pricing Model (CAPM), with reference to applicable risk-free rates and expected rates of return.

Applicable to Yunnan Forest

— Cash flow projection is determined for a period of 7 years up to 2022 with the first year of logging activities taken to be from 2017. Management have assumed that the logging volume during the forecast period is 3,000 cubic meters in 2017, 5,000 cubic meters in 2018, 8,000 cubic meters in 2019, 8,000 cubic meters in 2020, 8,000 cubic meters in 2021 and 8,464 cubic meters in 2022 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2016 and onwards.

— The average increment in log sales prices is expected to be 6.26% per annum, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.

— The discount rate applied is 15.84%.

— The inflation rate on other operation cost is 3.16% per annum.

— The biological growth rates of pine and oak are 5.73% and 4.78% respectively.

— The yielding rates for pine and oak are 55% and 52% respectively.

18. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(c) Valuation of Plantation Forest Assets (Continued)

Applicable to Sichuan Forest

— Cash flow projection is determined for a period of 6 years up to 2021 with the first year of logging activities taken to be from 2016. Management have assumed that the logging volume during the forecast period is 30,000 cubic meters in 2016, 40,000 cubic meters in 2017, 50,000 cubic meters in 2018, 60,000 cubic meters in 2019, 60,000 cubic meters in 2020 and 34,271 cubic meters in 2021 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2016 and onwards.

— The average increment in log sales prices is expected to be 6.26% per annum, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.

— The discount rate applied is 15.84%.

— The inflation rate on other operation cost is 3.16% per annum.

— The biological growth rate of Cypress is 5.43%.

— The yielding rate for Cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 31 December 2015 and 31 December 2014 have been determined based on Level 3 fair value measurement. There has been no change from the valuation technique used in the prior year. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for generating revenue in the forestry segment. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits which will be granted by the PRC government shortly after application.

(d) Pledge of plantation forest assets

At 31 December 2014, the equity interests in the Company's subsidiaries which hold the plantation forest assets were pledged to secure the promissory notes payable by the Company (Note 26(a)). Such pledge of the equity interests were released during the year ended 31 December 2015.

(e) Other risks associated with the plantation forest assets

The Group is exposed to a number of risks related to its plantation forest assets:

Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC 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.

Climate and other risks

The State Council of the PRC manages the country's harvesting activities by imposing annual logging quotas which are determined by the local forestry authorities. Other than the above-mentioned quotas, the Group's revenue also depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. The Group's standing timbers is exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

19. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

	2015 RMB'000	2014 RMB'000
Movements of deposits paid for acquisition of subsidiaries:		
At 1 January	**3,000**	–
Deposit paid during the year	**–**	3,000
Reclassified to other receivables (Note 22)	**(3,000)**	–
At 31 December	**–**	3,000

During the year ended 31 December 2014, the Company entered into an acquisition agreement with the vendor (a third party) for the acquisition of the entire equity interest in Exceed Target Investment Group Limited ("Exceed Target") for a consideration of HK$150,000,000, of which a refundable deposit of RMB3,000,000 was paid by the Company up to 31 December 2014. Exceed Target, through its subsidiaries established in the PRC, is principally engaged in the operation and management of forests.

In March 2015, the Company and the vendor entered into the deed of termination to terminate the acquisition agreement. Pursuant to the deed of termination, the vendor shall return the refundable deposit of RMB3,000,000 to the Company. Accordingly, the deposit paid was reclassified as other receivable under current assets. On 2 February 2016, the Company entered into an agreement with the vendor, under which the vendor has agreed for the repayment of the deposit paid of RMB3,000,000 before 30 June 2016.

On 21 January 2016, the Company entered into another agreement for the acquisition of 100% equity interest in Exceed Target for a consideration of HK$65,000,000 which was satisfied by the issue of new shares of the Company. Details of this acquisition are set out in Note 43(c).

20. LOANS RECEIVABLE

	2015 RMB'000	2014 RMB'000
Loans and interests thereon receivables		
– within one year	**3,426**	3,952
– in the second to fifth years	**35,224**	–
	38,650	3,952
Less: receivables within the year included in current assets	**(3,426)**	(3,952)
Receivables in the second to fifth years included in non-current assets	**35,224**	–

20. LOANS RECEIVABLE (Continued)

Movements during the year are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**3,952**	–
Loan made by the Group	**36,750**	3,944
Interest on loans receivable	**1,113**	8
Loan and interest repaid by borrower	**4,829**	–
Exchange realignment	**1,664**	–
At 31 December	**38,650**	3,952

During the year, a subsidiary of the Company entered into agreements with certain third parties, pursuant to which loans totalled HK$45,750,000 were made by the subsidiary to such parties, analysed as follows:

Loan principal amount HK$'000	Interest rate	Maturity date	Security pledged
12,500	6% per annum	15 June 2017	Note c
12,500	6% per annum	10 June 2017	Note c
12,000	6% per annum	6 July 2017	Note c
3,750	6% per annum	13 July 2017	Nil
5,000 (Note b)	6% per annum	23 August 2016	Nil
45,750			

Notes:

(a) Loans and interests thereon will be settled by the borrowers at the respective maturity dates.

(b) The loans to the extent of HK$1,000,000 was settled by the borrower during the year.

(c) These loans are secured by certain machineries owned by the borrower of the loan receivable of HK$12,000,000.

21. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**674**	1,328
Finished goods	**855**	1,776
	1,529	3,104

22. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**5,222**	12,481
Less: allowance for doubtful debts	**(335)**	–
Trade receivables, net of allowance for doubtful debts	**4,887**	12,481
Other receivables	**3,576**	8,542
	8,463	21,023

The Group generally allows an average credit period of 90 days (2014: 90 days) to its trade customers, where payment in advance is normally required. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice dates:

	2015 RMB'000	2014 RMB'000
0–90 days	**3,129**	12,438
91–180 days	**1,628**	43
181–365 days	**130**	–
Total	**4,887**	12,481

An aged analysis of the Group's trade receivables, that are past due but not impaired, is as follows:

	2015 RMB'000	2014 RMB'000
Past due:		
0–90 days	**1,628**	43
More than 90 days	**130**	–
Total	**1,758**	43

The trade receivables that are past due but not impaired for which no allowance for doubtful debts is recognised related to a number of customers. Having considered the credit quality of the customers and past experience of debts settlement, management of the Group is of the view that these trade receivables are fully recoverable and impairment loss on the receivables is not required to be made.

22. TRADE AND OTHER RECEIVABLES (Continued)

Movements of allowance of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	–	13,712
Derecognised on disposal of subsidiaries	–	(13,712)
Impairment loss recognised (Note 8)	335	–
At 31 December	335	–

An analysis of other receivables is as follows:

	2015 RMB'000	2014 RMB'000
Receivables in respect of refundable deposits paid for:		
— acquisition of a subsidiary (Note 19)	3,000	–
— exploration and acquisition of new business (Note below)	–	4,733
— a construction contract subsequently cancelled (Note below)	–	3,430
Sundry receivables	1,076	379
	4,076	8,542
Less: allowance for doubtful debts	(500)	–
	3,576	8,542

Note: These receivables were repaid by the contracting parties during the current year.

Movements of allowance of other receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	–	1,357
Derecognised on disposal of subsidiaries	–	(1,357)
Impairment loss recognised (Note 8)	500	–
At 31 December	500	–

23. DEPOSITS AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Deposits paid for acquisition of raw materials	–	11,368
Other deposits paid	1,054	5,083
Prepayments	4,144	5,267
	5,198	21,718

24. BANK BALANCES AND CASH

At 31 December 2015, the Group's bank balances and cash denominated in RMB amounted to approximately RMB3,419,000 (2014: RMB4,935,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The bank balances carry interests at rates of 0.001% to 0.35% (2014: 0.001% to 0.35%) per annum.

25. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	983	1,637
Other payables	5,759	6,593
Redemption premium payable (Note 26(a))	–	10,976
Accrued charges	2,316	1,662
	9,058	20,868

The average credit period on purchase of goods ranges within 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables presented based on invoice dates:

	2015 RMB'000	2014 RMB'000
0–30 days	332	1,584
31–90 days	409	53
Over 90 days	242	–
Total	983	1,637

26. PROMISSORY NOTES PAYABLE

	2015 RMB'000	2014 RMB'000
Promissory notes payable		
— issued on 8 January 2013 (Note a)	–	56,322
— issued on 28 May 2013 (Note b)	20,075	18,067
	20,075	74,389

	2015 RMB'000	2014 RMB'000
Carrying amount payable		
— Within one year	–	56,322
— More than two years, but not exceeding five years	20,075	18,067
	20,075	74,389
Less: Amount shown under current liabilities	–	(56,322)
Amount shown under non-current liabilities	20,075	18,067

(a) Promissory note issued on 8 January 2013 (the "Note A")

On 8 January 2013, the Company issued the Note A with the principal amount of HK$190,000,000 to a third party, Maple Reach Limited ("Maple Reach"), for a cash consideration of HK$190,000,000. The Note A carried interest at 15% per annum, and was payable on the maturity date of two years after the date of issue with a redemption premium of HK$26,610,000 (the "Redemption Premium"). Under the terms of the Note A, the Company was entitled to early redeem the note after six months from the issue date at the principal amount of the note plus the redemption premium as specified therein. The Note A was secured by 179,450,000 shares of the Company owned by Well Bright, a shareholder of the Company, an additional 7,400,000 shares of the Company owned by other shareholders, the entire equity held by the Group of the companies comprising the Rongxuan Group (Note 19(a)) and the China Timbers Group (Note 19(b)) (collectively the "Relevant Securities").

On 16 May 2013, the parties to the Note A reached an agreement for the revision of the terms of the Note A, under which the Company issued warrants convertible into 25,000,000 new shares of the Company at the total exercise price of HK$26,610,000 (the "Warrant B") to Maple Reach. The holder of the warrants was entitled to convert the warrants into new shares of the Company at the exercise price of HK$1.0644 per share in the following four equal tranches of 6,250,000 shares each. The revision of the terms of the Note A was effective from 5 July 2013.

26. PROMISSORY NOTES PAYABLE (Continued)

(a) Promissory note issued on 8 January 2013 (the "Note A") (Continued)

Number of shares under the Warrant B	Exercisable period
6,250,000	8 July 2013 to 31 January 2015
6,250,000	8 January 2014 to 31 January 2015
6,250,000	8 July 2014 to 31 January 2015
6,250,000	8 January 2015 to 31 January 2015
25,000,000	

Under the relevant agreements, the exercise price payable on conversion of the Warrant B to shares of the Company would be satisfied by applying the Redemption Premium of the Note A.

During the year ended 31 December 2014, the Company repaid part of the Note A with the principal amount of HK$130,976,000 for an aggregate consideration of HK$144,890,000, comprising cash paid by the Company amounted to HK$130,976,000 and Redemption Premium payable to the noteholder amounted to HK$13,914,000 (equivalent to RMB10,976,000 (Note 25)), and Warrant B convertible into 4,194,000 shares lapsed upon repayment of the Note A. At 31 December 2014, the Note A with the principal amount of HK$59,024,000 remained outstanding which was secured by the pledge of 61,550,000 shares of the Company owned by Well Bright. As at that date, the Warrant A convertible into 20,806,000 new shares of the Company remained outstanding.

During the current year, the Company repaid the remaining part of the Note A with the principal amount of HK$59,024,000 for an aggregate consideration of HK$67,437,000, comprising cash paid by the Company amounted to HK$59,024,000 and Redemption Premium payable to noteholder amounted to HK$8,413,000 (equivalent to RMB6,758,000). In addition the outstanding Warrant A convertible into 20,806,000 new shares lapsed during the current year (Note 29(b)). The Redemption Premium payable totalled HK$22,327,000 (equivalent to RMB17,942,000) was settled during the current year which was satisfied by the issue of 69,762,915 new ordinary shares of the Company at the issue price of HK$0.32004 per share (Note 28(f)).

(b) Promissory note issued on 28 May 2013 (the "Note B")

On 28 May 2013, the Company issued the Note B with the principal amount of HK$144,000,000 as part of the consideration for the acquisition of the entire interest in China Timbers and its subsidiaries (Note 18(b)).

The Note B, which is unsecured, carries interest at 3% per annum for the first two years from the date of issue and 8% per annum thereafter, and is payable on the maturity date on 28 May 2018 at its principal amount. The Company is also entitled to redeem the whole or part of the Note B at the principal amount at any time before the maturity date.

During the years ended 31 December 2013 and 31 December 2014, the Company redeemed part of the Note B with the principal amount of HK$25,000,000 and HK$90,497,000 respectively for cash consideration of HK$25,000,000 and HK$90,497,000 respectively. At 31 December 2014, the Note B with the principal amount of HK$28,503,000 remained outstanding.

26. PROMISSORY NOTES PAYABLE (Continued)

(b) Promissory note issued on 28 May 2013 (the "Note B") (Continued)

During the current year, the Company redeemed part of the Note B with the principal amount of HK$1,000,000 at cash consideration of HK$1,000,000. At the end of the reporting period, the Note B with the principal amount of HK$27,503,000 (2014: HK$28,503,000) remained outstanding.

Movements of the Group's promissory notes payable for both of the years presented are as follows:

	Note A RMB'000	Note B RMB'000	Total RMB'000
At 1 January 2014	167,670	68,001	235,671
Interest charge for the year (Note 9)	24,880	6,508	31,388
Interest paid during the year	(22,936)	(1,711)	(24,647)
Promissory notes repaid during the year	(114,770)	(71,684)	(186,454)
Loss on early repayment of promissory notes (Note (ii))	1,485	17,304	18,789
Interest payable included in trade and other payables	–	(367)	(367)
Exchange realignment	(7)	16	9
At 31 December 2014 and 1 January 2015	56,322	18,067	74,389
Interest charge for the year (Note 9)	1,231	2,752	3,983
Interest paid during the year	(4,441)	(339)	(4,780)
Promissory notes repaid during the year	(54,170)	(803)	(54,973)
Loss on early repayment of promissory notes (Note (i))	30	57	87
Interest payable includes in trade and other payable	–	(816)	(816)
Exchange realignment	1,028	1,157	2,185
At 31 December 2015	–	20,075	20,075

Notes:

(i) During the current year, part of the Note A and Note B with the aggregate principal amount of HK$60,024,000 were repaid by the Company. The loss on repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK$60,024,000 (equivalent to RMB48,215,000) and the premium payable amounted to HK$8,413,000 (equivalent to RMB6,758,000) upon repayment of the Note A over the aggregate of carrying amounts of the notes repaid amounted to HK$68,328,000 (equivalent to RMB54,886,000) at the dates of repayments, amounted to RMB87,000 which has been recognised in profit or loss for the year (Note 8).

(ii) During the year ended 31 December 2014, part of the Note A and Note B with the aggregate principal amounts of HK$221,473,000 were repaid by the Company. The loss on early repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK$221,473,000 (equivalent to RMB175,478,000) and the premium payable amounted to HK$13,914,000 (equivalent to RMB10,976,000) upon repayment of the Note A over the aggregate of carrying amounts of the notes repaid amounted to RMB167,665,000 at the dates of repayments, amounted to RMB18,789,000 which has been recognised in profit or loss for that year (Note 8).

27. CORPORATE BONDS PAYABLE

	2015 RMB'000	2014 RMB'000
Unsecured corporate bonds payable:		
— Within one year	**8,502**	–
— More than one year, but not exceeding two years	**–**	8,006
— More than two years, but not exceeding five years	**15,359**	4,402
— More than five years	**88,643**	72,435
	112,504	84,843
Less: Amount shown under current liabilities	**(8,502)**	–
Amount shown under non-current liabilities	**104,002**	84,843

Movements of the corporate bonds payable are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**84,843**	–
Proceeds received on issue of corporate bonds	**44,750**	90,380
Transaction costs incurred for issue of bonds	**(1,277)**	(8,879)
Interest charge for the year (Note 9)	**8,502**	3,691
Repayments of corporate bonds during the year	**(24,902)**	–
Interest paid during the year	**(4,954)**	–
Interest payable included in trade and other payables	**(643)**	–
Exchange realignment	**6,185**	(349)
At 31 December	**112,504**	84,843

27. CORPORATE BONDS PAYABLE (Continued)

During the current year, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK$57,600,000, which gave rise to a total proceeds of HK$55,710,000 (equivalent to RMB44,750,000) (before expenses), analysed as below:

Date of issue	Principal amount of corporate bonds HK$	Proceeds received by the Company HK$	Interest rate per annum	Maturity date
4 March 2015	21,000,000	19,110,000	interest free	20 May 2015
18 March 2015	10,000,000	10,000,000	5.5%	17 March 2022
26 March 2015	10,000,000	10,000,000	8.0%	20 May 2015
21 August 2015	3,000,000	3,000,000	7.0%	20 August 2019
13 October 2015	6,600,000	6,000,000	6.5%	12 October 2021
25 November 2015	7,000,000	7,000,000	7.0%	24 November 2019
	57,600,000	55,710,000		

During the current year, the Company repaid part of the corporate bonds with the principal amount of HK$31,000,000 for a consideration of HK$31,000,000 (equivalent to RMB24,902,000). At the end of the reporting period, the corporate bonds payable with the principal amount of HK$140,700,000 (2014: HK$114,100,000) remained outstanding.

During the year ended 31 December 2014, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK$114,100,000, which gave rise to a total proceeds of HK$114,100,000 (equivalent to RMB90,380,000) (before expenses). The corporate bonds, which carry interest at interest rates ranged from 4% to 7% per annum, are wholly repayable by the Company at end of the maturity periods of 2 to 8 years from the respective dates of issue. No repayments of the corporate bonds were made by the Company during that year.

The effective interest rate of the corporate bonds payable in respect of the current year ranged from 4.154% to 40.11% per annum (2014: 4.15% to 11.858% per annum).

28. SHARE CAPITAL

	Par value HK$	Number of ordinary shares '000	Nominal amount of ordinary shares HK$'000
Authorised:			
At 1 January 2014 and 31 December 2014	0.01	1,000,000	10,000
Share subdivision (Note a)		4,000,000	–
At 31 December 2015	0.002	5,000,000	10,000

	Par value HK$	Number of ordinary shares '000	Nominal amount of ordinary shares HK$'000	Carrying amount RMB'000
Issued and fully paid:				
At 1 January 2014	0.01	396,296	3,963	3,466
Issue of shares on placement of shares (Note a)	0.01	74,000	740	588
Issue of shares on placement of shares (Note b)	0.01	47,504	475	377
At 31 December 2014	0.01	517,800	5,178	4,431
Issue of shares on placement of shares (Note c)	0.01	34,792	348	275
Issue of shares on exercise of share options (Note d)	0.01	14,712	147	116
Share subdivision (Note e)		2,269,217	–	–
Issue of shares on subscription of shares (Note f)	0.002	69,763	140	112
Issue of shares on conversion of warrants (Note g)	0.002	110,000	220	181
At 31 December 2015	0.002	3,016,284	6,033	5,115

28. SHARE CAPITAL (Continued)

Notes:

(a) On 24 April 2014, the Company entered into a placing agreement with a financial institution, pursuant to which 74,000,000 new ordinary shares of the Company were issued at a price of HK$1.3 per share on 8 May 2014, giving rise to a gross proceed of HK$96,200,000 (before expenses).

(b) On 16 July 2014, the Company entered into a placement agreement with a financial institution, pursuant to which 47,504,000 new ordinary shares of the Company were issued at a price of HK$1.65 per share on 7 August 2014, giving rise to a gross proceed of approximately HK$78,382,000 (before expenses).

(c) On 22 April 2015, the Company entered into a placing agreement with a financial institution, pursuant to which 34,792,000 new ordinary shares of the Company were issued at a price of HK$1.53 per share on 14 May 2015, giving rise to a gross proceed of approximately HK$53,232,000 (before expenses).

(d) On 29 May 2015, 8 June 2015 and 25 June 2015, 6,360,000, 6,384,000 and 1,968,000 shares were issued by the Company upon the exercise of share options granted at the exercise price of HK$2.76 per share, giving rise to a gross proceed of approximately HK$40,605,000.

(e) On 9 June 2015, the Company proposed to implement a share subdivision scheme on the basis that every issued and unissued share of HK$0.01 each in the share capital of the Company was subdivided into five subdivided shares of HK$0.002 each. The share subdivision was effected on 19 July 2015.

(f) On 15 July 2015, the Company entered into a subscription and settlement agreement with Maple Reach, pursuant to which 69,762,915 new ordinary shares of the Company were issued at a price of HK$0.32004 per share (after share subdivision) on 10 August 2015, as consideration for the settlement of the Redemption Premium payable amounted to a total of HK$22,327,000 (Note 27(a)).

(g) On 24 November 2015, all the Warrant A were converted into 110,000,000 new shares of the Company at the subscription price of HK$0.198 per share (Note 29(a)), giving rise to a gross proceed of HK$21,780,000.

29. WARRANTS RESERVE

	2015 **RMB'000**	2014 RMB'000
At 1 January	**10,264**	12,297
Transferred to share premium upon exercise of the Warrants A (Note a below)	**(178)**	–
Transferred to accumulated losses upon lapse of the Warrants B (Note b below)	**(10,086)**	(2,033)
At 31 December	**–**	10,264

Notes:

(a) On 28 March 2013, the Company issued an aggregate of 22,000,000 warrants at the issue price of HK$0.01 per warrant (the "Warrants A") which entitled the holders thereof to convert each unit of the warrants into one new share of the Company at the subscription price of HK$0.99 per share during the period of three years commencing from the date of issue of the warrants. During the current year, the subscription price under the Warrant A was adjusted to HK$0.198 per share following the share subdivision implemented by the Company and all the Warrant A were converted into 110,000,000 new shares of the Company at the adjusted subscription price of HK$0.198 per share. The warrant reserve in respect of the warrant A amounted to RMB178,000 was transferred to share premium account.

(b) As referred to in Note 26(a), the Warrant B convertible into 20,806,000 (2014: 4,194,000) shares of the Company lapsed during the current year. The warrant reserve in respect of the Warrant B lapsed amounted to RMB10,086,000 (2014: RMB2,033,000) was transferred to the accumulated losses following the lapse of such warrants.

30. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 15 September 2009 for the primary purpose of providing incentives to selected participants, including directors and eligible employees of the Company and its subsidiaries. Under the Scheme, the board of directors of the Company may grant options to eligible participants, to subscribe for shares in the Company.

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 28 May 2015, certain scheme mandate limits of the Scheme were refreshed and renewed.

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 276,296,145 (2014: 37,000,000), representing 9.74% (2014: 7.15%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the last day of the ten-year period after grant date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

During the years ended 31 December 2015 and 31 December 2014, certain share options were granted by the Company to its directors and employees, details of which are as follows:

Year ended 31 December 2015

	Number of share options granted	Date of grant	Exercise period	Exercise price per share HK$	Fair value per option at grant date HK$
Directors	43,000,000	30 July 2015	30 July 2015 to 29 July 2016	0.331	0.0331
Employees	70,796,145	30 July 2015	30 July 2015 to 29 July 2016	0.331	0.0230
Other participants	162,500,000	30 July 2015	30 July 2015 to 29 July 2016	0.331	0.0230
	276,296,145				

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Year ended 31 December 2014

	Number of share options granted	Date of grant	Exercise period	Exercise price per share HK$	Fair value per option at grant date HK$
Directors	2,550,000	10 November 2014	10 November 2014 to 9 November 2015	2.76	0.4433
Employees	3,800,000	10 November 2014	10 November 2014 to 9 November 2015	2.76	0.4391
Other participants	30,650,000	10 November 2014	10 November 2014 to 9 November 2015	2.76	0.4391
	37,000,000				

The options granted in both of the years vested at the dates of grant.

The fair value of the share options is determined using the binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past one year.

The variances and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

	Share options granted on 30 July 2015	Share options granted on 10 November 2014
Grant date share price	HK$0.310	HK$2.76
Exercise price	HK$0.331	HK$2.76
Expected volatility	90.88%	40.54%
Option life	1 year	1 year
Dividend yield	–	–
Risk-free interest rate	0.06%	0.09%
Exercise multiple:		
– Directors	1.13	2.47
– Employees and others	1.11	1.60
– Other participants	1.11	1.60

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Movements during the year ended 31 December 2015 and 31 December 2014 of the share options granted are as follows:

For the year ended 31 December 2015

	Exercise price per share HK$	Date of grant	Number of share options granted: Outstanding at 1 January 2015	Movements during the year: Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2015
Directors	2.76	10 November 2014	2,550,000	–	(1,450,000)	–	(1,100,000)	–
	0.331	30 July 2015	–	43,000,000	–	–	–	43,000,000
Employees	2.76	10 November 2014	3,800,000	–	(3,800,000)	–	–	–
	0.331	30 July 2015	–	70,796,145	–	–	–	70,796,145
Other participants	2.76	10 November 2014	30,650,000	–	(9,462,000)	–	(21,188,000)	–
	0.331	30 July 2015	–	162,500,000	–	–	–	162,500,000
			37,000,000	276,296,145	(14,712,000)	–	(22,288,000)	276,296,145
Exercisable at the end of the year								276,296,145
Weighted average exercise price			HK$2.76	HK$0.331	HK$2.76	–	HK$2.76	HK$0.331

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

For the year ended 31 December 2014

	Exercise price per share HK$	Date of grant	Number of share options granted: Outstanding at 1 January 2014	Movements during the year: Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2014
Directors	2.76	10 November 2014	–	2,550,000	–	–	–	2,550,000
Employees	2.76	10 November 2014	–	3,800,000	–	–	–	3,800,000
Other participants	2.76	10 November 2014	–	30,650,000	–	–	–	30,650,000
			–	37,000,000	–	–	–	37,000,000
Exercisable at the end of the year								37,000,000
Weighted average exercise price			–	HK$2.76	–	–	–	HK$2.76

Share-based payment expense amounted to RMB5,356,000 (2014: RMB12,877,000) has been recognised in profit or loss in respect of the year.

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK$0.331 (2014: HK$2.76) per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 0.58 years (2014: 0.86 years).

31. RETIREMENT BENEFIT SCHEMES

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance ("MPF schemes") for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee's relevant monthly income, subject to a cap of monthly relevant income of HK$25,000 before 1 June 2014 and HK$30,000 thereafter. Contributions to the plan vest immediately.

The employees of PRC subsidiaries of the Company are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income of approximately RMB281,000 (2014: RMB1,522,000) represents contributions payable by the Group at rates or amounts specified in the schemes.

Apart from the above, the Group has no significant obligations under retirement benefit schemes at the end of both of the years presented.

32. OPERATING LEASE COMMITMENTS

The Group leases certain of its office and factory premises under operating lease arrangements with leases negotiated for an average term of one to twenty years and rentals are fixed over the lease term. At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**3,021**	3,276
In the second to fifth years inclusive	**2,130**	3,169
More than five year	**506**	428
	5,657	6,873

33. CAPITAL COMMITMENTS

	2015 **RMB'000**	2014 RMB'000
Contracted, but not provided for:		
— Acquisition of subsidiaries	**–**	115,331
— Plant and machinery	**1,391**	2,796
At end of the year	**1,391**	118,127

34. ACQUISITION OF SUBSIDIARIES

Acquisition took place during the year ended 31 December 2014

On 1 December 2014, for the development of the Group's biomass fuel business, the Group acquired 70% equity interests of Xinyu Bio Energy (Anhui) Company Limited ("Anhui Xinyu") for cash consideration of RMB27,300,000 by way of capital contribution of RMB27,300,000 payable by the Group to Anhui Xinyu. Anhui Xinyu is principally engaged in the manufacture and sale of biomass fuel products.

This acquisition has been accounted for using the purchase method. The effect of the acquisition is summarised as follows:

Cash consideration transferred

	RMB'000
Capital contribution to Anhui Xinyu	
— Paid	1,295
— Payable	26,005
	27,300

Acquisition-related costs amounting to approximately RMB2,397,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in that year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Consolidated assets and liabilities of Anhui Xinyu recognised at the date of acquisition are as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	12,509
Prepaid lease payments	635
Current assets	
Inventories	2,050
Trade and other receivables	333
Amount due from holding company	26,005
Bank balances and cash	63
Current liabilities	
Trade and other payables	(2,595)
	39,000

The receivables acquired in this transaction had gross amount of RMB333,000. No contractual cash flows from these receivables are expected not to be collected.

34. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition took place during the year ended 31 December 2014 (Continued)

Goodwill arising on consideration:

	RMB'000
Consideration attributable to acquisition of 70% equity interest in Anhui Xinyu	27,300
Less: Net assets acquired	(39,000)
Add: Non-controlling interests	11,700
Goodwill arising on consideration	–
Net cash outflow arising on the acquisition:	
Cash consideration paid	1,295
Bank balances and cash acquired	(63)
	1,232

Impact of acquisition on the results of the Group

Included in the revenue and loss for the year ended 31 December 2014 is revenue and profit of RMB143,000 and of RMB782,000 respectively attributable to Anhui Xinyu.

Had the acquisition of Anhui Xinyu been effected at the beginning of the year ended 31 December 2014, the revenue of the Group for that year would have been RMB26,851,000, and the loss for that year from continuing and discontinued operations would have been RMB90,716,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2014, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Anhui Xinyu been acquired at the beginning of the year ended 31 December 2014, the directors calculated depreciation of property, plant and equipment and amortisation of prepaid lease payments on the basis of the fair value arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

35. DISPOSAL OF A SUBSIDIARY

Disposal took place during the year ended 31 December 2014

As referred to in Note 13, the Group completed the disposal of the Disposed Group on 30 June 2014 for a cash consideration of RMB34,012,000.

Consideration received

	RMB'000
Consideration received in cash	34,012

35. DISPOSAL OF A SUBSIDIARY (Continued)

Disposal took place during the year ended 31 December 2014 (Continued)

Analysis of assets and liabilities at the date of disposal over which control was lost

	RMB'000
Non-current assets	
Property, plant and equipment	3,409
Prepaid lease payments	1,835
Current assets	
Trade and other receivables	26,302
Deposits and prepayments	626
Current tax recoverable	233
Bank balances and cash	74
Current liabilities	
Trade and other payables	(1,064)
Amounts due to a former controlling shareholder	(1,052)
Net assets disposed of	30,363

Gain on disposal of subsidiaries

	RMB'000
Consideration received	34,012
Net assets disposed of	(30,363)
Cumulative exchange losses in respect of the net assets of the subsidiaries	(1,182)
Gain on disposal of subsidiaries	2,467

Net cash outflow arising from disposal

	RMB'000
Consideration for disposal	34,012
Less: Bank balance and cash disposed of	(74)
	33,938

36. MAJOR NON-CASH TRANSACTIONS

(i) As referred to in Note 30, the Company granted options to certain directors and employees to subscribe for 276,296,145 shares (2014: 37,000,000 shares) of the Company at the subscription price of HK$0.331 (2014: HK$2.76) per share. The fair value of the share options granted at the dates of grant is RMB5,356,000 (2014: RMB12,877,000).

(ii) As referred to in Note 28(f), the Company issued 69,762,915 new shares of HK$0.002 per share as consideration for the settlement of the Redemption Premium payable amounted to HK$22,327,000 (equivalent to RMB17,942,000).

(iii) As referred to in Note 42, during the year, the Group disposed of certain machinery and equipment to a non-controlling interest for a consideration of RMB2,355,000 (2014: Nil) which was applied for the repayment of registered capital of a subsidiary to that non-controlling interest.

37. PLEDGE OF ASSETS

The Group had no assets pledged as at the end of the reporting period.

As detailed in Note 18 and 26(a), the Note A issued by the Company was secured by certain assets of the Group at 31 December 2014.

38. RELATED PARTY TRANSACTIONS

(a) In additions to those disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions during the year:

	2015 **RMB'000**	2014 RMB'000
Interest paid to a shareholder (Note i)	**195**	–
Machinery and equipment sold to a non-controlling interest (Note 42)	**2,355**	–
Rentals paid to a related party (Note ii)	**–**	14

Notes:

(i) In January 2015, a shareholder of the Company made a loan amounted to HK$11,000,000 to the Company. The loan, which was unsecured and carried interest at 8% per annum, was fully repaid in April 2015. Interest on the loan amounted to RMB195,000 (2014: Nil) was charged by the shareholder.

(ii) The related party is the brother of Mr. Cai Shuiyong, who resigned as a director of the Company during the year ended 31 December 2014.

38. RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration of directors and other members of key management

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	**2,486**	1,687
Share-based payments	**1,283**	1,521
Retirement benefits scheme contributions	**14**	21
	3,783	3,229

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

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of net debt, which includes promissory notes payable and corporate bonds payable disclosed in Note 26 and Note 27 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts or the repayment of existing debts.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loan and receivables at amortised cost (including bank balances and cash)	**87,997**	42,025
Financial liabilities		
Financial liabilities at amortised cost	**141,637**	180,100

Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, trade and other receivables, bank balances and cash, trade and other payables, promissory notes payable, and corporate bonds payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

(a) Currency risk

No revenue derived by the Group in respect of the years ended 31 December 2015 and 2014 were denominated in foreign currencies. Substantially all of the costs incurred for both of the years ended 31 December 2015 and 31 December 2014 were denominated in functional currencies of the group entities.

As 31 December 2015 and 31 December 2014, the Group had no significant monetary assets and liabilities which were denominated in foreign currencies.

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

As the Group had no material foreign currency denominated monetary assets and liabilities at 31 December 2015 and 31 December 2014, no significant impacts on the results of the Group would arise from the changes in foreign currency rates, accordingly sensitivity analysis in this respect is not presented.

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Interest rate risk

As at 31 December 2015 and 2014, the Group was also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits as at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates have been 50 basis points higher/lower in 2015 and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2015 would decrease/increase by approximately RMB160,000 (2014: RMB78,000). This is mainly attributable to the Group's exposure to interest rates on its bank deposit which carried interest at floating rates.

(c) Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group has concentration of credit risk as 13% (2014: 72%) and 74% (2014: 97%) of the total trade receivables was due from the Group's largest customer and the five largest customers.

The Group's concentration of credit risk by geographical location is mainly in the PRC which accounted for all of the total trade receivables as at 31 December 2015 and 31 December 2014.

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(d) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated by interest rate curve.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these no-derivative financial assets is necessary in order to understand the Group's liquidity risk management at the liquidity is managed on a net asset and liability basis.

The amount included below for variable interest rate instruments for the non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

As at 31 December 2015

	On demand or within one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2015 RMB'000
Non-derivative financial assets					
Loans receivable	3,552	38,236	–	41,788	38,650
Trade and other receivable	8,463	–	–	8,463	8,463
Bank balances and cash	40,884	–	–	40,884	40,884
	52,899	38,236	–	91,135	87,997
Non-derivative financial liabilities					
Trade and other payables	9,058	–	–	9,058	9,058
Promissory notes payable	1,843	25,806	–	27,649	20,075
Corporate bonds payable	14,917	42,323	100,378	157,618	112,504
	25,818	68,129	100,378	194,325	141,637

40. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(d) Liquidity risk (Continued)

As at 31 December 2014

	On demand or within one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2014 RMB'000
Non-derivative financial assets					
Loans receivable	–	–	–	–	–
Trade and other receivables	24,975	–	–	24,975	24,975
Bank balances and cash	17,050	–	–	17,050	17,050
	42,025	–	–	42,025	42,025
Non-derivative financial liabilities					
Trade and other payables	20,868	–	–	20,868	20,868
Promissory notes payable	57,071	27,959	–	85,030	74,389
Corporate bonds payable	5,495	33,499	90,218	129,212	84,843
	83,434	61,458	90,218	235,110	180,100

(e) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current assets		
Investments in subsidiaries	**204,808**	204,808
Property, plant and equipment	**138**	421
Deposit paid for acquisition of subsidiaries	**–**	3,000
	204,946	208,229
Current assets		
Other receivables	**3,000**	4,738
Deposits paid and prepayments	**4,606**	5,746
Amount due from a subsidiary	**76,053**	27,804
Bank balances and cash	**6,683**	3,721
	90,342	42,009
Current liabilities		
Other payables	**2,798**	12,268
Promissory notes payable	**–**	56,322
Corporate bonds payable	**8,501**	–
	11,299	68,590
Net current assets (liabilities)	**79,043**	(26,581)
Total assets less current liabilities	**283,989**	181,648
Non-current liabilities		
Promissory notes payable	**20,075**	18,067
Corporate bonds payable	**104,002**	84,843
	124,077	102,910
Net assets	**159,912**	78,738
Capital and reserves		
Share capital	**5,115**	4,431
Reserves	**154,797**	74,307
Total equity	**159,912**	78,738

The Company's statement of financial position was approved and authorised for issue by the board of directors on 31 March 2016 and is signed on its behalf by:

Lei Zuliang	**Wang Yue**
Director	*Director*

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Reserves of the Company

	Share premium RMB'000	Warrant reserve RMB'000 (Note 29)	Share option reserve RMB'000 (Note 30)	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	36,133	12,297	–	(22)	(76,247)	(27,839)
Loss for the year	–	–	–	–	(46,756)	(46,756)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(46,756)	(46,756)
Issue of shares	137,822	–	–	–	–	137,822
Share issue expenses	(1,797)	–	–	–	–	(1,797)
Recognition of equity-settled share-based payments	–	–	12,877	–	–	12,877
Warrants lapsed during the year	–	(2,033)	–	–	2,033	–
At 31 December 2014 and 1 January 2015	**172,158**	**10,264**	**12,877**	**(22)**	**(120,970)**	**74,307**
Loss for the year	**–**	**–**	**–**	**–**	**(33,577)**	**(33,577)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(33,577)**	**(33,577)**
Issue of shares upon:						
— Shares placement and subscription	**59,509**	**–**	**–**	**–**	**–**	**59,509**
— Exercise of share options	**37,055**	**–**	**(5,122)**	**–**	**–**	**31,933**
— Conversion of warrants	**17,954**	**(178)**	**–**	**–**	**–**	**17,776**
Share issue expenses	**(507)**	**–**	**–**	**–**	**–**	**(507)**
Recognition of equity-settled share-based payments	**–**	**–**	**5,356**	**–**	**–**	**5,356**
Warrants lapsed during the year	**–**	**(10,086)**	**–**	**–**	**10,086**	**–**
Share options lapsed during the year	**–**	**–**	**(7,755)**	**–**	**7,755**	**–**
At 31 December 2015	**286,169**	**–**	**5,356**	**(22)**	**(136,706)**	**154,797**

42. SUBSIDIARIES

Details of the material subsidiaries at the end of the reporting period are set out below:

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interests held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2015	2014	**2015**	2014	**2015**	2014	
Rongxuan Forestry Investment Holding Limited 榮軒林業投資控股有限公司	BVI	Ordinary	US$50,000	**100%**	100%	**–**	–	**100%**	100%	Investment holding
Rongxuan Forestry Investment Group Limited 榮軒林業投資集團有限公司	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
YuePengDa Forestry (Shenzhen) Ltd. [1,3] 岳鵬達木業（深圳）有限公司	The PRC	Contributed capital	RMB6,680,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Dalilanhai Forestry Ltd. [1,3] 大理藍海林業有限公司	The PRC	Contributed capital	RMB1,000,000	**–**	–	**100%**	100%	**100%**	100%	Management of plantation forest assets
China Timbers Limited [5] 中國木業有限公司	BVI	Ordinary	US$1	**100%**	100%	**–**	–	**100%**	100%	Investment holding
China Timbers Limited [5] 中國木業投資集團有限公司	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Shenzhen Junlifa Timbers Limited.[1,3,5] 深圳市君利發木業有限公司	The PRC	Contributed capital	RMB500,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Jiange Hengchang Low-Carbon Forestry Development Co., Ltd. [2,3] 劍閣縣恒昌低碳林業開發有限公司	The PRC	Contributed capital	RMB1,000,000	**–**	–	**100%**	100%	**100%**	100%	Forestry management
Jiange Hengfa Biomass Energy Development Co., Ltd. [2,3] 劍閣縣恒發生物質能源開發有限公司	The PRC	Contributed capital	RMB500,000	**–**	–	**100%**	100%	**100%**	100%	Production and sales of biomass fuel products
Liangzhou City Hengfa Biomass Energy Development Co., Ltd. [2,3] 連州市恒發生物質能源開發有限公司	The PRC	Contributed capital	RMB10,000,000	**–**	–	**100%**	100%	**100%**	100%	Production and sales of biomass fuel products
Anhui Xinyu [2,3,4] 安徽新宇	The PRC	Contributed capital	RMB19,500,000	**–**	–	**52.07%**	70%	**52.07%**	70%	Production and sales of biomass fuel products
石台新宇生物能源有限公司[2,3] Shitai Xinyu Biomass Energy Co., Ltd	The PRC	Contributed capital	RMB10,000,000	**–**	–	**52.07%**	70%	**52.07%**	70%	Production and sales of biomass fuel products
Forever Biosource (Credit) Limited 恒生源（信貸）有限公司	Hong Kong	Ordinary	HK$1,000	**100%**	100%	**–**	–	**100%**	100%	Money lending

1 These entities are registered as wholly-foreign owned enterprises under the PRC laws.

2 These entities are registered as limited liability enterprises under the PRC laws.

3 The English transliteration of the Chinese name of the court is for identification purpose only and should not be regarded as the official English name of the court.

4 The subsidiaries were acquired by the Group on 1 December 2014.

42. SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

Name of company	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Anhui Xinyu	(Note below)	**47.93%**	30%	**1,930**	235	**6,631**	11,465

Note: Anhui Xinyu was incorporated in the PRC and, through its subsidiaries, is principally engaged in production and sale of biomass fuel products in the PRC. During the current year, Anhui Xinyu implemented a reduction of its registered capital by RMB19,500,000, under which the registered capital was reduced from RMB39,000,000 to RMB19,500,000. The repayment of the registered capital of RMB19,500,000 was satisfied by (i) the disposal of certain machinery and equipment by Anhui Xinyu for a consideration of RMB2,355,000 to non-controlling interests and (ii) set off against the amount of RMB17,145,000 due to the subsidiary by the Group. As a result, the percentage of the registered capital contributed by the Group was reduced to 52.07% with the remaining 47.93% contributed by the non-controlling interests. The gain on deemed disposal of partial interest in the subsidiary amounted to RMB675,000 has been directly recognised in reserves of the Group.

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Anhui Xinyu	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Current assets	**2,682**	27,458
Non-current assets	**12,330**	14,537
Current liabilities	**(1,175)**	(3,778)
Equity attributable to owners of the Company	**7,206**	26,752
Non-controlling interests	**6,631**	11,465

42. SUBSIDIARIES (Continued)

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
Revenue	**3,471**	143
Expenses	**(8,478)**	(925)
Loss for the year	**(5,007)**	(782)
Loss attributable to:		
— owners of the Company	**(3,077)**	(547)
— non-controlling interests	**(1,930)**	(235)
Loss for the year	**(5,007)**	(782)
Total comprehensive expense attributable to:		
— owners of the Company	**(3,077)**	(547)
— non-controlling interests	**(1,930)**	(235)
Total comprehensive expense for the year	**(5,007)**	(782)
Net cash outflows from operating activities	**(6,579)**	(1,068)
Net cash outflows from investing activities	**(1,026)**	(153)
Net cash inflows from financing activities	**7,689**	1,171
Net cash inflow (outflow)	**84**	(50)

43. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

In addition to those disclosed elsewhere in the consolidated financial statements, the following events took place subsequent to the end of the reporting period:

(a) On 6 January 2016, a subsidiary of the Company entered into agreements with two independent third parties, pursuant to which loans totalled HK$23,500,000 were made by the subsidiary to such parties. These loans are secured by certain assets held by one of the borrowers, carry interest at 8% per annum and each has maturity of 2 years.

(b) On 15 January 2016, the Company entered into the subscription agreements with certain independent subscribers, pursuant to which the subscribers conditionally agreed to subscribe, and the Company conditionally agreed to issue the convertible bonds in the aggregate principal amount of HK$9,000,000 to the subscribers. The convertible bonds, which carry interest rate at 5% per annum and are mature after one year from the date of issue of the convertible bonds, are convertible into new Shares of the Company at the initial conversion price of HK$0.175 per Share commencing from the date immediately after 3 months from their issue date. Completion of the issue of the convertible bonds took place in January 2016. The net proceeds from the issue of corporate bonds, after deducting the interests and other related expenses payable by the Company, were approximately HK$8.7 million. It will be used for the purpose of investment in biomass fuel project(s), repayment of liabilities and general working capital. As at 31 March 2016, it is not yet utilised and will be applied as intended.

(c) On 21 January 2016, the Company entered into an acquisition agreement with an independent third party pursuant to which the Company has conditionally agreed to acquire 100% equity interest in Exceed Target Investment Group Limited ("Exceed Target") for a consideration of HK$65,000,000. Exceed Target, through its subsidiary, is principally engaged in the operation and management of the forest in Jiange County, Sichuan Province, the PRC. Completion of the acquisition of Exceed Target took place on 26 February 2016 and the consideration for acquisition was satisfied by the issue of 328,282,828 new shares of the Company at the issue price of HK$0.198 per share. The fair value of assets and liabilities of Exceed Target as at the date of its acquisition are currently not determined, according goodwill on this acquisition is yet to be measured.

(d) On 22 January 2016, the Company entered into non-legally binding memorandum of understanding with certain prospective vendors in relation to a possible acquisition of a company with the Potential New Business in order to bring further diversity to the Group's businesses and broaden its income source and improve its financial performance.