Sustainable Forest Holdings Limited
永保林業控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock code: 723)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board (the "Board") of directors (the "Directors") of Sustainable Forest Holdings Limited (the "Company") hereby present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 together with the comparative figures for the corresponding period in 2015 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
CONTINUING OPERATIONS			
REVENUE	*5*	**11,316**	6,596
Cost of sales		**(1,820)**	(2,957)
Change in fair value of investment properties		**(76)**	1,079
Other income	*6*	**79**	8,430
Other net loss	*6*	**(11,598)**	(38,722)
Selling and distribution costs		**(6)**	(89)
Administrative expenses		**(10,579)**	(13,556)
Impairment of assets	*7*	**(25,571)**	–
Change in fair value of biological assets less costs to sell		**–**	(16,197)
LOSS FROM OPERATIONS		**(38,255)**	(55,416)
Finance income		**203**	366
Finance costs		**(564)**	(1,304)
Net finance costs		**(361)**	(938)
LOSS BEFORE TAXATION	*8*	**(38,616)**	(56,354)
Income tax	*9*	**5,545**	(53)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(33,071)**	(56,407)
DISCONTINUING OPERATIONS			
Profit/(loss) for the year from discontinuing operations		**2**	(97)
LOSS FOR THE YEAR		**(33,069)**	(56,504)

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

For the year ended 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
ATTRIBUTABLE TO:			
Owners of the Company		**(33,077)**	(56,508)
Non-controlling interests		**8**	4
		(33,069)	(56,504)
Loss attributable to owners of the Company arises from:			
Continuing operations		**(33,079)**	(56,411)
Discontinuing operations		**2**	(97)
		(33,077)	(56,508)
Loss per share			
From continuing and discontinuing operations	*11*		
– Basic		**(0.37) cents**	(0.74) cents
– Diluted		**(0.37) cents**	(0.74) cents
From continuing operations	*11*		
– Basic		**(0.37) cents**	(0.74) cents
– Diluted		**(0.37) cents**	(0.74) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(33,069)**	(56,504)
Other comprehensive loss for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(5,026)**	(15,921)
Other comprehensive loss for the year, net of income tax	**(5,026)**	(15,921)
Total comprehensive loss for the year	**(38,095)**	(72,425)
Total comprehensive loss attributable to:		
Owners of the Company	**(38,103)**	(72,429)
Non-controlling interests	**8**	4
	(38,095)	(72,425)
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**(38,105)**	(72,332)
Discontinuing operations	**2**	(97)
	(38,103)	(72,429)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**86,578**	110,569
Intangible assets		**94**	94
Investment properties		**24,702**	24,778
		111,374	135,441
CURRENT ASSETS			
Inventories	*12*	**73**	806
Loan receivables	*13*	**82,338**	93,612
Trade and other receivables	*14*	**4,339**	25,656
Cash and cash equivalents		**59,258**	50,141
		146,008	170,215
Assets of disposal group classified as held for sale		**3,697**	–
		149,705	170,215
CURRENT LIABILITIES			
Trade and other payables	*15*	**40,749**	49,580
Loans and borrowings		**16,042**	5,283
Provision for taxation		**2,145**	2,220
Amount due to non-controlling shareholder		**–**	836
		58,936	57,919
Liabilities of disposal group classified as held for sale		**1,956**	–
		60,892	57,919
NET CURRENT ASSETS		**88,813**	112,296
TOTAL ASSETS LESS CURRENT LIABILITIES		**200,187**	247,737

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

For the year ended 31 March 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Loans and borrowings		**7,302**	18,951
Financial liabilities		**52,029**	40,595
Deferred tax liabilities		**29,025**	38,632
		88,356	98,178
NET ASSETS		**111,831**	149,559
CAPITAL AND RESERVES			
Share capital		**185,656**	185,631
Reserves		**(73,912)**	(36,151)
Total equity attributable to the owners of the Company		**111,744**	149,480
Non-controlling interests		**87**	79
TOTAL EQUITY		**111,831**	149,559

Notes:

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise sustainable forest management; investment and leasing in natural forests; manufacturing and sales of timber products including but not limited to wooden door, furniture and wooden floor panels; leasing of properties; the business of licensed travel agent under the Travel Agents Ordinance (Chapter 218 of the Laws of Hong Kong); and money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

2. STATEMENT OF COMPLIANCE

These consolidated financial statements had been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Listing Rules.

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised IFRS issued by the IASB.

Amendments to IAS 19	Defined benefit plans: Employee contributions
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle

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

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the board of directors ("Board") (the chief operating decision maker) of the Company for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. In 2015, the Group commenced a new segment, i.e. money lending, to diversify its business and to broaden the base of revenue. No operating segments have been aggregated to form the following reportable segments.

Continuing Operations

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

Manufacturing and sale of timber products: manufacturing and sales of timber products including but not limited to wooden doors, furniture and wooden flooring.

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

Money lending: earn interest income from financial assets through the money lending licence.

Discontinuing Operations

Travel and travel related business: provision of travel agency services such as booking of air-tickets, hotel accommodation and other travel related products.

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

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

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

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

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

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

(a) Segment results, assets and liabilities

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

	2016						
	Continuing Operations					Discontinuing Operations	
	Sustainable forest management HK$'000	Manufacturing and sale of timber products HK$'000	Money lending HK$'000	Leasing of properties HK$'000	Sub-total HK$'000	Travel and travel related business HK$'000	Total HK$'000
Revenue from external customers	–	2,134	8,492	690	11,316	1,080	12,396
Reportable segment revenue	–	2,134	8,492	690	11,316	1,080	12,396
Reportable segment (loss)/profit before taxation	(9,921)	(16,194)	7,258	(57)	(18,914)	2	(18,912)
Interest income	9	–	9	–	18	–	18
Impairment loss of property, plant and equipment	(9,700)	–	–	–	(9,700)	–	(9,700)
Impairment loss on other receivables	–	(15,871)	–	–	(15,871)	–	(15,871)
Depreciation	–	(253)	–	–	(253)	(168)	(421)
Interest expense	(31)	–	–	(533)	(564)	(25)	(589)
Reportable segment assets	87,138	3,076	103,898	24,867	218,979	3,697	222,676
Additions to non-current segment assets	–	–	–	37	37	11	48
Reportable segment liabilities	(32,133)	(6,927)	(53)	(23,674)	(62,787)	(1,956)	(64,743)

	2015						
	Continuing Operations					Discontinuing Operations	
	Sustainable forest management *HK$'000*	Manufacturing and sale of timber products *HK$'000*	Money lending *HK$'000*	Leasing of properties *HK$'000*	Sub-total *HK$'000*	Travel and travel related business *HK$'000*	Total *HK$'000*
Revenue from external customers	–	3,053	2,898	645	6,596	1,226	7,822
Reportable segment revenue	–	3,053	2,898	645	6,596	1,226	7,822
Reportable segment (loss)/profit before taxation	(12,709)	(1,071)	1,991	940	(10,849)	9	(10,840)
Interest income	2	–	–	–	2	–	2
Impairment loss of property, plant and equipment	–	–	–	–	–	–	–
Change in fair value of biological assets less costs to sell	(16,197)	–	–	–	(16,197)	–	(16,197)
Depreciation	(21)	(276)	–	(13)	(310)	(192)	(502)
Reversal of write down of inventories, net	–	58	–	–	58	–	58
Interest expense	(642)	–	–	(598)	(1,240)	(25)	(1,265)
Reportable segment assets	107,835	25,331	96,783	24,905	254,854	3,373	258,227
Additions to non-current segment assets	–	–	94	–	94	4	98
Reportable segment liabilities	(35,793)	(11,688)	(106)	(23,654)	(71,241)	(2,009)	(73,250)

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

(i) Revenue

	2016 **_HK$'000_**	2015 *HK$'000*
Reportable segment revenue (continuing operations)	**11,316**	6,596
Elimination of inter-segment revenue	**–**	–
Consolidated revenue (continuing operations)	**11,316**	6,596

(ii) Loss

	2016	2015
	HK$'000	*HK$'000*
Reportable segment loss before taxation (continuing operations)	**(18,914)**	(10,849)
Unallocated corporate income	**185**	364
Change in fair value of financial liabilities	**(11,587)**	(38,612)
Depreciation	**–**	(2)
Unallocated corporate expenses	**(8,300)**	(7,191)
Unallocated interest expense	**–**	(64)
Loss before taxation (continuing operations)	**(38,616)**	(56,354)

(iii) Assets

	2016	2015
	HK$'000	*HK$'000*
Segment assets for reportable segments from continuing operations	**218,979**	254,854
Segment assets for reportable segment from discontinuing operations	**3,697**	3,373
Reportable segment assets	**222,676**	258,227
Unallocated:		
– Unallocated cash and cash equivalents	**37,542**	46,254
– Other unallocated corporate assets	**861**	1,175
Total assets per consolidated statement of financial position	**261,079**	305,656

(iv) ***Liabilities***

	2016	2015
	HK$'000	*HK$'000*
Segment liabilities for reportable segments from continuing operations	**62,787**	71,241
Segment liabilities for reportable segment from discontinuing operations	**1,956**	2,009
Reportable segment liabilities	**64,743**	73,250
Unallocated:		
– Financial liabilities	**52,029**	40,595
– Provision for taxation	**–**	2,220
– Deferred tax liabilities	**29,025**	38,632
– Other unallocated corporate liabilities	**3,451**	1,400
Total liabilities per consolidated statement of financial position	**149,248**	156,097

(v) ***Other items***

	2016							
	Continuing Operations						**Discontinuing Operations**	
	Sustainable forest management	**Manufacturing and sale of timber products**	**Money lending**	**Leasing of properties**	**Unallocated**	**Sub-total**	**Travel and travel related business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation	**–**	**(253)**	**–**	**–**	**–**	**(253)**	**(168)**	**(421)**
Interest expense	**(31)**	**–**	**–**	**(533)**	**–**	**(564)**	**(25)**	**(589)**

	2015							
	Continuing Operations						Discontinuing Operations	
	Sustainable forest management	Manufacturing and sale of timber products	Money lending	Leasing of properties	Unallocated	Sub-total	Travel and travel related business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	(21)	(276)	–	(13)	(2)	(312)	(192)	(504)
Interest expense	(642)	–	–	(598)	(64)	(1,304)	(25)	(1,329)

(c) Revenue from major products and services:

	Continuing Operations		Discontinuing Operations		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Manufacturing and sales of timber products	**2,134**	3,053	**–**	–	**2,134**	3,053
Interest income from money lending business	**8,492**	2,898	**–**	–	**8,492**	2,898
Travel and travel related business	**–**	–	**1,080**	1,226	**1,080**	1,226
Leasing of properties	**690**	645	**–**	–	**690**	645
	11,316	6,596	**1,080**	1,226	**12,396**	7,822

Geographical information

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

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
South America	**–**	–	**85,508**	106,108
Asia Pacific (other than Hong Kong)	**2,134**	3,053	**1,042**	1,357
Hong Kong (place of domicile)	**9,182**	3,543	**24,824**	25,309
	11,316	6,596	**111,374**	132,774
Discontinuing operations				
Hong Kong (place of domicile)	**1,080**	1,226	**2,934**	2,667
	12,396	7,822	**114,308**	135,441

Information about major customer

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

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Customer A – revenue from money lending	**4,778**	1,553
Customer B – revenue from manufacturing and sales of timber	**–**	933
Customer C – revenue from manufacturing and sales of timber	**2,114**	–
Customer D – revenue from money lending	**1,667**	–
Customer E – revenue from money lending	**1,447**	–

5. REVENUE

Revenue represents the net invoiced value of goods sold, (after allowances for returns and trade discounts) and revenue from manufacturing and sales of timber products; lease of premises to generate rental income; and interest income from financial assets.

An analysis of revenue is as follows:

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Manufacturing and sales of timber products	**2,134**	3,053
Interest income from money lending business	**8,492**	2,898
Leasing of properties	**690**	645
	11,316	6,596

6. OTHER INCOME AND OTHER NET LOSS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Other income		
Waiver of loan interest	**–**	4,046
Net gain on disposal of a wholly-owned subsidiary	**–**	4,234
Reversal of write down of inventories, net	**–**	58
Others	**79**	92
	79	8,430
Other net loss		
Net exchange loss	**(11)**	(110)
Change in fair value of financial liabilities	**(11,587)**	(38,612)
	(11,598)	(38,722)

7. IMPAIRMENT OF ASSETS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Impairment of property, plant and equipment	**9,700**	–
Impairment on other receivables *(Note i)*	**15,871**	–
	25,571	–

Notes:

(i) Impairment on other receivables for the year ended 31 March 2016 represented the unsecured amounts due from independent third parties, which were past due and had been long outstanding. Based on the latest available information available to management, the independent third party debtors had financial difficulties for the year ended 31 March 2016. Accordingly, impairment were recognised during the year.

8. LOSS BEFORE TAXATION

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

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
(a) Net finance costs		
Interest income from bank deposits	**(203)**	(366)
Total interest income on financial assets not at fair value through profit or loss	**(203)**	(366)
Finance costs		
Interest on loans and other borrowings	**564**	1,240
Interest on promissory notes	**–**	64
Total interest expenses on financial liabilities not at fair value through profit or loss	**564**	1,304
	361	938

		2016	2015
		HK$'000	*HK$'000*
(b)	**Staff costs (including directors' remuneration)**		
	Salaries, wages and other benefits	**5,385**	4,834
	Contributions to defined contribution retirement plans	**237**	212
		5,622	5,046
(c)	**Other items**		
	Cost of inventories	**1,817**	2,860
	Depreciation	**253**	312
	Minimum lease payments under operating leases for land and buildings (including directors' quarters)	**543**	592
	Auditor's remuneration		
	– audit services	**910**	1,143
	– other services	**50**	462
		960	1,605
	Gross rental income from investment properties less direct outgoings of approximately HK$105,700 (2015: HK$111,000)	**585**	534

9. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

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

	2016	2015
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax		
– Current year	**–**	53
Current tax		
– PRC Enterprise Income Tax		
– Current year	**–**	–
Deferred tax		
– Origination and reversal of temporary differences	**(5,545)**	**–**
Tax (credit)/charge	**(5,545)**	53

i) Hong Kong Profits Tax has been provided at the rate of 16.5% of the estimated assessable profits arising in Hong Kong for the years ended 31 March 2016 and 2015.

ii) Brazil income tax rate is 34% (2015: 34%) of the estimated assessable profits arising in Brazil. No Brazil income tax has been provided for in the financial statements as the Brazil's subsidiary has no assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2015: 25%).

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

10. DIVIDENDS

The directors of the Company do not propose the payment of any dividend for the year ended 31 March 2016 (2015: HK$Nil).

11. LOSS PER SHARE

(a) For continuing and discontinuing operations

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

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of the calculation of basic and diluted loss per share	**(33,077)**	(56,508)

Diluted loss per share equals to the basic loss per share for the years ended 31 March 2016 and 2015 because the outstanding convertible preferred shares, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

(b) For continuing operations

The calculation of basic and diluted loss per share from continuing operations is based on the loss attributable to the owners of the Company as follow and the reconciliation of the weighted average number of shares as shown in Note (d):

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of the calculation of basic and diluted loss per share	**(33,079)**	(56,411)

Diluted loss per share equals to the basic loss per share for the years 31 March 2016 and 2015 because the outstanding convertible preferred shares, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

(c) For discontinuing operations

Basic earning/(loss) per share

Basic earning per share for the discontinuing operations is HK$0.00002 cent (2015: loss per share of HK$0.001 cent) per share which is based on the profit from the discountinung operations of HK$2,000 (2015: loss of HK$102,000) and the denominators used as shown in Note (d).

Diluted earning/(loss) per share equals to the basic loss per share for the years 31 March 2016 and 2015 because the outstanding convertible preferred shares, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

(d) Weighted average number of shares

	2016	2015
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**8,909,619**	7,595,743

12. INVENTORIES

	Notes	**2016** **HK$'000**	2015 *HK$'000*
Sawn timber	*(a)*	**–**	489
Finished goods	*(b)*	**73**	317
		73	806

Notes:

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

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

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

	2016 **HK$'000**	2015 *HK$'000*
Write down of inventories *(Note (i))*	**–**	1,047
Reversal of write down of inventories *(Note (ii))*	**–**	(1,105)
	–	(58)
Carrying amount of inventories sold	**1,820**	2,860

(i) During the year ended 31 March 2016, obsolete and slow-moving inventories approximately HK$nil (2015: HK$1,047,000) were identified and written down to their net realisable value.

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

13. LOAN RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Loans to customers	**82,000**	92,800
Accrued interest receivables	**338**	812
	82,338	93,612
Less: impairment loss recognised	**–**	–
	82,338	93,612

All loans are denominated in Hong Kong Dollars. The loan receivables carry effective interests ranging approximately from 6.5% to 10.5% per annum (2015: 6.65% to 11%). A maturity profile of the loans receivables (net of impairment loss recognised, if any) at 31 March 2016 and 2015, based on the maturity date is as follow:

	2016	2015
	HK$'000	*HK$'000*
Current assets		
Within one year	**82,338**	93,612
Non-current assets		
Over one year but within two year	**–**	–
	82,338	93,612

At 31 March 2016 and 31 March 2015, the loans together with the accrued interest are secured by personal/corporate guarantees, and/or the pledge of customers' properties and/or their specific investments and loans.

At 31 March 2016, the directors of the Company considered that the estimated fair value of the collaterals and guarantees exceeded the carrying amounts of the respective loans and the accrued interest receivables and no impairment on the loan receivables and accrued interest receivables were considered necessary.

(a) Loan receivables that are not impaired

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

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**82,338**	83,375
Past due but not impaired		
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	10,237
Over 3 months past due	**–**	–
	–	10,237
	82,338	93,612

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. At 31 March 2015, loan receivables of HK$10,237,000 that were past due but not impaired relate to an independent customer with the pledge of customer's property. At both reporting period ends, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**448**	3,001
Other receivables	**3,011**	21,828
Prepayments and deposits	**880**	827
	4,339	25,656

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

(a) Trade receivables

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

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**–**	11
31 to 60 days	**–**	27
61 to 90 days	**–**	10
Over 90 days	**448**	2,953
	448	3,001

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

(b) Impairment of trade receivables

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

(c) Trade receivables that are not impaired

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

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**–**	11
Past due but not impaired		
Less than 1 month past due	**–**	27
1 to 3 months past due	**–**	10
Over 3 months past due	**448**	2,953
	448	2,990
	448	3,001

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

15. TRADE AND OTHER PAYABLES

	Notes	2016 HK$'000	2015 HK$'000
Trade payables	*(a)*	**24,003**	31,342
Other payables and accruals		**16,746**	18,238
Financial liabilities measured at amortised costs		**40,749**	49,580

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

(a) Trade payables

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

	2016 HK$'000	2015 HK$'000
0 to 30 days	**–**	290
31 to 60 days	**–**	8
61 to 90 days	**–**	–
Over 90 days *(Note (i))*	**24,003**	31,044
	24,003	31,342

Note:

(i) Trade payables also included approximately R$10 million (equivalent to approximately HK$22 million at 31 March 2016 and approximately HK$25 million at 31 March 2015). This sum represented service fees payable to a subcontractor for a tree felling service project in Rondonia, Brazil. UTRB had disputes with the subcontractor and it abandoned the site. No further work was subcontracted to them after the year ended 31 March 2011 as UTRB was not assigned any area for clearing by the hydropower plant of this project in the financial years ended 31 March 2015 and 2016, and no amount was paid by UTRB either. UTRB is not aware of any claims or lawsuits filed by the subcontractor at the relevant courts.

16. CONTINGENT LIABILITIES

Partnership harvesting agreement

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

17. LITIGATIONS

Service agreement

On 30 May 2010, UTRB entered into a service agreement ("Service Agreement") with F Um Terraplanagem ("Terraplanagem"). Under the Service Agreement, Terraplanagem would carry out earthwork service in the hydropower plant in Rondonia, Brazil for a service fee of R$892,500 (or approximately HK$2,132,000). After signing the agreement, Terraplanagem did not provide any earthwork service and UTRB had to hire another company to complete the earthworks. However, in the land search of the freehold lands of UTRB, it revealed that Terraplanagem submitted a claim to a court against UTRB to pay for alleged outstanding service fee of approximately R$1,291,000 (or approximately HK$3,084,000) and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold lands with carrying value of approximately R$10,019,000 (or approximately HK$21,428,000). Such injunction was awarded by the court during the year ended 31 March 2015. The first witness hearing was held in May 2016. Up to the date of this report, the second hearing has not yet been scheduled by the court. UTRB will investigate the issue and defend itself vigorously in coming legal proceeding. To the best understanding of the Company, the claim was at a preliminary stage. The Company will inform its shareholders in due course. The claim of approximately R$1,291,000 (or approximately HK$2,761,000) has been included in other payables.

Labour claim

During the financial year ended 31 March 2014, the Company revealed that a labour claim against UTRB for US$600,000 was filed by Leandro Dos Martires Guerra ("Leandro"), a former director of the Company. Without receiving any writ from the court by UTRB, the court made an order to UTRB for paying Leandro the claim of US$600,000 in August 2013. In April 2014, UTRB filed a legal appeal to the Northern Region Labour High Court after consulting legal counsels. During the year ended 31 March 2015, the Northern Region Labour High Court had given a favorable ruling on UTRB's appeal, determining the annulment of Leandro's claim due to irregularities in the writ of summons served to UTRB. As a result, the case has returned to its original court so the claimant could properly serve the writ of summons to UTRB. In March, 2015, UTRB has presented its defense and a witness hearing was held in October 2015, and on 17 November 2015, the Original Labour Court had ruled the case in favour of UTRB by way of dismissing Leandro's entire claim. The court has awarded, however, Leandro in approximately R$60,000 (approximately HK$128,000) regarding an undue reduction made in Leandro's termination fees. In or about late November, Leandro had petitioned to the court raising questions about certain topics in the said decision and requesting the court to clarify such points. Up to the date of this announcement, the Company has not received any response from the court in relation to the raised questions. The Company will inform its shareholders in due course. The claim of US$600,000 (or approximately HK$4,652,000 or approximately R$2,175,000) has been included in other payables.

18. EVENT AFTER THE REPORTING PERIOD

The Group entered into a conditional sale and purchase agreement on 23 March 2016 to dispose its entire 95% equity interest in Travel Inn Limited to an independent third party at a cash consideration of HK$1,800,000. The disposal was completed on 28 April 2016.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

Basis of disclaimer of opinion

i) Scope limitation – fair value of biological assets, change in fair value of biological assets

Our audit opinion dated 29 June 2015 on the Group's financial statements for the last year ended 31 March 2015 was disclaimed because we were unable to obtain sufficient information to verify the reasonableness of the assumptions and the feasibility of the business plan based on which the valuations for the biological assets and goodwill at 31 March 2015 were performed. Accordingly, the carrying amount of biological assets of HK$Nil, goodwill of HK$Nil and interest in subsidiaries of HK$118,592,000 in the company level statement of financial position as at 31 March 2015, and the change in fair value of biological assets of HK$16,197,000, recognized in the profit or loss for the year ended 31 March 2015, and impairment of amount due from subsidiaries of HK$41,644,000 recognized in the company level profit or loss for the year ended 31 March 2015 were qualified in the 2015 audit opinion. Any adjustments that might have been found to be necessary in respect of these matters would have material consequential effects on the net assets of the Group and the Company brought forward from 31 March 2015 and the Group's loss for the current year ended 31 March 2016 and the related disclosures in the consolidated financial statements.

As set out in notes 21 and 22 to the consolidated financial statements, the directors of the Company engaged an independent valuer to perform the valuation of fair value of the biological assets and valuation of the fair value of the business value for sustainable forest management as a cash generating unit.

We were unable to obtain sufficient evidence to satisfy ourselves as to whether the assumptions adopted by the valuer in these valuations were appropriate. Whether the cash generating unit ("CGU") of the sustainable forest management is able to generate future economic benefits to the Group is dependent on the feasibility of the future business plan provided by the Company. We were unable to obtain sufficient information to verify the reasonableness of the assumptions and the feasibility of the business plan based on which the valuations were performed, and accordingly, we were unable to satisfy ourselves as to whether the fair value of the biological assets of approximately HK$Nil, the carrying amount of goodwill HK$Nil and interest in subsidiaries of approximately HK$122,308,000 as at 31 March 2016, and whether the impairment of amount due from subsidiaries of approximately HK$6,024,000 recognized in the company level profit or loss for the year ended 31 March 2016 were free from material misstatement.

Furthermore, due to the out break of Zika virus in Brazil and heavy rains in the region where the Group's biological assets are located, as referred to note 21 to the consolidated financial statements, no physical count was performed for the biological assets as at year ended 31 March 2016. There were no other alternative audit procedures that we could adopt to obtain sufficient appropriate audit evidence regarding the existence, quantities and conditions of the biological assets as at 31 March 2016.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net assets of the Group and the Company as at 31 March 2016, and the Group's loss and cash flows for the year then ended and the related disclosures in the consolidated financial statements.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of the above matters on comparability of the current year's figures and the corresponding figures.

ii) Scope limitation – recoverability of the freehold land and interest in subsidiaries

Included in the property, plant and equipment of approximately HK$86,578,000 in the consolidated statements of financial position as at 31 March 2016 were three parcels of freehold land of approximately HK$85,508,000, which are held by a subsidiary and located in Amazon regions of Brazil. As set out in note 18 to the consolidated financial statements, the directors of the Company engaged an independent valuer to perform the valuation of the freehold land for assessing the recoverability of the freehold land, on which the Group's biological assets are located, and the interest in subsidiaries of HK$122,308,000 as at 31 March 2016.

The valuation method used was the direct comparison method, based on which, the fair value of the freehold land at 31 March 2016 was estimated to be approximately HK$85,508,000 (equivalent to R$39,985,000). However, there were no comparable transactions of freehold land in the similar locations in Brazil, where the Group's three parcels of freehold land are situated, after June 2014 and the downturn of the Brazil's economy and the subsequent significant decline in the selling price of timber might have affected the fair value of the freehold land. The valuer has exercised significant subjective judgement in deriving the estimated fair value of the freehold land as at 31 March 2016. We were unable to obtain sufficient information to verify the basis of assumptions adopted for the valuation of the freehold land at 31 March 2016 and accordingly, we were unable to satisfy ourselves as to whether the carrying amount of the freehold land of approximately HK$85,508,000, deferred tax liabilities of approximately HK$29,025,000 arising from the freehold land, and the interest in subsidiaries of HK$122,308,000 as at 31 March 2016 and the impairment amount of HK$9,700,000 freehold land and reversal of deferred tax liabilities of approximately HK$5,545,000 recognised in the profit or loss for the year ended 31 March 2016 were free from material misstatement.

Our audit opinion dated 29 June 2015 on the Group's financial statements for the last year ended 31 March 2015 was also qualified on the same scope limitation. Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net assets of the Group and the Company as at 31 March 2016 and 2015, and the Group's loss for the two years then ended 2016 and 2015 and the related disclosures in the consolidated financial statements.

iii) Scope limitation – trade and other payables

Included in the trade and other payables of approximately HK$24,003,000 in the consolidated statement of financial position as at 31 March 2016 was trade payable of approximately HK$22,410,000 (equivalent to R$10,478,000) which was subject to an interest for overdue payment at the rate of 1% per month. During the audit of the consolidated financial statements for the year ended 31 March 2011, the related trade creditor confirmed that no interest was billed to the Group. Therefore, the Group has not accrued interest for overdue payment. However, due to the non-reply to our confirmation request, absence of new information of the trade creditor, and no other sufficient appropriate documentary evidence to prove that no interest shall be required to be accrued on the overdue trade payable, there were no other alternative audit procedures that we could adopt to obtain sufficient appropriate audit evidence to verify the existence, completeness and accuracy of the trade payable as at 31 March 2016. Accordingly, we were unable to satisfy ourselves as to whether these amounts were fairly stated in the financial statements as at 31 March 2016.

Our audit opinion dated 29 June 2015 on the Group's financial statements for the last year ended 31 March 2015 was also qualified on the same scope limitation. Any adjustments that might have been found to be necessary in respect of the above would have material consequential effects on the net assets of the Group at 31 March 2016 and 2015 and the Group's loss and cash flows for the two years then ended 31 March 2016 and 2015, and the related disclosures in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group's revenue increased from HK$6.6 million to HK$11.3 million for the year ended 31 March 2016. The total revenue consisted mainly of sales of forestry and timber products and interest income form money lending business. The Group's net loss after tax decreased from HK$56.5 million to HK$33 million for the year ended 31 March 2016. The net loss for the current year was mainly due to the increase in financial liabilities, the impairment loss of the freehold land of the Group and the impairment loss of an other receivable amounted to HK$11.6 million, HK$9.7 million and HK$15.9 million, respectively.

BUSINESS REVIEW

China

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

Brazil

Business environment continued to be difficult for the Group in Brazil. On 27 March 2012, the board decided to suspend harvesting operations in Acre, Brazil for one year and until the operating environment for its Brazilian subsidiary improves. For the financial year ended 31 March 2016, Acre's operations remained suspended. On 5 June 2014, the board of directors changed the operation model in Acre from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group. In mid-March 2016, the Group, through its wholly owned subsidiary, UTRB, entered into a harvesting agreement with LaminadosTriunfoLtda ("LT"). LT is the largest harvesting company established in Acre State and it owns processing timber, plywood and sawmill facilities. Pursuant to the terms of the agreement, LT acquired the rights of harvesting 3,000 ha during the 2016 harvesting season. The agreement will generate BRL 1 million in revenue for UTRB, which will be payable in a 9 months installment.

Subsequent to the balance sheet date, in late April 2016, UTRB entered into another harvesting Agreement with Amazon Woods ("AW"), AW is a reputable company and a regional player in Acre State. The agreement with AW was entered in late April. Pursuant to the terms of the agreement, LT acquired the rights of harvesting the remaining 1,000 ha during the 2016 harvesting season. The agreement will generate BRL 380,000 in revenue for UTRB, which will be payable in a 9 months installment. Under this agreement, AW will also acquire the existing log stock. The Group will continue to actively identify potential leases relating to the forest in Brazil.

Hong Kong

In view of the poor operating environment of the travel and travel related business, the directors do not envisage the business will contribute meaningfully to the Group in the future, and therefore, the Group entered into a conditional sale and purchase agreement on 23 March 2016 to dispose its entire 95% equity interest in Travel Inn Limited to an independent third party at a cash consideration of HK$1,800,000. The disposal was completed on 28 April 2016. The directors consider that the disposal would allow the Group to divest part of its investment portfolio so as to apply the proceeds for the purpose of exploring other business opportunities. The Group will review its business portfolio and investment strategy from time to time and take appropriate action to enhance the financial performance and position of the Group.

OUTLOOK

Uncertain market conditions and poor demand for timber products continued to affect the Group's near term outlook. The Group will continue to identify new business opportunities with the view to diversifying its business portfolio and improving Shareholders' value. The Company will give priority to consider any new investment opportunity(ies) that can provide the Group with a stable revenue stream as and when suitable opportunities arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had cash and cash equivalents that amounted to HK$59.3 million (2015: HK$50.1 million).

The Group's gearing ratio expressed as a percentage of total interest bearing borrowings (including all interest bearing borrowings from shareholders, non-controlling shareholder and related companies), over equity attributable to the owners of the Company, increased from 16.8% as at 31 March 2015 to 20.9% as at 31 March 2016.

As at 31 March 2016, the Group had HK$23.3 million (2015: HK$24.2 million) in interest bearing borrowings from independent third parties of which HK$16.0 million (2015: HK$5.3 million) were repayable within one year and the remaining HK$7.3 million (2015: HK$18.9 million) were repayable after one year. As at 31 March 2016, the interest bearing borrowings of HK$23.3 million (2015: HK$24.2 million) from the independent third parties consisted of HK$11.6 million (2015: HK$12.8 million) in bank loans and HK$11.7 million (2015: HK$11.4 million) in other borrowings. As at 31 March 2016, the Group's had net current assets of HK$88.8 million (2015: HK$112.3 million). In addition, borrowings from a non-controlling shareholder amounted to HK$Nil and HK$0.8 million as at 31 March 2016 and 2015, respectively.

FUND RAISING EXERCISES

(a) As further detailed in the announcement of the Company dated 27 February 2014 and the prospectus of the Company dated 16 April 2014, the Company proposed an open offer (the "February Open Offer") to raise i) not less than approximately HK$44.5 million and not more than approximately HK$53.0 million before expenses by the issue of not less than 139,173,247 and not more than 165,665,906 new ordinary shares of the Company ("February Offer Shares") at a subscription price of HK$0.32 per February Offer Share to qualifying shareholders on the basis of one February Offer Share for every ten existing ordinary shares held on 14 April 2014 with bonus issue of five bonus shares for every February Offer Share; and ii) not more than approximately HK$1.7 million by the issue of not more than 172,420,129 new convertible preferred shares of the Company ("February Offer CPS Shares") at a subscription price of HK$0.01 per February Offer CPS Share to qualifying holders of convertible preferred shares on the basis of five bonus convertible preferred shares for every existing February Offer CPS Share subscribed. The Directors consider that the February Open Offer will strengthen the Company's capital base and enhance its financial position and believes that the February Open Offer will provide the qualifying shareholders with an opportunity to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Company. The closing price of the share of the Company was HK$0.150 on 27 February 2014. The net proceeds were intended to be used as to i) approximately HK$16.5 million for the repayment of the indebtedness of the Group; ii) approximately HK$16.5 million for future investments opportunities; and iii) approximately HK$9.6 million for the general working capital of the Group.

As further detailed in the announcement of the Company dated 12 May 2014, the February Open Offer became unconditional and 139,179,601 February Offer Shares with 695,898,005 bonus shares, 150,867,613 February Offer CPS Shares with 754,338,065 bonus convertible preferred shares were issued on 13 May 2014. Up to 31 March 2015, among the net proceeds of approximately HK$42.6 million (representing a net price of approximately HK$0.296 per February Offer Share and approximately HK$0.0093 per February Offer CPS Share), i) approximately HK$16.5 million had been utilised for repayment of the indebtedness of the Group; ii) approximately HK$16.5 million had been utilised for investment in new business; and iii) approximately HK$9.6 million had been utilised for general working capital of the Group.

(b) As further detailed in the announcement of the Company dated 9 October 2014 and the prospectus of the Company dated 28 November 2014, the Company proposed an open offer (the "December Open Offer") to raise i) not less than approximately HK$118.8 million and not more than HK$123.7 million before expenses by the issue of not less than 371,147,618 and not more than 386,428,602 new ordinary shares of the Company ("December Offer Shares") at a subscription price of HK$0.32 per December Offer Share to qualifying shareholders on the basis of one December Offer Share for every six existing ordinary shares held on 26 November 2014 with bonus issue of seventeen bonus shares for every December Offer Share; and ii) not more than approximately HK$4.0 million by the issue of not more than 402,313,634 new convertible preferred shares of the Company ("December Offer CPS Shares") at a subscription price of HK$0.01 per December Offer CPS Share to qualifying holders of convertible preferred shares on the basis of one December Offer CPS Share for every six existing convertible preferred shares held on 26 November 2014 with bonus issue of convertible preferred shares on the basis of seventeen bonus convertible preferred shares for every existing December Offer CPS Share subscribed. The Directors consider that the December Open Offer will provide the qualifying shareholders with an opportunity to maintain their respective pro rate shareholdings in the Company and to participate in the future growth and development of the Company. The closing price of the share of the Company was HK$0.133 on 9 October 2014. The net proceeds were intended to be used as to i) approximately HK$80.0 million for the expansion of money lending business in Hong Kong; ii) approximately HK$20.0 million for investment(s) in and/or working capital for new business, including but not limited to, catering business in Hong Kong as and when suitable opportunities arise; and iii) approximately HK$17.9 million for general working capital of the Group.

As further detailed in the announcement of the Company dated 18 December 2014, the December Open Offer became unconditional and 371,150,205 December Offer Shares with 6,309,553,485 bonus shares, 402,313,634 December Offer CPS Shares with 6,839,331,778 bonus convertible preferred shares were issued on 19 December 2014. Up to 31 March 2015, among the net proceeds of approximately HK$117.9 million (representing a net price of approximately HK$0.30716 per December Offer Share and approximately HK$0.0097 per December Offer CPS Share), (i) HK$80.0 million had been utilised for expansion of money lending business in Hong Kong; (ii) approximately HK$1.5 million had been utilised for general working capital of the Group; and (iii) the rest of the net proceeds of approximately HK$36.4 million had been placed in the bank deposits and are intended to be utilised as expansion of money lending business, investment in new business and the general working capital of the Group.

CHARGE ON ASSETS

As at 31 March 2016, property, plant and equipment of HK$Nil (2015: HK$3.0 million) and investment properties of HK$24.7 million (2015: HK$24.8 million) of the Group were pledged to secure bank mortgages. As at 31 March 2016, certain area of the freehold lands with carrying value of HK$21.4 million (2015: HK$23.9 million) was filed with a precautionary injunction by a claimant.

CONTINGENT LIABILITIES AND LITIGATIONS

The Group's contingent liabilities and litigations at 31 March 2016 are disclosed in Notes 16 and 17 to this announcement.

FOREIGN EXCHANGE RISK

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

During the year ended 31 March 2016, revenue from operations was denominated mainly in Renminbi while its costs and expenses were primarily in Renminbi, Hong Kong dollars and Brazilian Reais where the Group's operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged.

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

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2016, the Group had approximately 15 employees (2015: 15) mainly in Hong Kong, China and Brazil. The total remuneration paid by the Group to its employees (including directors) for the year was approximately HK$5.6 million (2015: HK$5.0 million).

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

FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 March 2016 (2015: HK$Nil per ordinary share and HK$Nil per convertible preferred share).

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2016, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code ("the CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviations mentioned below:

Code Provision A.2.1

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

On 6 April 2011, Mr. LEUNG Chau Ping, Paul was re-designated from the position as an executive director of the Company to a non-executive director and resigned as the CE. Since then and to up the date of this report, the position of the CE has not been appointed. During the current financial year and up to 17 November 2015, Ms. ZHOU Jing acted as the Chairman. After the resignation of Ms. ZHOU Jing on 17 November 2015, the Chairman was acted by Mr. YEUNG Sau Chung. During the current financial year when no CE was appointed, the functions of the CE have been performed by the Executive Directors with the assistance of the management of the Company. The Board considers that such structure does not impair the balance of power and authority between the Board and the management of the Company. The Board will however regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings. However, Mr. WU Wang Li was unable to attend the annual general meeting held on 1 September 2015 in Hong Kong as he had another business engagement.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 March 2016.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2016.

CONFIRMATION OF INDEPENDENCIES

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all of them to be independent.

AUDIT COMMITTEE

As at 31 March 2016 and the date of this report, the Audit Committee comprised three members, namely Mr. William Keith JACOBSEN (chairman of the Audit Committee), Mr. WU Wang Li and Mr. NG Wai Hung and all of them are independent non-executive directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, reviewed the annual results for the year ended 31 March 2016 and discussed the internal controls together with the management.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited ("Crowe Horwath"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath on the announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.susfor.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report for 2015/16 will be published on the above websites and despatched to the Shareholders on or before 31 July 2016.

By Order of the Board
Sustainable Forest Holdings Limited
Yeung Sau Chung
Chairman

Hong Kong, 30 June 2016

As at the date of this announcement, the Board comprises Mr. Yeung Sau Chung, Mr. Mung Wai Ming and Mr. Liu Shun Chuen as executive Directors; and Mr. William Keith Jacobsen, Mr. Wu Wang Li and Mr. Ng Wai Hung as independent non-executive Directors.