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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)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**FINANCIAL HIGHLIGHTS**

- Revenue of China Agroforestry Low-Carbon Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter referred to as the “**Group**”) for the six months ended 30 June 2016, which is contributed from the biomass fuel business and money lending business of the Group, amounted to approximately Renminbi (“**RMB**”) 3.69 million (For the six months ended 30 June 2015: RMB2.03 million).
- Loss attributable to the owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB28.5 million (Loss attributable to the owners of the Company for the six months ended 30 June 2015: approximately RMB22.6 million).
- Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB29.3 million (Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2015: approximately RMB22.4 million).
- Basic loss per share for the six months ended 30 June 2016 amounted to approximately RMB0.87 cents (Basic loss per share for the six months ended 30 June 2015: RMB0.85 cents).
- The board (the “**Board**”) of directors (the “**Directors**”) of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (For the six months ended 30 June 2015: nil).

## FINANCIAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Agroforestry Low-Carbon Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016, which has been reviewed by the Company’s audit committee (the “**Audit Committee**”), together with the comparative figures, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2016*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	<b>3,690</b>	2,030
Cost of sales		<b>(2,438)</b>	(4,197)
Gross profit (loss)		<b>1,252</b>	(2,167)
Investment and other income		<b>574</b>	60
Other gains and losses	6	<b>(11,292)</b>	(1,197)
Selling and distribution costs		<b>(252)</b>	(221)
Administrative expenses		<b>(12,278)</b>	(12,618)
Finance costs	7	<b>(7,505)</b>	(7,220)
Loss before tax	8	<b>(29,501)</b>	(23,363)
Income tax expense	9	<b>–</b>	–
Loss for the period		<b>(29,501)</b>	(23,363)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		<b>(847)</b>	148
Total comprehensive expense for the period		<b>(30,348)</b>	(23,215)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2016*

		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the period attributable to:			
Owners of the Company		<b>(28,480)</b>	(22,578)
Non-controlling interests		<b>(1,021)</b>	(785)
		<u><b>(29,501)</b></u>	<u>(23,363)</u>
Total comprehensive expense attributable to:			
Owners of the Company		<b>(29,327)</b>	(22,430)
Non-controlling interests		<b>(1,021)</b>	(785)
		<u><b>(30,348)</b></u>	<u>(23,215)</u>
		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
		<b>(unaudited)</b>	<b>(unaudited)</b>
Loss per share:	<i>11</i>		
Basic		<u><b>RMB0.87 cents</b></u>	<u>RMB0.85 cents</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2016*

		30 June 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		14,383	15,235
Prepaid lease payments		8,997	9,117
Plantation forest assets		297,433	220,977
Deposit paid for acquisition of subsidiaries		5,341	–
Loans receivable		35,118	35,224
		361,272	280,553
Current assets			
Inventories		807	1,529
Trade and other receivables	12	2,373	8,463
Loans receivable		26,484	3,426
Deposits and prepayments	13	6,389	5,198
Prepaid lease payments		237	237
Derivative financial assets		2,307	–
Bank balances and cash		48,829	40,884
		87,426	59,737
Current liabilities			
Trade and other payables	14	10,492	9,058
Current tax payable		134	134
Corporate bonds payable		8,972	8,502
Convertible bonds payable		15,914	–
		35,512	17,694
Net current assets		51,914	42,043
Total assets less current liabilities		413,186	322,596

		<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Non-current liabilities			
Promissory notes payable		<b>21,050</b>	20,075
Corporate bonds payable		<b>113,978</b>	104,002
Convertible bonds payable		<b>3,614</b>	–
		<u><b>138,642</b></u>	<u>124,077</u>
Net assets		<u><b>274,544</b></u>	<u>198,519</u>
Capital and reserves			
Share capital	<i>15</i>	<b>5,800</b>	5,115
Reserves		<b>263,134</b>	186,773
		<u><b>268,934</b></u>	<u>191,888</u>
Total equity attributable to owners of the Company		<b>268,934</b>	191,888
Non-controlling interests		<b>5,610</b>	6,631
		<u><b>274,544</b></u>	<u>198,519</u>
Total equity		<u><b>274,544</b></u>	<u>198,519</u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2016*

## 1. GENERAL INFORMATION

China Agroforestry Low-Carbon Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in forestry business, production and sale of biomass fuel products and investment holding.

The Company’s functional currency is Hong Kong dollar (“**HK\$**”) while that for the major subsidiaries in the People’s Republic of China (“**PRC**”) is Renminbi (“**RMB**”). As the operations of the Group are mainly undertaken in the PRC, the directors of the Company consider that it is appropriate to present the condensed consolidated interim financial information in RMB.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for the plantation forest assets and certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA:

HKFRS 14	Regulatory deferral accounts
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements

The application of the above new or revised HKFRSs in the current interim period has no material effect on the amounts reported in and/or on the disclosures set out in the condensed consolidated interim financial information.

#### 4. REVENUE

Revenue represents the aggregate of the amounts received and receivable for goods sold in the normal course of business, net of returns and discounts, and interest income from money lending business, analysed as below:

	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)
Sales of goods	1,761	5,398
Sale returns and discounts	—	(3,368)
Sales after returns and discounts	1,761	2,030
Interest income from money lending business	1,929	—
	<u>3,690</u>	<u>2,030</u>

#### 5. SEGMENT INFORMATION

Information reported to the chairman of the board (being the chief executive decision maker) for the purposes of resources allocation and assessment of segment performance focuses on the type of goods and services delivered. No operating segments identified by the chief operating decision maker has 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:

- (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.

Information regarding the above segments for the six months ended 30 June 2016 and 2015 is presented below.

## Segment revenues and results

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

*Six months ended 30 June 2016*

	<b>Forestry Business RMB'000 (unaudited)</b>	<b>Biomass Fuel Business RMB'000 (unaudited)</b>	<b>Money Lending Business RMB'000 (unaudited)</b>	<b>Total RMB'000 (unaudited)</b>
Revenue	–	1,761	1,929	3,690
Segment (loss) profit	<u>(11,055)</u>	<u>(4,602)</u>	<u>368</u>	<u>(15,289)</u>
Bank interest income				45
Other unallocated income				529
Loss on change in fair value of derivative financial assets				(546)
Other unallocated expenses				(6,735)
Finance costs				<u>(7,505)</u>
Loss before tax				(29,501)
Income tax expense				<u>–</u>
Loss for the period				<u><u>(29,501)</u></u>

*Six months ended 30 June 2015*

	<b>Forestry Business RMB'000 (unaudited)</b>	<b>Biomass Fuel Business RMB'000 (unaudited)</b>	<b>Money Lending Business RMB'000 (unaudited)</b>	<b>Total RMB'000 (unaudited)</b>
Revenue	67	1,963	–	2,030
Segment loss	<u>(1,079)</u>	<u>(2,234)</u>	<u>–</u>	<u>(3,313)</u>
Bank interest income				6
Other unallocated income				180
Loss on early repayment of promissory notes payable				(86)
Loss on early repayment of corporate bonds				(51)
Other unallocated expenses				(12,879)
Finance costs				<u>(7,220)</u>
Loss before tax				(23,363)
Income tax expense				<u>–</u>
Loss for the period				<u><u>(23,363)</u></u>



The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Segment assets		
Forestry Business	<b>306,550</b>	230,365
Biomass Fuel Business	<b>18,164</b>	22,657
Money Lending Business	<b>61,602</b>	38,650
	<hr/>	<hr/>
Total segment assets	<b>386,316</b>	291,672
Unallocated	<b>62,382</b>	48,618
	<hr/>	<hr/>
Consolidated assets	<b>448,698</b>	340,290
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Forestry Business	<b>3,224</b>	3,016
Biomass Fuel Business	<b>3,970</b>	3,466
Money Lending Business	<b>9</b>	18
	<hr/>	<hr/>
Total segment liabilities	<b>7,203</b>	6,500
Unallocated	<b>166,951</b>	135,271
	<hr/>	<hr/>
Consolidated liabilities	<b>174,154</b>	141,771
	<hr/> <hr/>	<hr/> <hr/>

## 6. OTHER GAINS OR LOSSES

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Other gains (losses)		
Gain on disposal of property, plant and equipment	–	126
Exchange losses	<b>(479)</b>	(41)
Loss on change in fair value less costs to sell of plantation forest assets	<b>(10,267)</b>	(1,145)
Loss on change in fair value of derivative financial assets	<b>(546)</b>	–
Loss on early repayment of promissory notes	–	(86)
Loss on early repayment of corporate bonds	–	(51)
	<hr/>	<hr/>
	<b>(11,292)</b>	(1,197)
	<hr/> <hr/>	<hr/> <hr/>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
— Promissory notes payable	1,486	2,399
— Corporate bonds payable	4,855	4,683
— Convertible bonds	1,164	—
— Other borrowings	—	138
	<u>7,505</u>	<u>7,220</u>

## 8. LOSS BEFORE TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss before tax has been arrived at after charging:		
Directors' emoluments	776	443
Other staff costs	3,092	4,134
Retirement benefits scheme contributions, excluding directors	112	129
Total staff costs	<u>3,980</u>	<u>4,706</u>
Amortisation of prepaid lease payments	120	144
Cost of inventories recognised	2,438	3,729
Impairment loss on inventories	—	468
Depreciation of property, plant and equipment	1,354	1,402
Operating lease rentals in respect of rented premises	1,601	1,761

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Hong Kong Profit Tax	—	—
PRC Enterprise Income Tax	—	—
	<u>—</u>	<u>—</u>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated interim financial information as the Group had no assessable profits derived from Hong Kong for both of the periods presented.

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 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 periods presented.

## 10. DIVIDEND

No dividends were paid or declared during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

## 11. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB’000</b>	RMB’000
	<b>(unaudited)</b>	(unaudited)
<b>Loss</b>		
Loss for the purpose of basic loss per share		
Loss for the period attributable to the owners of the Company	<b>(28,480)</b>	(22,578)
Effect of dilutive potential ordinary shares:		
— Interests on convertible bonds	<b>1,164</b>	—
— Loss on change in fair value of derivative financial assets	<b>546</b>	—
— Interests on promissory notes payable	—	116
— Loss on early redemption of promissory notes	—	3
	<u>          </u>	<u>          </u>
Loss for the purpose of diluted earnings/loss per share	<u>          </u> <b>N/A</b>	<u>          </u> N/A
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>’000</b>	’000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>3,264,806</b>	2,645,315
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>61,549</b>	—
Share options	—	174,644
Warrants	—	162,559
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	<u>          </u> <b>3,326,355</b>	<u>          </u> 2,982,518

Notes:

- (a) Diluted loss per share for the six months ended 30 June 2016 and 30 June 2015 are not presented because the Group sustained a loss for the period and the impact of conversion of convertible bonds, share options and warrants, if any, is regarded anti-dilutive.
- (b) The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both of the periods presented above have been adjusted for the subdivision of the Company's shares on the basis of every one share held into five subdivided shares made during the year ended 31 December 2015.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Trade receivables	1,287	4,887
Other receivables	1,086	3,576
	<u>2,373</u>	<u>8,463</u>

The Group generally allows an average credit period of 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 the invoice date:

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
0–90 days	659	3,129
91–180 days	76	1,628
181–365 days	552	130
	<u>1,287</u>	<u>4,887</u>

## 13. DEPOSITS AND PREPAYMENTS

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Other deposits paid	1,347	1,054
Prepayments	5,042	4,144
	<u>6,389</u>	<u>5,198</u>

#### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Trade payables	1,066	983
Other payables	7,588	5,759
Accrued charges	1,838	2,316
	<u>10,492</u>	<u>9,058</u>

The average credit period on purchase of goods ranged from 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 analysis of the trade payables by age, presented based on the invoice date:

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
0–30 days	1	332
31–90 days	165	409
Over 90 days	900	242
	<u>1,066</u>	<u>983</u>

#### 15. SHARE CAPITAL

	<b>Par value HK\$</b>	<b>Number of ordinary shares '000</b>	<b>Nominal amount HK\$'000</b>
<i>Authorised:</i>			
At 1 January 2015 (audited) and 30 June 2015 (unaudited)	0.01	1,000,000	10,000
Share subdivision		4,000,000	–
		<u>5,000,000</u>	<u>10,000</u>
At 31 December 2015 (audited) and 30 June 2016 (unaudited)	<u>0.002</u>	<u>5,000,000</u>	<u>10,000</u>

	<b>Par value</b> <i>HK\$</i>	<b>Number of ordinary shares</b> <i>'000</i>	<b>Nominal amount</b> <i>HK\$'000</i>	<b>Carrying amount</b> <i>RMB'000</i>
<i>Issued and fully paid:</i>				
At 1 January 2015 (audited)	0.01	517,800	5,178	4,431
Issue of shares on placement of shares ( <i>Note (i)</i> )	0.01	34,792	348	275
Issue of shares on exercise of share options ( <i>Note (ii)</i> )	0.01	14,712	147	116
At 30 June 2015 (unaudited)	0.01	567,304	5,673	4,822
Share subdivision ( <i>Note (iii)</i> )	0.002	2,269,217	–	–
Issue of shares on subscription of shares ( <i>Note (iv)</i> )	0.002	69,763	140	112
Issue of shares on conversion of warrants ( <i>Note (v)</i> )	0.002	110,000	220	181
At 31 December 2015 and 1 January 2016 (audited)	0.002	3,016,284	6,033	5,115
Issue of shares on subscription of shares ( <i>Note (vi)</i> )	0.002	328,283	656	552
Issue of shares on exercise of share options ( <i>Note (vii)</i> )	0.002	27,500	55	47
Issue of shares on conversion of convertible bonds ( <i>Note (viii)</i> )	0.002	51,360	103	86
At 30 June 2016 (unaudited)	0.002	3,423,427	6,847	5,800

*Notes:*

- (i) On 22 April 2015, the Company entered into the 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 at HK\$53,232,000 (before expense).
- (ii) 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 at HK\$40,605,000.
- (iii) 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.
- (iv) 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.
- (v) 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, giving rise to a gross proceed of HK\$21,780,000.

- (vi) On 21 January 2016, the Company entered into an agreement with a third party for the acquisition of the entire equity interest in Exceed Target Investment Group Limited (“**Exceed Target**”) which was satisfied by the issue of 328,282,828 new ordinary shares of the Company of HK\$0.002 each. The principal asset of Exceed target, through its subsidiaries, is the plantation forest asset located at Jiange County, Sichuan Province, the PRC. Completion of the acquisition of Exceed Target took place on 26 February 2016 and 328,282,828 new ordinary shares were issued by the Company on that date.
- (vii) On 25 April 2016 and 17 June 2016, 2,500,000 new shares and 25,000,000 new shares were respectively issued by the Company upon the exercise of the share options granted at the exercise price of HK\$0.331 per share, giving rise to a total gross proceed of approximately HK\$9,103,000.
- (viii) On 25 April 2016 and 27 April 2016, portion of the convertible bonds with principal amount of HK\$1,000,000 and HK\$8,000,000 were converted into approximately 5,700,000 and 45,660,000 new shares of the Company respectively at the conversion price of HK\$0.175 per share.

## 16. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- (i) On 30 June 2016, the Company entered into an agreement with a third party for the issue of redeemable fixed coupon promissory notes by the Company up to the principal amount of HK\$100,000,000. On 16 August 2016, the Company issued a promissory note with the principal amount of HK\$50,000,000 for the consideration of HK\$47,000,000. This note, which is secured by 318,150,000 shares of the Company held by an executive director of the Company, carries interest at 10% per annum and is repayable by the Company on 15 August 2017.
- (ii) On 4 July 2016 and 22 July 2016, a subsidiary of the Company entered into agreements with certain independent third parties, pursuant to which loans totalled HK\$21,300,000 were made by the subsidiary to such parties. These loans are secured by personal guarantees given by certain individuals and carry interest at 0.8% per month with the mature periods of 2 years from the dates on which the loans were made.
- (iii) On 25 July 2016, 112,000,000 new shares were issued by the Company upon the exercise of the share options granted at the exercise price of HK\$0.331 per share, giving rise to a gross proceed of approximately HK\$37,072,000. On 29 July 2016, 136,796,145 share options granted by the Company, which entitled the holders thereof to subscribe 136,796,145 new ordinary shares of the Company at the exercise price of HK\$0.331 per share, were expired.
- (iv) On 24 August 2016, portion of the convertible bonds with principal amount of HK\$5,000,000 was converted into 15,840,000 new shares of the Company at the conversion price of HK\$0.315 per share.
- (v) On 12 July 2016, a subsidiary of the Company entered into a supplemental agreement with other shareholders of Anhui Xinyu Bio Energy (Anhui) Company Limited (“**Auhui Xinyu**”), under which the equity interest in Anhui Xinyu held by the Group was increased from 52.07% to 63.74% at no costs. Please refer to section headed “Prospect and outlook” for more information.
- (vi) On 30 August 2016, the Company has resolved to remove Mr. Zhou Xianyan as a non-executive director.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND OPERATIONAL REVIEW

As a result of the continuing adverse conditions in the garment business segment and the implementation of strategic diversification, the Company had been actively seeking diversified business opportunities since 2012. In 2013, the Company started to venture into the forestry business via acquisitions of companies engaging in the operation and management of forest lands in the PRC.

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 engagement in manufacturing and wholesaling of apparels, and focused on its business 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 30 June 2016, the long-lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu, 9,623 Chinese Mu and 21,045 Chinese Mu in Yunnan Forest, Sichuan Forest and Kunlin Forest, respectively.

As at 30 June 2016, no harvesting works has been carried out on such assets for the six months ended 30 June 2016 (For the six months ended 30 June 2015: nil). 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, nil revenue has been contributed from the Yunnan Forest to the Group for the period ended 30 June 2016. As at 30 June 2016, 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.

On 26 February 2016, the Group acquired the entire equity interests in Exceed Target Investment Group Limited (“**Exceed Target**”) and its subsidiaries (collectively referred to as the “**Exceed Target Group**”) which principally holds plantation forest assets in Funlin Forest in the PRC. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately of 641.5 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 Kunlin Forest. During the period under review, no timber logs in respect of the Kunlin Forest were harvested (six months ended 30 June 2015: nil). As at 30 June 2016, the Kunlin Forest is estimated to comprise approximately 9,623 hectares of cypress trees with approximately nil hectares of tree plantations with aged 40 years or older.



### *Biomass fuel business*

Pursuant to a capital injection agreement dated 21 October 2014 and a supplemental agreement dated 15 May 2015 and 31 July 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, subject to a profit guarantee in favour of the Group in relation to the profit of Auhui Xinyu for the periods (1) between August 2015 and December 2015; and (2) two years ending December 2017 subject to review every six months. On 12 July 2016, a subsidiary of the Company entered into a supplemental agreement with non-controlling interest of Auhui Xinyu to increase the ownership of a subsidiary, Anhui Xinyu (“**Anhui Xinyu**”), under which the equity interest in Anhui Xinyu held by the Group was increased from 52.07% to 63.74% for nil consideration.

During the period ended 30 June 2016, the Group produced approximately 1,900 tons of biomass fuel (For the six months ended 30 June 2015: 5,700 tons) which accounted for 47.7% 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 approximately RMB1.9 million (For the six months ended 30 June 2015: Nil) as interest income during the six months ended 30 June 2016.

## **FINANCIAL REVIEW**

### **Revenue**

During the period under review, the Company recorded a revenue of RMB3.69 million for the six months ended 30 June 2016 (For the six months ended 30 June 2015: RMB2.03 million). The revenue for the six months ended 30 June 2015 was arrived at after deducting the sale returns amounted to RMB3.3 million which was made in connection with the products previously supplied by the Group. The Group’s revenue for the six months ended 30 June 2016 is attributable to the revenue from the biomass fuel business and money lending business of the Group.

Interest income of approximately RMB1.9 million (six months ended 30 June 2015: Nil) from the money lending business has been recognised for the six months ended 30 June 2016.

For the six months ended 30 June 2016, no revenue was recorded for the forestry management business.

### **Cost of Sales**

The cost of sales of the Group for the six months ended 30 June 2016 is mainly attributable to labour costs and the cost of raw materials consumed in the biomass fuel business.

## Loss Arising From the Changes in Fair Value Less Costs to Sell of Plantation Forest Assets

During the six months ended 30 June 2016, the Group recognised a decrease of fair value less costs to sell of plantation forest assets of approximately RMB10.3 million, with reference to the valuation of Yunnan Forest and Sichuan Forest as at 30 June 2016 which were undertaken by Ascent Partners Valuation Service Limited (“**Ascent Partners**”), the independent qualified professional valuer appointed by the Company.

### Biological Assets

The biological assets of the Group represent the plantation forest assets situated in (a) Dali City of Yunnan Province; and (b) Jiange County of Sichuan Province.

Ascent Partners has performed valuations update on the Yunnan Forest and Sichuan Forest to assist the Group in assessing the fair value of those biological assets. No professional valuation of Kunlin Forest at 30 June 2016 was conducted as management is of the view that there has been no significant change in fair value of this Forest since its acquisition by the Group during the period.

Movements of biological assets were as follows:

	Yunnan Forest <i>RMB'000</i>	Sichuan Forest <i>RMB'000</i>	Kunlin Forest <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015 (audited)	18,276	209,132	–	227,408
Increase (decrease) in fair value less costs to sell	<u>2,771</u>	<u>(3,916)</u>	<u>–</u>	<u>(1,145)</u>
At 30 June 2015 (unaudited)	21,047	205,216	–	226,263
Harvested timber transferred to cost of inventories sold	–	(347)	–	(347)
Decrease in fair value less costs to sell	<u>(992)</u>	<u>(3,947)</u>	<u>–</u>	<u>(4,939)</u>
At 31 December 2015 and at 1 January 2016 (audited)	20,055	200,922	–	220,977
Acquisition during the period	–	–	86,723	86,723
Decrease in fair value less costs to sell	<u>(2,190)</u>	<u>(8,077)</u>	<u>–</u>	<u>(10,267)</u>
At 30 June 2016 (unaudited)	<u><u>17,865</u></u>	<u><u>192,845</u></u>	<u><u>86,723</u></u>	<u><u>297,433</u></u>

**(a) Yunnan Forest**

Yunnan Forest had a total leasehold land base of approximately 3,530 Chinese Mu (equivalent to approximately of 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 period under review, no timber logs in respect of the Yunnan Forest were harvested (For the six months ended 30 June 2015: nil). As at 30 June 2016, the Yunnan Forest was estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations with aged 40 years or older.

**(b) Sichuan Forest**

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 period under review, no timber logs in respect of the Sichuan Forest were harvested (For the six months ended 30 June 2015: nil). As at 30 June 2016, the Sichuan Forest was estimated to comprise approximately 1,389 hectares of cypress with approximately 13 hectares of tree plantations aged 40 years or older.

**(c) Kunlin Forest**

Reference is made to the announcements dated 21 January 2016 and 27 January 2016 in relation to, among other things, the acquisition of Exceed Target Group. The Acquisition Agreement have been fulfilled and the Acquisition was completed on 26 February 2016 in accordance with the terms and conditions of the Acquisition Agreement. Upon the completion of the Acquisition, the Target Company became a direct wholly-owned subsidiary of the Company.

Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 641.5 hectares). The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the period under review, no timber logs in respect of the Kunlin Forest were harvested. As at 30 June 2016, the Kunlin Forest was estimated to comprise approximately 641.5 hectares of cypress with approximately nil hectares of tree plantations aged 40 years or older.

*(d) Valuation of plantation forest assets*

The Group's plantation forest assets at 30 June 2016, Yunnan Forest and Sichuan Forest, carried at 30 June 2016 at fair value less costs to sell, which were valued by Assent Partners, an independent qualified professional valuer. In view of the non-availability of market value for tree plantations in the PRC, the net present value approach is considered the most appropriate and has been applied whereby projected future net cash flows, based on assessments of current timber log prices, were discounted at the pre-tax discount rate of 16.17% and 16.17% for the Yunnan Forest and Sichuan Forest respectively, to arrive at their fair value less costs to sell.

The principal valuation methodology and assumptions adopted are as follows:

*Applicable to both the 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 discussion with staff of the Group. 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 received by the Group.
- The discount rates used in the valuation of the plantation forest assets are determined on Capital Assets Pricing Model (CAPM) with reference to applicable risk-free rates and expected rates of return.

*Additionally applicable to the Yunnan Forest*

- Cash flow projection is determined for a forecast period of 6.5 years up to 2022 with the first year of logging activities taken to be from 2017. Management has assumed that the logging volume during the forecast period is 3,000 cubic meters in the first year, 5,000 cubic meters in the second year, 8,000 cubic meters in the third to fifth year, and 8,464 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, 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 5.97% per annum for the first year, which is in line with the long-term producer price index of forestry product, 2.98% for the second year, 1.49% for the third year, 0.75% for the fourth year, 0.37% for the fifth year, 0.19% for the sixth year and 0.9% for the last year of operation. 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 16.17%.
- The inflation rate on other operation costs is 3.16% per annum.
- The biological growth rates of pine trees and oak trees are 5.73% and 4.78% per annum respectively.
- The yielding rates for pine trees and oak trees are 55% and 52% respectively.

*Additionally applicable to the Sichuan Forest*

- Cash flow projection is determined for a forecast period of 5.5 years up to 2021 with the first year of logging activities taken to be from October 2016. Management has assumed that the logging volume during the forecast period is 30,000 cubic meters in the first year, 40,000 cubic meters in the second year, 50,000 cubic meters in the third year, 60,000 cubic meters in the fourth and fifth year and 34,271 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, 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 5.97% per annum for the first year, which is in line with the long-term producer price index of forestry product, 2.98% for the second year, 1.49% for the third year, 0.75% for the fourth year, 0.37% for the fifth and 0.19% for the last year of operation. 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 16.17%.

- The inflation rate on other operation costs is 3.16% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate for cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 30 June 2016 and 31 December 2015 have been determined on level 3 fair value measurement. There has been no change from the valuation technique used in prior periods. 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 revenue generation in the forestry segment. During the six months ended 30 June 2016, approval of the logging permit for the Yunnan Forest and Sichuan Forest were not obtained by the Group. 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 to the PRC government shortly after application.

**(e) *Pledge of plantation forest assets***

At 30 June 2016 and 31 December 2015, the equity interests of all subsidiaries under Rongxuan Forestry Investment Holding Limited and China Timbers Limited have been pledged to secure the promissory notes payable by the Company and was released in 2015.

**(f) *Other risks associated with the plantation assets***

**(i) *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 and regulations. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

**(ii) *Climate and other risks***

The State Council of the PRC manages the country's harvesting activities by imposing annuals 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 are 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.

*(iii) 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.

### **Selling and Distribution Costs**

The selling and distribution costs of the Group for the six months ended 30 June 2016 was approximately RMB0.25 million (For the six months ended 30 June 2015: approximately RMB0.22 million).

### **Administrative Expenses**

The administrative expenses of the Group increased by approximately 2.7% from approximately RMB12.6 million for the six months ended 30 June 2015 to approximately RMB12.3 million for the six months ended 30 June 2016. The increase in administrative expenses was mainly attributable to the addition of staff and administrative costs associated with the forestry and biomass fuel business.

### **Finance Costs**

During the period under review, the finance costs were related to the interests on (i) the promissory notes ("**Note B**"), bearing 3% interest per annum, in the principal amount of HK\$144 million issued on 28 May 2013 as partial settlement of the consideration for the acquisition of the entire issued share capital of China Timbers; (ii) the corporate bonds issued by the Group at interest rates ranged from 0% to 8% per annum; (iii) the convertible bonds issued by the Group during the period with the principal amount of HK\$34 million and at interest rates ranged from 5% to 8% per annum; and (iv) interest on loan from a shareholder.

The finance costs of the Group increased by approximately 4% from approximately RMB7.2 million for the six months ended 30 June 2015 to approximately RMB7.5 million for the six months ended 30 June 2016.

### **Income Tax Expense**

The income tax expense of the Group for the six months ended 30 June 2016 was nil (For the six months ended 30 June 2015: Nil).

## **Loss and Total Comprehensive Expense Attributable to Owners of the Company**

Loss for the period under review was approximately RMB29.5 million (For the six months ended 30 June 2015: RMB23.4 million).

As a result of the above changes, the Company has recorded a loss of approximately RMB29.5 million for the six months ended 30 June 2016, compared to a loss of approximately RMB23.4 million for the six months ended 30 June 2015. The total comprehensive expense attributable to owners of the Company was approximately RMB29.3 million for the six months ended 30 June 2016, when comparing to a total comprehensive expense of approximately RMB22.4 million for the six months ended 30 June 2015.

## **Basic and Diluted Loss Per Share**

Basic loss per share for the six months ended 30 June 2016 amounted to approximately RMB0.87 cents (The basic loss per share for the six months ended 30 June 2015: RMB0.85 cents).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2016, the Group employed a total of 77 employees as compared to 125 employees as at 31 December 2015, including the Directors. Total staff costs for continuing operations for the period under review, including Directors' remuneration, amounted to approximately RMB4.0 million (For the six months ended 30 June 2015: RMB4.7 million). The Group's remuneration policy is in line with the prevailing market standards and is determined on the basis of performance and experience of 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 caliber executives and employees.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its daily operations from internally generated cash flows, bank borrowings and certain net proceeds from fund raising activities. As at 30 June 2016, the Group had total assets of approximately RMB448.7 million and net assets of approximately RMB274.5 million. The Group's cash and bank balances as at 30 June 2016 amounted to approximately RMB48.8 million. As at 30 June 2016, there was no unutilised banking facilities (As at 31 December 2015: nil).

Reference are made to announcements dated 17 January 2016, 19 January 2016, 5 April 2016, 6 April 2016, 8 April 2016 and 20 April 2016. During the six months ended 30 June 2016, the Company entered into separate subscription agreements with 11 independent private investors pursuant to which these investors have agreed to subscribe and the Company has agreed to issue the convertible bonds in the aggregate principal amount of HK\$34,000,000, bearing interest rates of 5% to 8% per annum and maturity dates ranging from 1 year to 2 years from the date of issue and are convertible into conversion shares at the conversion price of



HK\$0.175 or HK\$0.315 (as the case may be) each from its issue date under the general mandate. Upon full conversion of the maximum principal amount of the convertible bonds of HK\$34 million, 131,817,716 conversion shares will be issued by the Company.

The gross proceeds from the issue of the convertible bonds were approximately HK\$34 million. The net proceeds from the issue of the convertible bonds after deducting the commission and other related expenses payable by the Company, were approximately HK\$33.3 million. The actual use of proceeds as to (i) approximately HK\$2 million for investment in biomass fuel project(s); (ii) approximately HK\$3 million for repayment of liabilities; (iii) approximately HK\$8 million for a disclosable transaction in relation to the acquisition of Shenzhen Heng Fu Delaisi Intelligent Housing Limited (Reference is made to the announcement of the Company dated 22 April 2016 in relation to the acquisition); and (iv) approximately HK\$8 million for general working capital, such as staff salaries and occupancy cost. As at 30 June 2016, approximately HK\$12 million not yet utilized and will be applied as intended.

During the six months ended 30 June 2016, the Company entered into subscription agreement with one independent private investor pursuant to which the investor has agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK\$10,500,000 at par value, bearing interest rates of 7% per annum and maturity date is 4 years from the date of issue. The net proceeds from the corporate bonds, after deducting the placing commission and other related expenses payable by the Company, was approximately HK\$7.6 million. The actual use of proceeds as to (i) approximately HK\$5 million for repayment of liabilities and (ii) approximately HK\$2.6 million for general working capital, such as staff salaries and occupancy cost.

On 25 April 2016 and 17 June 2016, 2,500,000 and 25,000,000 share options respectively has been exercised at exercise price of HK\$0.331 per share giving rise to a gross proceed at HK\$9,102,500. The net proceeds from the share options after deducting the related expenses payable by the Company, were approximately HK\$9.1 million is intended to be used for the purpose of investment in money lending business, repayment of liabilities and general working capital. As at 30 June 2016, HK\$9.1 million not yet utilised and will be applied as intended.

On 25 July 2016, 112,000,000 shares were issued by the Company upon the exercise of share options granted at the exercise price of HK\$0.331 per shares, giving rise to a gross proceed of approximately HK\$37,072,000. The net proceeds from the share options after deducting the related expenses payable by the Company, were approximately HK\$37million, is intended to be used for a disclosable transaction in relation to the acquisition of Shenzhen Heng Fu Delaisi Intelligent Housing Limited and invest in the money lending business, repayment of liabilities and general working capital. At 30 July 2016, 136,796,145 share option were expired.

Reference is made to the announcement dated 30 June 2016, the Company, the Chargor and the Investor entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the redeemable fixed coupon promissory notes in the principal sum of HK\$100,000,000. The Notes are to be issued in two tranches, the Series A Note and the Series B Note. The Notes are secured by the Chargor which is the Executive director and the CEO of the Company named Mr Wang Yue and the Investor is a limited liability company incorporated in the BVI.

On 24 August 2016, portion of the convertible bonds with principal amount of HK\$5,000,000 was converted into 15,840,000 new shares of the Company at conversion price of HK\$0.315 per share.

Taking into account the cash reserves and the proceeds, 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 OF ASSETS**

As at 30 June 2016, 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 pledged notes issued to Maple Reach.

## **MATERIAL LITIGATION**

As at 30 June 2016, the Group was not involved in any material litigation or arbitration (As at 31 December 2015: nil).

## **CONTINGENT LIABILITIES**

As at 30 June 2016, the Group did not have any significant contingent liabilities (As at 31 December 2015: nil).

## **FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES**

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the six months ended 30 June 2016, the Group did not experience significant exposure to 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 the 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 38.8% as at 30 June 2016 (As at 31 December 2015: 41.7%).

During the period under review, Note B with the principal amount of HK\$27,503,000 remain outstanding as at 30 June 2016.

## **CAPITAL STRUCTURE**

The capital of the Group comprises only ordinary shares. As at 30 June 2016, the total number of the ordinary shares of the Group in issue was 3,423,427,223 shares (As at 31 December 2015: 3,016,284,395 shares). The total equity attributable to the owners of the Company was approximately RMB247 million (As at 31 December 2015: approximately RMB191.8 million).

On 28 May 2013, the Company issued Note B with the principal amount of HK\$144,000,000 as part of the consideration for the acquisition of certain subsidiaries. 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 Note B at the principal amount at any time before the maturity date.

During the six months ended 30 June 2016, the Company entered into separate subscription agreements with 11 independent private investors pursuant to which these investors have agreed to subscribe and the Company has agreed to issue the convertible bonds in the aggregate principal amount of HK\$34,000,000, bearing interest rates of 5% to 8% per annum and maturity dates ranging from 1 year to 2 years from the date of issue and are convertible into Conversion Shares at the Conversion Price of HK\$0.175 to HK\$0.315 each from its issue date under the general mandate. Upon full conversion of the maximum principal amount of the convertible bonds of HK\$34 million, 131,817,716 conversion shares will be issued by the Company.

On 25 April 2016 and 17 June 2016, 2,500,000 and 25,000,000 share options respectively has been exercised at exercise price of HK\$0.331 per share, giving rise to a gross proceed at HK\$9,102,500. The net proceeds from the share options after deducting the related expenses payable by the Company, were approximately HK\$9.1 million is intended to be used for the purpose of investment in money lending business, repayment of liabilities and general working capital. As at 30 June 2016, 9.1 million not yet utilised and will be applied as intended.

## CAPITAL COMMITMENT

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

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Contracted but not provided for:		
— Acquisition of subsidiaries ( <i>Note</i> )	<b>245,000</b>	—
— Plant and machinery	<b>1,391</b>	1,391
	<b>246,391</b>	1,391

*Note:*

On 27 June 2016, the Company entered into an acquisition agreement (the “**Acquisition Agreement**”) with certain third parties, under which the Company has conditionally agreed to acquire the entire equity interest in Shenzhen Heng Fu Delaisi Intelligent Housing Limited\* 深圳恆富得萊斯智能房屋有限公司 (“**Shenzhen Heng Fu**”), for an aggregate consideration of RMB250,000,000, of which a deposit of RMB5,000,000 was paid by the Company up to 30 June 2016, Shenzhen Heng Fu was established in the PRC and is principally engaged in the management, leasing, sales and installation of container houses and related business. Pursuant to the Acquisition Agreement, the balance of the purchase consideration of RMB245,000,000 will be satisfied by the payment in cash of RMB63,000,000 and issue of 661,368,451 new ordinary shares by the Company, which will be adjusted downward in accordance with the Acquisition Agreement if the guaranteed profits of Shenzhen Heng Fu for certain periods have not been achieved. Up to the date of this announcement, completion of the acquisition of Shenzhen Heng Fu has not taken place.

## **SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL**

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 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 Kunlin Forest and possesses the Kunlin Forests and the right to be engaged in the operations and management of the Kunlin 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.

As disclosed in the Company's announcements dated 22 April 2016, 21 June 2016 and 15 July 2016 and circular dated 27 June 2016, on 22 April 2016, the Company and an independent third party vendors entered into the Acquisition Agreement, pursuant to which, amongst others, the Company has conditionally agreed to acquire from the vendors the entire issued share capital of Shenzhen Heng Fu which was incorporated on 17 August 2010, is mainly engaged in the management, leasing, sale and installation of container houses under the "Delex\*" (得萊斯) brand and related business the PRC. Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 15 July 2016, the acquisition of Shenzhen Heng Fu involving issue of consideration shares of the Company under specific mandate has been approved by the Company's shareholders (the "**Shareholders**"). As at 30 June 2016, the acquisition of Shenzhen Heng Fu has not been completed.

Save as disclosed above, there were no significant investment held or material acquisitions and disposals of subsidiaries for the period ended 30 June 2016.

## **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 period ended 30 June 2016 was denominated in foreign currencies. Substantially all of the costs incurred for both of the period ended 30 June 2016 was denominated in functional currencies of the group entities. As at 30 June 2016, 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 30 June 2016, 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.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group will continue to increase its investment and research and development, and cooperate with forestry research universities in China to establish a biomass fuel academy in the PRC, which aims to research biomass materials liquefaction, specialization and minimization 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. In view of the recent performance of the existing business of the Group, the Group has been actively seeking diversified business opportunities so as to achieve sustainable growth of the Group and stable return to the Shareholders.

Save as disclosed above, the Group had no future plans for material investments or capital assets as at 30 June 2016.

## **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 and biomass fuel industry.

Pursuant to capital injection agreement dated 21 October 2014 and supplemental agreements dated 15 May 2015 and 31 July 2015 (collectively the "**Anhui Xinyu Agreements**"), the Group has injected RMB10,155,000 capital in Anhui Xinyu, a PRC company which is principally engaged in the manufacture and sale of biomass fuel products. Since August 2015, Anhui Xinyu has failed to achieve the profit as guaranteed by the other shareholders of Anhui Xinyu under the Anhui Xinyu Agreements. On 21 July 2016, all shareholders of Anhui Xinyu, including Rongxuan Forestry Investment Group Limited, a Hong Kong company and an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement, under which the parties agreed that Mr. Wang Zhixiong (王志雄), one of the shareholders of Anhui Xinyu, shall transfer at no costs 11.67% equity interest held by him in Anhui Xinyu to Rongxuan Forestry Investment Group Limited, as compensation to the Group for Anhui Xinyu's failure to achieve the said guaranteed profit.

Reference is made to the announcements of the Company dated 22 April 2016, 21 June 2016 and 15 July 2016, and the circular of the Company dated 27 June 2016. Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire from the vendors the entire issued share capital of Shenzhen Heng Fu. The Directors consider that the acquisition could provide an opportunity for the Group to diversify its business into the container house business so as to further enhance its revenue sources as well as to bring positive return to the Shareholders. The acquisition requires minimal amount of initial cash outlay given substantial amount of the Consideration is to be satisfied by the allotment and issue of the consideration Shares. In particular, out of the entire consideration of RMB250,000,000, a total sum of RMB210,000,000 would be payable by stage by the Company on a half-yearly basis after the Target Group has achieved the profit guarantee in a sum which is equal to the amount of the part of the consideration payable; and the vendors have to compensate up to RMB40,000,000 the Company if the accumulated audited net profit of the Target Group after taxation during the guaranteed period is less than RMB210,000,000. As such, capital can be preserved for the development of the existing business of the Group. The Directors consider that the guaranteed profit would be able to bring positive contribution to the Group if the Profit Guarantees under the Acquisition Agreement materialized in the future.

Although Shenzhen Heng Fu recorded loss for the financial years 2014 and 2015 and has a relatively small net asset value as at 30 April 2016, the Directors take the view that the value of the acquisition lies on the potential growth of the business of Shenzhen Heng Fu. The product of Shenzhen Heng Fu is catered for workers engaged in construction projects in the PRC. The rapid urbanization in the PRC will bring significant demand for new urban real estate and infrastructure construction projects, which will in turn benefit Shenzhen Heng Fu. The business growth of Shenzhen Heng Fu will bring in extra and stable source of income to the Group.

Maintenance works of the Sichuan Forest and the Yunnan Forest have been ongoing and the logging and transportation permits for the Yunnan Forest have been applied for. Harvesting of forest stock in the Yunnan Forest will commence when the said permits are obtained, with production capacity expected to grow gradually in 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the six months ended 30 June 2016.

## **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 period ended year 30 June 2016 under the Scheme are as follows:

Name	Date of grant of share options	Exercise price (HK\$)	Number of share options granted	Exercised in 2014	Cancelled/ Lapsed in 2014	Outstanding as at 30 June 2015	Vesting Period	% of the total issued share capital
<b>Directors</b>								
Mr. Lei Zuliang	10/11/2014	0.552	5,000,000	5,000,000	0	0	10/11/2014–09/11/2015	0
Mr. Long Weihua	10/11/2014	0.552	4,000,000	0	4,000,000	0	10/11/2014–09/11/2015	0
Professor Liu Zhikun	10/11/2014	0.552	750,000	0	750,000	0	10/11/2014–09/11/2015	0
Mr. Zhou Xianyan	10/11/2014	0.552	750,000	0	750,000	0	10/11/2014–09/11/2015	0
Ms. Tian Guangmei	10/11/2014	0.552	750,000	750,000	0	0	10/11/2014–09/11/2015	0
Mr. Liang Guoxin	10/11/2014	0.552	750,000	750,000	0	0	10/11/2014–09/11/2015	0
Mr. Liu Zhaoxiang	10/11/2014	0.552	750,000	750,000	0	0	10/11/2014–09/11/2015	0
Subtotal			12,750,000	7,250,000	5,500,000	0	10/11/2014–09/11/2015	0
Others	10/11/2014	0.552	172,250,000	66,310,000	105,940,000	0	10/11/2014–09/11/2015	0
Total			<u>185,000,000</u>	<u>73,560,000</u>	<u>111,440,000</u>	<u>0</u>		<u>0</u>

### 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 period end 30 June 2016 under the Scheme are as follows:

Name	Date of grant of share options	Exercise price (HK\$)	Number of share options granted	Exercised in 2016	Cancelled/ Lapsed in 2016	Outstanding as at 30 June 2016	Exercise period	% of the total issued share Capital <sup>(1)</sup>
<b>Directors</b>								
Mr. Lei Zuliang	30/07/2015	0.331	5,000,000	0	0	5,000,000	30/07/2015– 29/07/2016	0.15
Mr. Wang Yue <sup>(3)</sup>	30/07/2015	0.331	25,000,000	0	0	25,000,000	30/07/2015– 29/07/2016	0.73
Professor Fei Phillip <sup>(4)</sup>	30/07/2015	0.331	3,000,000	0	0	3,000,000	30/07/2015– 29/07/2016	0.09
Mr. Long Weihua	30/07/2015	0.331	2,500,000	0	0	2,500,000	30/07/2015– 29/07/2016	0.08
Professor Liu Zhikun	30/07/2015	0.331	1,500,000	0	0	1,500,000	30/07/2015– 29/07/2016	0.04
Mr. Zhou Xianyan	30/07/2015	0.331	1,500,000	0	0	1,500,000	30/07/2015– 29/07/2016	0.04
Ms. Tian Guangmei	30/07/2015	0.331	1,500,000	0	0	1,500,000	30/07/2015– 29/07/2016	0.04
Mr. Liang Guoxin	30/07/2015	0.331	1,500,000	0	0	1,500,000	30/07/2015– 29/07/2016	0.04
Mr. Liu Zhaoxiang	30/07/2015	0.331	1,500,000	0	0	1,500,000	30/07/2015– 29/07/2016	0.04
Subtotal			43,000,000	0	0	43,000,000	30/07/2015– 29/07/2016	1.25
Other employees	30/07/2015	0.331	233,296,145	27,500,000	0	205,796,145	30/07/2015– 29/07/2016	6.01
Total			<u>276,296,145</u>	<u>0</u>	<u>0</u>	<u>248,796,145</u>		<u>7.26</u>

*Note:*

1. The relevant percentages are calculated by reference to the Shares in issue on 30 June 2016 i.e. 3,423,427,223 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 32 to the consolidated financial statements.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Save for the disposal of Newshine as discussed in the section of “Significant investments held and material acquisitions and disposals”, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2016.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE**

The Company has adopted all the code provisions (the “**Code Provisions**”) contained in the Corporate Governance Code (the “**CG Code**”) as set out in the Appendix 14 to the Listing Rules as the Company’s code on corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the six months ended 30 June 2016, in the opinion of the Board, 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 exceptions of Code Provisions A.1.8 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 announcement, the Company has not arranged to purchase any Directors and Officers’ Liability Insurance, which covers in respect of legal action against the Directors, as the Directors take the view that the Company shall support Directors in any events arising from corporate activities;
2. 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.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the Code Provisions contained in the CG Code.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (For the six months ended 30 June 2015: nil).

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established the Audit Committee in accordance with the requirements of the Code Provisions as set up in Appendix 14 of the Listing Rules. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Ms. Tian Guangmei (as the chairman), Mr. Liang Guoxin and Mr. Liu Zhaoxiang.

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 has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016 and is of the opinion that the preparation of such results complied with the applicable accounting standards, rules and requirements, and that adequate disclosure has been made.

## CHANGE IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under Rule 13.51(2) of the Listing Rules, the changes in information of the Directors for the six months ended 30 June 2016 and up to the date of this announcement are set out as below:

<b>Name of Director</b>	<b>Details of changes</b>
Mr. Zhou Xianyan	Removed a non-executive Director with effect 30 August 2016

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinacaflc.com](http://www.chinacaflc.com)). The interim report of the Group for the six months ended 30 June 2016 containing all the relevant information required by the Listing Rules will be published on the aforesaid websites in September 2016.

By order of the Board  
**China Agroforestry Low-Carbon Holdings Limited**  
**Lei Zuliang**  
*Chairman*

Shenzhen, the PRC, 30 August 2016

*As at the date of this announcement, the executive Directors are Mr. Lei Zuliang, Mr Wang Yue, Professor Fei Phillip and Mr. Long Weihua. The non-executive Director is Professor Liu Zhikun. The independent non-executive Directors are Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang.*