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)

2016
ANNUAL REPORT

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Corporate Information

DIRECTORS

Executive Directors:

Mr. Lei Zuliang *(Chairman)*
Mr. Long Weihua *(Resigned on 9 December 2016)*
Mr. Wang Yue
Professor Fei Phillip

Non-executive Director:

Professor Liu Zhikun
Mr. Zhou Xianyan *(Removed on 30 August 2016)*

Independent Non-executive Directors:

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

AUDIT COMMITTEE

Ms. Tian Guangmei *(Chairman)*
Mr. Liang Guoxin
Mr. Liu Zhaoxiang

REMUNERATION COMMITTEE

Mr. Liang Guoxin *(Chairman)*
Mr. Liu Zhaoxiang
Mr. Lei Zuliang

NOMINATION COMMITTEE

Mr. Liu Zhaoxiang *(Chairman)*
Mr. Liang Guoxin
Mr. Lei Zuliang

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Lei Zuliang
Mr. Leung Man Kit FCPA

INDEPENDENT AUDITORS

CCTH CPA Limited
Certified Public Accountants

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

23/F, Pacific Finance Building
6001 Yitian Road
Futian District
Shenzhen City
Guangdong Province
The PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai
Hong Kong

PRINCIPAL BANKER

China Construction Bank (Asia) Corporation Limited
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Quarry Bay, Hong Kong

COMPANY WEBSITE

www.chinacaflc.com

STOCK CODE

01069

Financial Highlights

ANNUAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

- Turnover for the financial year ended 31 December 2016 amounted to approximately Renminbi ("**RMB**") 20.1 million (2015: RMB10.1 million), representing an increase of approximately 99% as compared with corresponding period in 2015.

- Segment revenue from the container house business, forestry business, biomass fuel business and money lending business for the financial year ended 31 December 2016 were approximately RMB11 million (2015: Nil), RMB2.1 million (2015: RMB0.6 million), RMB2.3 million (2015: RMB8.4 million) and RMB4.6 million (2015: RMB1.1 million) respectively.

- Segment results from the container house business, forestry business, biomass fuel business and money lending business for the financial year ended 31 December 2016 were profit of approximately RMB0.7 million (2015: Nil), loss of approximately RMB28.7 million (2015: RMB7.7 million), loss of approximately RMB7.3 million (2015: RMB22.4 million) and profit of approximately RMB4.0 million (2015: RMB1.0 million) respectively.

- Loss attributable to the owners of the Company for the financial year ended 31 December 2016 amounted to approximately RMB52.5 million (2015: RMB59.9 million), representing a decrease in loss of approximately 12% as compared with corresponding period in 2015.

- Total comprehensive expenses attributable to the owners of the Company for the financial year ended 31 December 2016 amounted to approximately RMB56.9 million (2015: RMB63.7 million), representing a decrease of approximately 10.7% as compared with corresponding period in 2015.

- The gearing ratio for the financial year ended 31 December 2016 was approximately 50.8% (2015: 41.7%), representing an increase of 21.8% as compared with corresponding period in 2015.

- Basic loss per share for the financial year ended 31 December 2016 amounted to RMB1.53 cents (2015: RMB2.15 cents).

- The board (the "**Board**") of directors of the Company (the "**Directors**") does not recommend the payment of a final dividend for the financial year ended 31 December 2016 (2015: nil).

Chairman's Statement

On behalf of the Board, I am pleased to present to our valued shareholders and investors the annual report (the "**Annual Report**") of China Agroforestry Low-Carbon Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 December 2016.

Due to the adjustments in the way of economic growth of the People's Republic of China ("**China**" or the "**PRC**") in the year of 2016, the consequential slowdown in various economic metrics, the decline in the performance of the manufacturing industry and the energy sector, the fluctuation of raw materials prices, the rise of the statutory minimum wages and the lack of supporting policies for the energy sector, the Group's principal business, the market development and operation of biomass fuel products, faced severe challenges, directly resulting in losses.

Reference is made to the Company's announcements dated 22 April 2016, 21 June 2016, 15 July 2016 and 9 September 2016, and the circular dated 27 June 2016 concerning the acquisition of Shenzhen Heng Fu Delaisi Intelligent Housing Limited* (深圳恒富得萊斯智能房屋有限公司) ("**Hengfudelaisi**", together with its subsidiaries "**Hengfudelaisi Group**") which principally engages in the provision of management and related services for the leases of container houses (the "**Acquisition**"). Completion of the Acquisition took place and 127,186,240 consideration shares have been issued to Hengfudelaisi respectively on 9 September 2016. 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. 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. Further, the manufacturing and maintenance of the container houses, along with its accessories, including furniture, interior decoration, and other facilities, need substantial amount of wood material. As the Group currently involves in the forest land business, upon the harvesting of plantation in the foreseeable future, it will have the capability to provide sufficient raw materials to satisfy the demand in container house manufacturing, maintenance and product upgrade arising from its recent business development in the container house business. Therefore, the Directors consider Hengfudelaisi is a valuable add-on to its current business.

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

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 30 March 2017

* *for identification purpose only*

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in the businesses of (a) forestry management; (b) sale, research and development of biomass fuel produced by biomass materials such as timber processing and forestry waste; (c) money lending and (d) provision of management and related services for the leases of container houses.

OPERATIONS

Forestry Management Business

As at 31 December 2016, the long–lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu (equivalent to approximately of 235 hectares), 21,045 Chinese Mu (equivalent to approximately of 1,403 hectares), 9,623 Chinese Mu (equivalent to approximately of 641 hectares) and 13,218 Chinese Mu (equivalent to approximately of 881 hectares) in Dali City of Yunnan Province (the "**Dali Forest**"), Muma Town of Jiange County of Sichuan Province (the "**Hengchang Forest**"), Zhengxing Town of Jiange County of Sichuan Province (the "**Kunlin Forest**") and Yixing Town of Jiange County of Sichuan Province (the "**Senbo Forest**"), respectively.

The **Hengchang Forest** is held by China Timbers Limited, through its wholly-owned subsidiaries, ("**China Timbers**", together with its subsidiaries "**China Timbers Group**")which were acquired by the Group on 28 May 2013 and became part of the Group. The Group harvested timber logs of approximately 350 cubic metres (2015: 400 cubic metres) in the **Hengchang Forest** during the year ended 31 December 2016. As at 31 December 2016, the **Hengchang 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 **Dali Forest** has been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, no revenue has been contributed from the **Dali Forest** to the Group for the year ended 31 December 2016. As at 31 December 2016, the **Dali 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.

The **Kunlin Forest** is held by Exceed Target Investment Group Limited, through its wholly-owned subsidiaries, ("**Exceed Target**" together with its subsidianes "**Exceed Target Group**"), which were acquired by the Group on 26 February 2016 and became part of the Group. The **Kunlin Forest** has been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, no revenue has been contributed from the **Kunlin Forest** to the Group for the year ended 31 December 2016. As at 31 December 2016, the **Kunlin Forest** is estimated to comprise of approximately 642 hectares of cypress with no tree plantations aged 40 years or older.

The **Senbo Forest** is held by Huxiang International Holdings Limited, though its wholly-owned subsidiaries, ("**Huxiang**" together with its subsidiaries "**Huxiang Group**"), which were acquired by the Group on 11 October 2016 and became part of the Group. The **Senbo Forest** has been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, no revenue has been contributed from the **Senbo Forest** to the Group for the year ended 31 December 2016. As at 31 December 2016, the **Senbo Forest** is estimated to comprise of approximately 881 hectares of cypress with approximately 290 hectares of tree plantations aged 40 years or older.

For the year of 2016, the forestry management business of the Group achieved a revenue of RMB2.1 million, which accounted for 10.4% of the total revenue.

Biomass Fuel Business

On 16 August 2016, Rongxuan Forestry Investment Group Limited ("**Rongxuan Group**"), an indirect wholly–owned subsidiary of the Company and Mr. Tang Jiwu ("**Mr. Tang**") entered into a share transfer agreement (the "**Share Transfer Agreement**"), in relation to the approximately 63.74% equity interest held by Rongxuan Group in Xinyu Bio Energy (Anhui) Company Limited ("**Anhui Xinyu**"). Upon completion of the Share Transfer Agreement, Rongxuan Group disposed all its equity interest in Anhui Xinyu (representing approximately 63.74%) to Mr. Tang for a consideration of RMB11,729,000 and Anhui Xinyu ceased to be a subsidiary of the Company. To the best of the directors' knowledge, information and belief having made all reasonable enquiry, Mr. Tang is an independent third party and not connected with the Company and its connected person. The consideration payable by Mr. Tang under the Share Transfer Agreement is based on 63.74% on the valuation report of Anhui Xinyu. The consideration payable by Mr. Tang under the Share Transfer Agreement is to be paid by way of a single payment within 1 year from the date of the Share Transfer Agreement. The consideration payable by Mr. Tang under the Share Transfer Agreement was arrived at, after arm's length negotiations between the parties thereto based on normal commercial terms.

The Directors consider that due to the inability of Anhui Xinyu to achieve the profit guarantee, the present transaction with Mr. Tang provides the Company with an opportunity to dispose of Anhui Xinyu. Proceeds from the disposal of Anhui Xinyu will be used as general working capital. Having considered the reasons for and the benefits of the Share Transfer Agreement set out above, the Directors are of the opinion that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole. As all the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Share Transfer Agreement are less than 5%, the Share Transfer Agreement does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

During the year ended 31 December 2016, the Group produced approximately 1,827 tons of biomass fuel (2015: approximately 11,000 tons). In 2016, the biomass fuel business of the Group achieved a revenue of approximately RMB2.3 million (2015: RMB8.4 million), which accounted for 11% of the total revenue.

Money Lending Business

The Company's wholly-owned subsidiary, namely, Forever Biosource (Credit) Limited, is engaged in money lending business and recorded a gain of approximately RMB4 million (2015: RMB1 million) as interest income during the financial year ended 31 December 2016.

Container House Business

Completion of the acquisition of Hengfudelaisi took place on 9 September 2016. The manufacturing and maintenance of the container houses, along with its accessories, including furniture, interior decoration, and other facilities, needs substantial amount of wood materials. As the Group is currently and will continuously be involved in the forest land business in the foreseeable future, it has the capability to provide sufficient raw materials to satisfy the demand in container house manufacturing, maintenance and product upgrade.

During the year ended 31 December 2016, the Group achieved a revenue of RMB11 million (2015: Nil), which accounted for 54.7% of the total revenue.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITIONS

As disclosed in the Company's announcements dated 21 January 2016, 23 January 2016 and 26 February 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. Through its wholly-owned subsidiaries, Exceed Target possesses the forest lands with a total site area of approximately 9,623 Chinese Mu located in the Zhengxing Town of Jiange County of the Sichuan Province, the PRC and the right to be engaged in the operations and management of the said forest lands. Completion of the said acquisition took place on 26 February 2016.

As disclosed in the Company's announcements dated 22 April 2016, 21 June 2016, 15 July 2016 and 9 September 2016, and circular dated 27 June 2016, on 22 April 2016, the Company and independent third party vendors entered into an acquisition agreement, pursuant to which, amongst others, the Company has conditionally agreed to acquire from the vendors the entire equity interests in Hengfudelaisi for an aggregate consideration of RMB250,000,000. Hengfudelaisi is mainly engaged in the provision of management and related services of container houses under the brand name "Delex" (得萊斯) in the PRC. Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 15 July 2016, the acquisition of Hengfudelaisi involving issue of consideration shares of the Company under specific mandate has been approved by the Company's shareholders. Completion of the said acquisition took place on 9 September 2016.

As disclosed in the Company's announcements dated 30 September 2016 and 11 October 2016, on 30 September 2016, the Company and an independent third party vendor entered into an acquisition agreement, pursuant to which, amongst others, the Company has conditionally agreed to acquire from the vendor the entire equity interests in Huxiang for an aggregate consideration of RMB93,000,000. Huxiang is principally engaged in the plantation, harvesting and selling of timber in the forest lands with a total site area of approximately 13,218 Chinese Mu located in the Yixing Town of Jiange County of the Sichuan Province, the PRC. Completion of the acquisition took place on 11 October 2016.

Save as disclosed above, there were no significant investment held or material acquisitions and disposals of subsidiaries for the period ended 31 December 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In view of the recent performance of the existing business of the Group, together with the challenging operating environment ahead, the Group has been actively seeking diversified business opportunities so as to achieve sustainable growth of the Group and stable return to its Shareholders. As mentioned in the prospect and outlook statement in the interim report of the Company for the six months ended 30 June 2016, 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.

On 2 March 2017, YuePengDa Forestry (Shenzhen) Ltd., as purchaser and an indirect wholly-owned subsidiary of the Company, and Shenzhen Chong Sheng Chi Yip Limited, an independent third party vendor, entered into an acquisition agreement for the sale and purchase of the entire equity interests in Xiangyin Chong Sheng Chi Yip Limited ("**Xiangyin**") which principally engages in the business of design, manufacture and distribution of container houses (the "**Xiangyin Acquisition**"). This transaction has not been completed up to the date of this annual report. Further details of this transaction are set out in the Company's announcement dated 2 March 2017.

The Directors consider that the Xiangyin Acquisition and the Group's business expansion in the container house business would stabilise earnings and strengthen the Group's ability to weather deteriorating economic conditions. The business of Xiangyin may also produce a synergy with the existing forestry business of the Group, thus representing a vertical expansion of the existing business of the Group. As the manufacture, maintenance, interior decoration and structuring of container houses (including the accessories) require substantial amount of wood material, the timbers harvested from the Company's current forest land management business could provide adequate raw wood material at a relatively low cost to Xiangyin, and after further processing, to satisfy the need for wood panels, various wood components to be installed in the container houses.

The Directors also consider the Xiangyin Acquisition to be a valuable opportunity to allow the Group to capture the growth of the container house business, as well as to leverage on the expertise of the management team of Hengfudelaisi Group. It is expected that the day-to-day operations and management of Xiangyin will be conducted by the existing management team of Hengfudelaisi Group, which has more than 10 years of experience in container house rental and management business.

Save as disclosed above, the Group had no other future plans for material investments or capital assets as at the date of this annual report.

FUND RAISING ACTIVITIES

During the year ended 31 December 2016, in order to support the acquisition of the new business and the development of the Group's forestry management business and the biomass fuel business, the Group has engaged in certain fund raising activities, details of which are set out as follows:

Issue of corporate bonds

During the year ended 31 December 2016, the Company entered into subscription agreement with 3 independent private investors pursuant to which the investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK$30,500,000 at par value, bearing interest rates of 7% to 9% per annum and maturity date is 4 years to 7.5 years from the date of issue. At the end of the reporting period, the corporate bonds payable with the principal amount of HK$161,200,000 (2015: HK$140,700,000) remained outstanding.

The net proceeds from the corporate bonds, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$28.98 million. The actual use of proceeds is as follows: (i) approximately HK$20 million for the repayment of liabilities; and (ii) approximately HK$8.98 million for general working capital, such as staff salaries and occupancy cost.

Issue of convertible bonds

Reference is made to announcements of the Company dated 17 January 2016, 19 January 2016, 5 April 2016, 6 April 2016, 8 April 2016 and 20 April 2016. During the year ended 31 December 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. The bonds are convertible into new shares at the conversion price of HK$0.175 or HK$0.315 (as the case may be) each from its issue date or after 3 months from its issue date (as the case may be) under the general mandate.

During the year ended 31 December 2016, the convertible bonds with the aggregate amount of HK$14 million were converted into approximately 67,200,000 new shares of the Company at the initial conversion price. At the end of the reporting period, the convertible bonds with the aggregate principal amount of HK$20 million were remained outstanding.

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$33.87 million. The actual use of proceeds is as follows: (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 31 December 2016, approximately HK$12.87 million is not yet utilized and will be applied as intended.

Issue of promissory note

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

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

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

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

During the year ended 31 December 2015, the Company redeemed part of the Note B with the principal amount of HK$1,000,000 at cash consideration of HK$1,000,000. During the year ended 31 December 2016, no part of the Note B was redeemed. At 31 December 2016, the Note B with the principal amount of HK$27,503,000 remained outstanding.

Promissory notes issued on 16 August 2016 (the "Note C")

Reference is made to the announcement of the Company dated 30 June 2016, the Company, Mr. Wang Yue (the "**Chargor**") and Prosper Talent Limited (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 aggregate principal sum of HK$100,000,000 (being the "**Note C**"). The Note C shall be issued in two tranches, the Series A Note and the Series B Note, both bearing an interest rate of 10% per annum and with the maturity period of 1 year from the date of issue. The Note C are secured by the Chargor who is the executive director and a substantial shareholder of the Company and the Investor is a limited liability company incorporated in the BVI. On 16 August 2016, completion of the subscription of the Series A Note took place and the redeemable fixed coupon promissory notes in the principal amount of HK$50,000,000 were issued to the Investor in accordance with the subscription agreement. During the year ended 31 December 2016, no part of the Note C was redeemed.

Promissory note issued on 11 October 2016 (the "Note D")

Reference is made to announcement of the Company dated 30 September 2016, the Company and Mr. Dai Long Gui ("**Mr Dai**") entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire the entire issued share capital in Huxiang, at a total consideration of HK$93,000,000, to be satisfied by (i) the deposit of HK$8 million; (ii) HK$52 million in cash; and (iii) HK$33 million by the issue of the Promissory Note (being the "**Note D**")to Mr Dai. Huxiang is an investment holding company incorporated in the BVI with limited liability. Through its wholly owned subsidiaries, Huxiang indirectly wholly holds the entire equity interest in Jiangxian Senbo Linye Company Ltd., which is principally engaged in the plantation, harvesting and selling of timber in the Forests, and possesses the **Senbo Forest** and the right to be engaged in the operations and management of the **Senbo Forest**. The Note D bears an interest at 3% per annum for three years and is payable on the maturity date of 10 October 2019. During the current year, the Company redeemed part of the Note D with the principal amount of HK$8,000,000 for cash consideration of HK$8,000,000. At the end of the reporting period, the Note D with the principal amount of HK$25,000,000 (2015: Nil) remained outstanding.

FINANCIAL REVIEW

Turnover

During the financial year ended 31 December 2016, the Company recorded a turnover of approximately RMB20.1 million, representing an increase of approximately 99% as compared to approximately RMB10.1 million for 2015. Such increase was mainly due to the new business of container house business acquired on 19 September 2016.

Turnover from the Company's forestry business for the year ended 31 December 2016 was approximately RMB2.1 million (2015: RMB0.6 million), representing an approximately 250% increase as compared to the year ended 31 December 2015. Such increase was due to the sale of one off forest stock from the **Senbo Forest**. The revenue for this business segment is attributable solely to the sale of the forest stock harvested from the **Hengchang Forest** during the financial year ended 31 December 2016. The Group expects the revenue generated from this business to further increase in the coming year with the commencement of harvesting of the **Dali Forest**, **Kunlin Forest** and **Senbo Forest** which have been recently acquired by the Group in February 2016 and October 2016, respectively, subject to the relevant logging permit from the relevant PRC authority.

Turnover from the Company's biomass fuel business for the year ended 31 December 2016 was approximately RMB2.3 million (2015: RMB8.4 million), representing an approximately 72.6% decrease as compared to the year ended 31 December 2015.

The Group also received interest income of approximately RMB4.7 million (2015: RMB1.1 million) from the money lending business engaged by its wholly owned subsidiary during the financial year ended 31 December 2016.

After the completion of the acquisition of Hengfudelaisi on 9 September 2016, turnover from the Company's container house business for the year ended 31 December 2016 was approximately RMB11 million (2015: Nil), which accounted for 54.7% of the total revenue.

Gross Profit/Loss

The Group recorded a gross profit of approximately RMB14.7 million for the year ended 31 December 2016 (2015: Gross loss of approximately RMB3.3 million). Such change was mainly due to the increase in revenue of the container house business and money lending business.

During the year of 2016, the Group only received the relevant annual logging permit for the **Hengchang Forest** from the relevant PRC authority in late November 2016 and the weather of sleet, thus leaving the Group with much less time to harvest the logs in the **Hengchang Forest** in the financial year ended 31 December 2016.

In addition, the decrease in revenue from the biomass fuel business was mainly due to low utilization rate of the production facilities and the increase in the price of raw materials resulting in the increase of unit production costs.

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

During the year ended 31 December 2016, the Group recognised a loss on change in fair value of plantation forest assets of approximately RMB27 million (2015: loss on change of approximately RMB6.1 million).

Qualifications and independence of the valuer and forestry specialist consultant

Ascent Partners Valuation Service Limited ("**Ascent Partners**" or the "**Independent Valuer**") is an independent professional qualified valuer appointed by the Company for the purpose of preparing the valuation reports dated 29 March 2017 (the "**Valuation Report**") on the fair value of the forest lands with a total site area of approximately 3,530 Chinese Mu, 21,045 Chinese Mu, 9,623 Chinese Mu and 13,218 Chinese Mu located in Dali City of Yunnan Province (the "**Dali Forest**"), Muma Town of Jiange County of Sichuan Province (the "**Hengchang Forest**"), Zhengxing Town of Jiange County of Sichuan Province (the "**Kunlin Forest**") and Yixing Town of Jiange County of Sichuan Province (the "**Senbo Forest**", together with the **Dali Forest**, **Hengchang Forest** and **Kunlin Forest**, the "**Forests**"), the PRC, respectively. The Independent Valuer has extensive experience in performing valuation of businesses, tangible and intangible assets and financial instruments, and has served as the independent valuer for various forestry projects for listed companies on the Stock Exchange.

Valuation methodology and assumptions

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

Cost Approach — The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost it takes to form the asset. In the opinion of the Independent Valuer, this method is inapplicable to the analysis of the Forests as there is no convincing association of the market value of the subject asset with its cost.

However, as an active market for transactions of biological assets with similar characteristics and conditions such as types, sizes, population, environment, etc. does not exist, the market approach is not employed in the valuation of the Forests.

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

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

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

Material input, included bases and assumptions used in the valuation

Key inputs

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

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

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

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

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

Key assumptions

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

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

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

Discount rate

The income approach is employed, based on the financial projections provided primarily by the Company, to estimate the fair value of the Forests. The fair value of the Forests is developed through the application of the weighted-average-cost-of-capital (WACC) to discount the free cash flows to the firm (FCFFs). The WACC is calculated by taking into account the relative weights of each component of the capital structure. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - t)$$

where:

R_e	=	*Cost of Equity*
R_d	=	*Cost of Debt*
W_e	=	*Weight of Equity Value to Enterprise Value*
W_d	=	*Weight of Debt Value to Enterprise Value*
t	=	*Statutory Corporate Tax Rate*

* *for identification purpose only*

Work performed by Mr. Peng and the Independent Valuer

(A) Work performed by Mr. Peng

Sampling investigation work by random was done by Mr. Peng on the plantation land in the total of 442 sub-compartments being divided in accordance to 《森林資源規劃設計調查主要技術規定》(國家林業局，2003年4月) by using a 1:10000 topographic map. In addition, angle gauge sample plot (角規樣地) approach was adopted to determine the timber volume in each sub-compartment.

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

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

Based on the said guideline for the determination of the numbers of angle gauge survey sample plots required, 1,362 angle gauge survey sample plots were selected randomly and set up according to the Principal Technical Requirements on Forestry Resources Planning and Design Survey. The stock volume in one sub-compartment can be derived by multiplying the stock volume per unit ha to the area of the sub-compartment. Such sample size is sufficient in ascertaining the stock volume of the Forests which enables to draw the conclusions of the Forests according to the abovementioned guideline in the determination of the numbers of angle gauge survey sample plots required in the forests for sampling purpose.

(i) Hengchang Forest

The survey of a total of 1,403.03 hectare (equivalent to 21,045.4 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 1 town and 6 administrative villages, which comprises of 2 compartments and 182 sub-compartments.

(ii) Dali Forest

The survey of a total of 235.34 hectare (equivalent to 3,530.1 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 2 towns and 2 administrative villages, which comprises of 3 compartments and 15 sub-compartments.

(iii) Kunlin Forest

The survey of a total of 642.15 hectare (equivalent to 9,632.2 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 1 town and 3 administrative villages, which comprises of 3 compartments and 51 sub-compartments.

(iv) Senbo Forest

The survey of a total of 881.2 hectare (equivalent to 13,218 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 1 town and 4 administrative villages, which comprises of 4 compartments and 194 sub-compartments.

(B) Work performed by Independent Valuer

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

Selling Price

(i) ***Hengchang Forest, Kunlin Forest and Senbo Forest***

According to the search of websites in the internet, the median tree prices of the cypress timber is around RMB1,950 per cubic meter for the year 2016. RMB1,950 per cubic meter is adopted as a conservative estimation of the market price of the cypress timber. As the market price is based on the dimension of the tree log rather than the age of the trees, in particular the diameter of the tree log, the weighted average is derived by taking into the account of the diameter at breast height distribution which affects the price of cypress log, and hence the valuations of the **Hengchang Forest**, **Kunlin Forest** and **Senbo Forest**. Accordingly, the age of the trees is not being considered in the valuation of the **Hengchang Forest**, **Kunlin Forest** and **Senbo Forest**.

(ii) ***Dali Forest***

Due to the lack of market data of Yunnan pine's and oak's price, the selling contract provided by the Group, which is the best available information, is adopted for the valuation.

The market price per cubic meter of Yunnan pine and oak is RMB1,500 and RMB2,200 respectively. As the market price is based on the dimension of the tree log rather than the age of the trees, in particular the diameter of the tree log, the weighted average is derived by taking into the account of the diameter at breast height distribution which affects the price of pine and oak logs, and hence the valuation of the **Dali Forest**. Accordingly, the age of the trees is not being considered in the valuation of the **Dali Forest**.

Major costs in the cash flow projections

(i) ***Hengchang Forest***

- Timber operational cost rate: (1) RMB60/Chinese Mu for maintenance cost, (2) RMB60/m^3 for timber logging cost: (3) RMB65/Chinese Mu for road construction and maintenance cost and (4) RMB60/m^3 for timber transportation cost;

- Corporate tax: 0% (waived); and

- Management & staff cost: RMB444,949 per year

(ii) ***Dali Forest***

- Timber operational cost rate: (1) RMB60/Chinese Mu for maintenance cost, (2) RMB60/m^3 for timber logging cost, (3) RMB65/Chinese Mu for road construction and maintenance cost and (4) RMB60/m^3 for timber transportation cost;

- Corporate tax: 0% (waived); and

- Management & Staff Cost: RMB194,482 per year

Costs in the cash flow projections

(iii) ***Kunlin Forest***

- Timber operational cost rate: (1) RMB60/Chinese Mu for maintenance cost, (2) RMB60/m^3 for timber logging cost, (3) RMB65/Chinese Mu for road construction and maintenance cost and (4) RMB60/m^3 for timber transportation cost;
- Corporate tax: 0% (waived); and
- Management & staff cost: RMB203,457 per year

(iv) ***Senbo Forest***

- Timber operational cost rate: (1) RMB60/Chinese Mu for maintenance cost, (2) RMB60/m^3 for timber logging cost, (3) RMB60/Chinese Mu for road construction and maintenance cost and (4) RMB60/m^3 for timber transportation cost;
- Corporate tax: 0% (waived); and
- Management & staff cost: RMB279,459 per year

Expected yield of the biological assets

(i) ***Hengchang Forest**, **Kunlin Forest** and **Senbo Forest***

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

(ii) ***Dali Forest***

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

Sensitivity analysis for the fair value

The following sensitivity analysis shows the effect on fair values of the biological assets for unobservable and significant inputs.

Sensitivity Analysis

(i) ***Hengchang Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	19.80%	RMB171,920,000	–10.10%
2%	18.80%	RMB178,012,000	–6.92%
1%	17.80%	RMB184,445,000	–3.56%
0%	16.80%	RMB191,245,000	0.00%
–1%	15.80%	RMB198,438,000	3.76%
–2%	14.80%	RMB206,053,000	7.74%
–3%	13.80%	RMB214,122,000	11.96%

Cypress market price

Variance	Market price per m^3	Fair value	% Change
15%	RMB2,243	RMB223,650,000	16.94%
10%	RMB2,145	RMB212,849,000	11.30%
5%	RMB2,048	RMB202,047,000	5.65%
0%	RMB1,950	RMB191,245,000	0.00%
–5%	RMB1,853	RMB180,444,000	–5.65%
–10%	RMB1,755	RMB169,642,000	–11.30%
–15%	RMB1,658	RMB158,840,000	–16.94%

Estimation of cypress volume

Variance	Volume per m^3	Fair value	% Change
15%	280,249	RMB208,875,000	9.22%
10%	268,065	RMB203,245,000	6.27%
5%	255,880	RMB197,514,000	3.28%
0%	243,695	RMB191,245,000	0.00%
–5%	231,510	RMB184,937,000	–3.30%
–10%	219,326	RMB178,039,000	–6.91%
–15%	207,141	RMB171,089,000	–10.54%

Estimation of cypress growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.43%	RMB209,484,000	9.54%
2%	7.43%	RMB203,013,000	6.15%
1%	6.43%	RMB197,021,000	3.02%
0%	5.43%	RMB191,245,000	0.00%
–1%	4.43%	RMB186,095,000	–2.69%
–2%	3.43%	RMB181,077,000	–5.32%
–3%	2.43%	RMB176,394,000	–7.77%

(ii) ***Dali Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	21.21%	RMB16,059,000	–10.82%
2%	20.21%	RMB16,676,000	–7.39%
1%	19.21%	RMB17,324,000	–3.79%
0%	18.21%	RMB18,007,000	0.00%
–1%	17.21%	RMB18,726,000	3.99%
–2%	16.21%	RMB19,484,000	8.20%
–3%	15.21%	RMB20,283,000	12.64%

Yunnan pine market price

Variance	Market price per m^3	Fair value	% Change
15%	RMB1,725	RMB19,122,000	6.19%
10%	RMB1,650	RMB18,751,000	4.13%
5%	RMB1,575	RMB18,379,000	2.07%
0%	RMB1,500	RMB18,007,000	0.00%
–5%	RMB1,425	RMB17,635,000	–2.07%
–10%	RMB1,350	RMB17,264,000	–4.13%
–15%	RMB1,275	RMB16,892,000	–6.19%

Oak market price

Variance	Market price per m^3	Fair value	% Change
15%	RMB2,530	RMB20,137,000	11.83%
10%	RMB2,420	RMB19,427,000	7.89%
5%	RMB2,310	RMB18,717,000	3.94%
0%	RMB2,200	RMB18,007,000	0.00%
–5%	RMB2,090	RMB17,297,000	–3.94%
–10%	RMB1,980	RMB16,587,000	–7.89%
–15%	RMB1,870	RMB15,877,000	–11.83%

Estimation of Yunnan pine volume

Variance	Volume per m^3	Fair value	% Change
15%	19,243	RMB18,770,000	4.24%
10%	18,406	RMB18,532,000	2.92%
5%	17,570	RMB18,278,000	1.5%
0%	16,733	RMB18,007,000	0.00%
–5%	15,896	RMB17,721,000	–1.59%
–10%	15,060	RMB17,442,000	–3.14%
–15%	14,223	RMB17,176,000	–4.61%

Estimation of oak volume

Variance	Volume per m^3	Fair value	% Change
15%	19,713	RMB19,714,000	6.48%
10%	18,856	RMB18,808,000	4.45%
5%	17,999	RMB18,419,000	2.29%
0%	17,142	RMB18,007,000	0.00%
–5%	16,285	RMB17,579,000	–2.38%
–10%	15,428	RMB17,158,000	–4.71%
–15%	14,571	RMB16,751,000	–6.98%

Estimation of Yunnan pine growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.73%	RMB18,934,000	5.15%
2%	7.73%	RMB18,595,000	3.27%
1%	6.73%	RMB18,303,000	1.64%
0%	5.73%	RMB18,007,000	0.00%
–1%	4.73%	RMB17,714,000	–1.63%
–2%	3.73%	RMB17,469,000	–2.99%
–3%	2.73%	RMB17,238,000	–4.27%

Estimation of oak growth rate

Variance	Growth Rate	Fair value	% Change
3%	7.78%	RMB18,784,000	4.31%
2%	6.78%	RMB18,524,000	2.87%
1%	5.78%	RMB18,263,000	1.42%
0%	4.78%	RMB18,007,000	0.00%
–1%	3.78%	RMB17,756,000	–1.39%
–2%	2.78%	RMB17,511,000	–2.45%
–3%	1.78%	RMB17,292,000	–3.97%

(iii) ***Kunlin Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	20.51%	RMB48,673,000	–9.70%
2%	19.51%	RMB50,321,000	–6.64%
1%	18.51%	RMB52,062,000	–3.41%
0%	17.51%	RMB53,902,000	0.00%
–1%	16.51%	RMB55,850,000	3.61%
–2%	15.51%	RMB57,913,000	7.44%
–3%	14.51%	RMB60,100,000	11.50%

Cypress market price

Variance	Market price per m^3	Fair value	% Change
15%	RMB2,243	RMB63,358,000	17.54%
10%	RMB2,145	RMB60,206,000	11.70%
5%	RMB2,048	RMB57,054,000	5.85%
0%	RMB1,950	RMB53,902,000	0.00%
–5%	RMB1,853	RMB50,751,000	–5.85%
–10%	RMB1,755	RMB47,599,000	–11.69%
–15%	RMB1,658	RMB44,447,000	–17.54%

Estimation of cypress volume

Variance	Volume per m^3	Fair value	% Change
15%	82,839	RMB58,222,000	8.01%
10%	79,237	RMB56,855,000	5.48%
5%	75,636	RMB55,445,000	2.86%
0%	72,034	RMB53,902,000	0.00%
–5%	68,432	RMB52,241,000	–3.08%
–10%	64,831	RMB50,512,000	–6.29%
–15%	61,229	RMB48,613,000	–9.81%

Estimation of cypress growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.43%	RMB58,011,000	7.62%
2%	7.43%	RMB56,545,000	4.90%
1%	6.43%	RMB55,190,000	2.39%
0%	5.43%	RMB53,902,000	0.00%
–1%	4.43%	RMB52,687,000	–2.25%
–2%	3.43%	RMB51,561,000	–4.34%
–3%	2.43%	RMB50,483,000	–6.34%

(iv) ***Senbo Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	20.51%	RMB70,956,000	–9.35%
2%	19.51%	RMB73,273,000	–6.39%
1%	18.51%	RMB75,710,000	–3.28%
0%	17.51%	RMB78,275,000	0.00%
–1%	16.51%	RMB80,977,000	3.45%
–2%	15.51%	RMB83,826,000	7.09%
–3%	14.51%	RMB86,831,000	10.93%

Cypress market price

Variance	Market price per m^3	Fair value	% Change
15%	RMB2,243	RMB90,919,000	16.15%
10%	RMB2,145	RMB86,704,000	10.77%
5%	RMB2,048	RMB82,490,000	5.38%
0%	RMB1,950	RMB78,275,000	0.00%
–5%	RMB1,853	RMB74,061,000	–5.38%
–10%	RMB1,755	RMB69,846,000	–10.77%
–15%	RMB1,658	RMB65,632,000	–16.15%

Estimation of cypress volume

Variance	Volume per m^3	Fair value	% Change
15%	107,951	RMB85,486,000	9.21%
10%	103,257	RMB83,211,000	6.31%
5%	98,564	RMB80,796,000	3.22%
0%	93,870	RMB78,275,000	0.00%
–5%	89,177	RMB75,583,000	–3.44%
–10%	84,483	RMB72,814,000	–6.98%
–15%	79,790	RMB69,815,000	–10.81%

Estimation of cypress growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.43%	RMB84,038,000	7.36%
2%	7.43%	RMB81,997,000	4.76%
1%	6.43%	RMB80,066,000	2.29%
0%	5.43%	RMB78,275,000	0.00%
–1%	4.43%	RMB76,546,000	–2.21%
–2%	3.43%	RMB74,988,000	–4.20%
–3%	2.43%	RMB73,469,000	–6.14%

Selling and Distribution Costs

The selling and distribution costs of the Group decrease from RMB0.9 million for the year ended 31 December 2015 to approximately RMB0.3 million for the year ended 31 December 2016. The selling and distribution costs were mainly attributable to the transportation costs incurred by the biomass fuel business.

Administrative Expenses

The administrative expenses of the Group increase by approximately 34% from approximately RMB29.8 million for the year ended 31 December 2015 to approximately RMB39.9 million for the year ended 31 December 2016. The increase in administrative expenses was mainly attributable to administrative costs associated with the container houses business.

Impairment loss recognised in respect of trade receivables

No impairment loss was recognised in respect of trade receivables for the year ended 31 December 2016 (2015: RMB0.335 million).

Finance Costs

The finance costs include mainly interests on (i) the promissory notes (being the Note B as stated above), bearing 3% interest per annum and with the principal amount of HK$144 million issued on 28 May 2013; (ii) the promissory notes (being the Series A Note as stated above) bearing 10% interest per annum with the principal amount of HK$50,000,000 issued on 16 August 2016; (iii) the corporate bonds issued during the year with the principal amount of HK$30.5 million and at interest rates ranged from 7% to 9% per annum; (iv) the convertible bonds issued during the year with the aggregate principal amount of HK$34 million and at interest rates ranged from 5% to 8% per annum.

Income Tax Expense

For the year ended 31 December 2016, the income tax expense of the Group was approximately RMB0.65 million (2015: RMB0.01 million), which was attributable to the Hong Kong Profits Tax and the PRC tax imposed on profits of the subsidiaries less the deferred tax credit.

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

As a result of the above changes, the Company has recorded a loss of approximately RMB53.4 million, representing a decrease of approximately 13.59% as compared to a loss of approximately RMB61.8 million for the year ended 31 December 2015. The total comprehensive expenses attributable to owners of the Company was approximately RMB56.9 million for the year ended 31 December 2016, which represents a decrease of approximately 10.62% compared to approximately RMB63.7 million for the year ended 31 December 2015.

Basic Loss per Share

Basic loss per share for the financial year ended 31 December 2016 amounted to RMB1.53 cents (2015: RMB2.15 cents), representing a decrease of approximately 28.84% as compared to that for the previous financial year.

LOANS RECEIVABLE

During the financial year ended 31 December 2016, a subsidiary of the Company entered into agreements with certain independent third parties, pursuant to which loans in the aggregate principal amount of HK$45,000,000 (2015: HK$45,750,000) at the interest rate from 6% to 9.6% per annum and with the maturity dates from two years from the loan drawdown date were made by the said subsidiary to such parties. Certain of the loans receivable with the total principal amount of HK$60,500,000 (2015: HK$37,000,000) are secured by machineries and goods (2015: by machineries) held by other borrowers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed a total of 57 employees (125 as at 31 December 2015). Total staff costs for the year under review, including the Directors' remuneration and termination benefits, amounted to approximately RMB6.8 million (2015: approximately RMB12.6 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of the performance and the level of experience of each individual employee. Other employee benefits include contributions to social insurance scheme.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows, fundraising activities and bank borrowings. As at 31 December 2016, the Group had total assets of approximately RMB633.8 million (2015: RMB340.3 million) and net assets of approximately RMB312 million (2015: RMB198.5 million). The Group's cash and bank balances as at 31 December 2016 amounted to approximately RMB35.9 million (2015: RMB40.9 million). As at 31 December 2016, there were no unutilised banking facilities (2015: nil).

As discussed above, the Group has engaged in certain fund raising activities during the year, including the issue of corporate bonds and promissory notes as well as the issue of convertible bonds of the Company under the general mandate.

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

PLEDGE ON ASSETS

During the year ended 31 December 2016, the pledges of the Company's entire equity interest in all subsidiaries under Rongxuan and China Timbers to Maple Reach Limited ("**Maple Reach**") as securities for the notes issued to Maple Reach were released.

COMMITMENTS

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

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for:		
— Plant and machinery	–	1,391

The Group leases certain of its office (2015: office and factory premises) under operating lease arrangements with leases negotiated for an average term of one to three years (2015: one to 20 years) and rentals are fixed over the lease term. At the end of the reporting period, the Group had the following future minimum lease payments under non–cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	4,107	3,021
In the second to fifth year inclusive	3,366	2,130
More than five years	–	506
	7,473	5,657

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (2015: Nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB, being the functional currencies of relevant group entities. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the financial year ended 31 December 2016, the Group did not experience significant exposure to the exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

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.

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 concerning the acquisition of Hengfudelaisi (as detailed above). 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 Hengfudelaisi 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 Hengfudelaisi 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 said acquisition agreement materialize in the future.

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

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 50.8% as at 31 December 2016 (31 December 2015: 41.7%).

The increase in the gearing ratio of the Group is primarily attributable to the repayment of the new issued of promissory note, corporate bonds and convertible bonds.

During the year ended 31 December 2016, the Company redeemed part of the Note D with the principal amount of HK$8,000,000 for cash consideration of HK$8,000,000. As at 31 December 2016, the Notes B, C and D with the principal amount of HK$102,503,000 (2015: HK$27,503,000) remained outstanding.

CAPITAL STRUCTURE

The capital structure of the Group consisted of net debt, which includes promissory notes payable (as detailed above), corporate bonds payable and convertible bonds payable, and equity attributable to owners of the Company, comprising issued share capital and reserves. Pursuant to the resolutions passed at the Company's extraordinary general meeting held on 8 July 2015, the Company effected a share capital subdivision that every one issued and unissued shares of HK$0.01 each in the Company were subdivided into five subdivided share of HK 0.002 each. As at 31 December 2016, the total number of the ordinary shares of the Company in issue was 3,678,453,463 shares (2015: 3,016,284,395 shares). The total equity attributable to the owners of the Company as at 31 December 2016 was approximately RMB311.9 million (2015: RMB191.8 million).

SUMMARY OF FIVE–YEAR FINANCIAL INFORMATION

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

Results

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	92,438	66,956	26,837	10,132	**20,114**
Gross profit/(loss)	(884)	(1,661)	4,189	(3,312)	**14,654**
Profit/(loss) before tax	(20,037)	(19,632)	(85,201)	(61,773)	**(52,736)**
Profit/(loss) attributable to owners of the Company	(20,037)	(19,632)	(90,322)	(59,854)	**(52,452)**

Assets and Liabilities

	As at 31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non–current assets	26,699	246,825	264,676	280,553	**528,340**
Current assets	66,627	77,852	67,134	59,737	**105,444**
Current liabilities	6,864	7,262	77,314	17,694	**89,496**
Net assets	73,868	81,744	151,586	198,519	**311,900**

EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

In addition to those disclosed in the consolidated financial statements, the following events took place subsequent to year ended 31 December 2016:

The following events took place subsequent to the end of the reporting period:

(a) On 31 December 2016, the Company entered into a subscription agreement with a third party (who is an individual) for the issue of corporate bonds with the principal amount of HK$9,000,000 by the Company to the third party for a consideration of HK$9,000,000. The bonds carry interest at 5% per annum with the maturity period of 5 years from the date of issue. Completion of the issue of these corporate bonds took place on 4 January 2017.

(b) On 2 March 2017, a wholly owned subsidiary of the Company entered into an acquisition agreement with a third party (which is an entity established in the PRC) under which the subsidiary has conditionally agreed to acquire the entire interest in 湘陰中箱置業有限公司 ("**Xiangyin**", an entity established in the PRC) for an aggregate consideration of RMB100,000,000 which will be satisfied by (i) the payment in cash of RMB5,000,000 and (ii) the remaining balance of RMB95,000,000 by the issue of a promissory note with the principal amount of RMB95,000,000 by the Company. Xiangyin is principally engaged in the design, manufacture and distribution of container houses. The principal assets of Xiangyin are approximately 8,000 container houses located in the PRC. Details regarding this proposed acquisition are set out in the announcement dated 2 March 2017 made by the Company.

Completion of the acquisition of Xiangyin by the Group has not taken place up to the date of approval of these consolidated financial statements.

(c) On 20 March 2017, the Company entered into subscription agreement with an independent private investor pursuant to which the subscriber has agreed to subscribe and the Company has agreed to issue corporate bonds in the aggregate principal amount of HK$10,000,000 bearing interest rates of 7% per annum and maturity dates ranging for seven years from the date of issue.

(d) On 23 March 2017, the Company entered into subscription agreement with an independent private investor pursuant to which the subscriber has agreed to subscribe and the Company has agreed to issue corporate bonds in the aggregate principal amount of USD2,000,000 bearing interest rates of 7% per annum and maturity dates ranging for three years from the date of issue.

BOARD OF DIRECTORS

Executive Directors

Mr. Lei Zuliang ("Mr. Lei"), aged 65, is an executive Director, the Chairman of the Board and an authorised representative of the Company. He completed his diploma study in politics at Wuhan University in the PRC in 1988. He served in Chinese military from 1968 to 1990 and was promoted to Lieutenant-Colonel in 1988. From 1990 to 1996, he worked for Dongfeng Motor Corporation. From 1996 to 2001, he was the party secretary general of the department of general affairs and department of infrastructure construction of Hubei University of Automotive Technology. Since 2001, he has held senior positions in various commercial firms. He is currently the president of Yuepengda Forestry (Shenzhen) Company Limited, a wholly owned subsidiary of the Company. He has extensive experiences in corporate business administration and management.

Mr. Wang Yue ('Mr. Wang"), aged 33, is an executive Director and the chief executive officer of the Company. He obtained a bachelor's degree in Business and Economics from the University of Leeds in the United Kingdom in 2004. He has been the general manager of Hunan Kai Xuan Real Estate Development Company Limited*（湖南凱軒房地產開發有限公司）since 2005.

Professor Fei Phillip ("Professor Fei"), aged 60, is an executive Director of the Company. He is the professor of International Economic Department of the University of International Relations (國際關係學院), the Peoples Republic of China. Currently he is the council member of the Chinese Overseas Friendship Association (中華海外聯誼會理事) and the China Council for the Promotion of Peaceful National Reunification (中國和平統一促進會). He is also the specially invited committee member of the Hebei Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese and Foreign Affairs* (河北港澳台僑和外事委員會). He has over 10 years of experience in the international finance, trading business and economic researches.

Non-Executive Directors

Professor Liu Zhikun ("Professor Liu"), aged 61, is a non-executive Director. He graduated with a master's degree in timber logging and transportation at the Northeast Forestry University in the PRC in 1990 and graduated with a bachelor's degree in Central South University of Forestry and Technology in 1982. He is a professor, co-supervisor for doctoral candidates, supervisor for graduates and the vice president for National Engineering and Technology Research Center of Wood-based Resources Comprehensive Utilization in Zhejiang Agricultural and Forestry University. He has been teaching, researching and performing administrative management duties since 1990. Professor Liu's main research works focus on the efficient use of raw material resources, such as wood, bamboo, plywood and etc. He has completed various national and provincial level research projects, and possessed in-depth technical knowledge and achieved fruitful result in the forest industry.

* *for identification purpose only*

Independent Non-Executive Directors

Ms. Tian Guangmei ("Ms. Tian"), aged 55, is an independent non-executive Director. She graduated in accounting at Beijing Trade Finance and Commerce College (北京財貿金融學院) in 1988. Subsequently in 1999, Ms. Tian was awarded the certificate to certify the middle level of specialty in economics — finance by Shenzhen Zhi Cheng Guan Li Office (深圳市職稱管理辦公室). Since 1983, Ms. Tian has held positions in various commercial firms. She is currently the finance manager of Shenzhen Urban Construction Company Limited (深圳市城建集團有限公司).

Mr. Liang Guoxin ("Mr. Liang"), aged 54, is an independent non-executive Director. He graduated with a master's degree in the technical economics from the Harbin Institute of Technology in 1992 and graduated with a bachelor's degree in mechanization of harvesting transportation from Jilin Forestry College in 1984. Mr. Liang has been a senior economist certified by Guangdong Provincial Personnel Department (廣東省人事廳) since 2000. Mr. Liang has extensive experiences in project development and project management. He was the management of Shenzhen Yantian District Urban Development Co. (深圳市鹽田區城建開發公司), from 1999 to 2005. Since 2005, he has been the person in charge of the construction of two golf courses, clubhouse and villa projects of Shenzhen OCT East Co., Ltd. (深圳東部華僑城有限公司).

Mr. Liu Zhaoxiang ("Mr. Liu"), aged 69, is an independent non-executive Director. He graduated with a Bachelor degree in industrial economics and management at the Economics Management and Journal Union University (經濟管理刊授聯合大學) of the PRC in 1986. Mr. Liu has been a member of the Chinese Institute of Certified Public Accountants since 18 March 2000. He has more than 42 years of experience in accounting and auditing, and worked at various stated-owned enterprises, government departments at municipal level and an accounting firm in Hubei Province of the PRC. From 2005 to 2012, Mr. Liu had been a partner of Wongga Partners Certified Public Accountants (SZ) (深圳皇嘉會計師事務所) and since 2012, he has been a chief auditor of the said accounting firm.

Senior Management

Mr. Ding Liang ("Mr. Ding"), aged 44, joined the Group in June 2013 and is the chief financial officer and a joint company secretary of the Company. Mr. Ding holds a bachelor's degree in economics from Shanghai Institute of Foreign Trade (now known as Shanghai University of International Business and Economics) in 1998. Mr. Ding is a fellow member of the Association of Chartered Certified Accountants and a Certified General Accountant of the Association of Canada. Mr. Ding has over 11 years' experience in auditing, accounting and finance industry. He is currently the assistant company secretary of the Company. Prior to joining the Company, he has served as a financial controller of a company listed on the TSX Venture Exchange in Canada.

Mr. Leung Man Kit ("Mr. Leung"), aged 40, joined the Group in March 2014 and is the assistant to Chairman, project director, a joint company secretary and an authorised representative of the Company. Mr. Leung is a Fellow Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants as well as a Fellow Member of the Association of International Accountants, Fellow Member of the Taxation Institute of Hong Kong and also an Associate Member of The Society of Chinese Accountants and Auditors. He obtained a Master Degree of Business Administration in Financial Management from The University of Hull in the United Kingdom. Mr. Leung has over 13 years of audit and tax experience from various listed and private companies in Hong Kong and the PRC. He is also experienced in carrying out compliance duties of companies listed on the Stock Exchange. Mr. Leung was an executive director of Modern Beauty Salon Holdings Limited (Stock Code: 919), a company listed on the Main Board of the Stock Exchange, from 15 September 2010 to 13 February 2014.

The Directors are pleased to present this Annual Report together with the audited financial statements of the Group for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 46 to the consolidated financial statements. In 2016, the Group has positioned the forestry management business, container houses business, biomass fuel business, and money lending business as its core businesses. As at 31 December 2016, the long and medium lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu, 21,045 Chinese Mu, 9,623 Chinese Mu and 13,218 Chinese Mu in the **Dali Forest**, the **Hengchang Forest**, the **Kunlin Forest** and the **Senbo Forest**, respectively.

The Group harvested timber logs of approximately 350 cubic metres (2015: 400 cubic metres) in the **Hengchang Forest** during the year ended 31 December 2016. Regarding the biomass fuel business, the Group produced approximately 1,827 tons of biomass fuel (2015: 11,000 tons), contributing to 11% (2015: 83%) of the total revenue for the year ended 31 December 2016.

An analysis of the Group's performance for the financial year ended 31 December 2016 by business and geographical segments is set out in Note 6 to the consolidated financial statements of this Annual Report.

FINANCIAL RESULTS

The performance of the Group for the year ended 31 December 2016 and the Group's financial position at that date are set out in the consolidated financial statements on pages 64 to 154 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2016 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for (%)
Purchase	
— the largest supplier	16%
— the five largest suppliers combined	64%
Sales	
— the largest customer	8%
— the five largest customers combined	26%

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2016 are set out in Note 15 to the consolidated financial statements of this Annual Report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements of this Annual Report.

BORROWINGS

The Group has no secured bank borrowings as at 31 December 2016. Details of promissory notes, corporate bonds payable and convertible bonds payable by the Group are set out in Note 27, Note 28 and Note 29 respectively.

GROUP FINANCIAL SUMMARY

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

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

Impact of local and international regulations

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

Currency risk

No revenue derived by the Group in respect of the years ended 31 December 2016 was denominated in foreign currencies. Substantially all of the costs incurred for both of the years ended 31 December 2016 was denominated in functional currencies of the group entities. As at 31 December 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 31 December 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.

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The Group has concentration of credit risk as 10% (2015: 58%) and 34% (2015: 93%) of the total trade receivables was due from the Group's largest customer and the five largest customers. The Group's concentration of credit risk by geographical location is mainly in the PRC which accounted for all of the total trade receivables as at 31 December 2016 and 31 December 2015.

Liquidity risk

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

FUTURE DEVELOPMENT OF THE BUSINESS

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors knowledge, at least 25% of the Company's issued shares was held by the public throughout the year ended 31 December 2016.

RESERVES

Details of movements in the reserves of the Company and the Group during the financial year ended 31 December 2016 are set out in Note 45 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company does not have any reserve available for distribution to owners (2015: nil).

DIRECTORS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE AGREEMENT

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

As at 31 December 2016, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position/short position in shares of the Company

Name	Capacity	Long position/ short position	Number of ordinary shares	Percentage of issued share capital (Note 1)
Lei Zuliang	Beneficial owner	Long Position	7,000,000	0.19
Liang Guoxin	Beneficial owner	Long Position	30,000	0.01
Tian Guangmei	Beneficial owner	Long Position	790,000	0.02
Wang Yue	Beneficial owner	Short Position	318,150,000 (Note)	8.65

Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 31 December 2016 i.e. 3,678,453,463 shares.

2. On 30 June 2016, the Company entered into a subscription 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 is secured by 318,150,000 shares of the Company held by Mr. Wang Yue ("Mr. Wang"). Accordingly, Mr. Wang acquired a short position in respect of such 318,150,000 shares of the Company.

Save as disclosed above, as at 31 December 2016, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2016, so far as is known to the Directors and taking no account of the shares to be issued pursuant to the exercise of any options which may be granted under the share option scheme (as defined below), the following persons (other than the Directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Long position in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
China Construction Bank Corporation	Interest of controlled corporation	426,362,915 (Note 2)	11.59
Central Huijin Investment Limited	Interest of controlled corporation	426,362,915 (Note 2)	11.59
Essence Securities Co. Ltd.	Trustee (other than a bare trustee)	365,780,000	9.95

Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 31 December 2016 i.e. 3,678,453,463 shares.

2. On 30 June 2016, Prosper Talent Limited ("Prosper Talent") entered into a subscription agreement with the Company 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 is secured by 318,150,000 shares of the Company held by Mr. Wang Yue ("Mr. Wang"). These shares comprise of 318,150,000 shares charged in favour of Prosper Talent by Mr. Wang. Prosper Talent is an indirect wholly owned subsidiary of China Construction Bank Corporation ("CCB") (stock code: 939), the shares of which are listed on the main board of the Stock Exchange. As at 31 December 2016, CCB is owned as to approximately 57.31% by Central Huijin Investment Limited ("Huijin"). Accordingly, Huijin was deemed to be interested in the Shares in which CCB and Prosper Talent were interested by virtue of the SFO.

ANNUAL DIVIDEND

The Board does not recommend the payment of an annual dividend for the financial year ended 31 December 2016 (2015: nil) and there is no closure of the registers of members accordingly.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CONNECTED TRANSACTIONS

No transactions were entered into by the Group during the year ended 31 December 2016, which constitute connected transactions under the Listing Rules.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

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

SHARE OPTION SCHEME ("2015 Scheme")

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

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

Summary of the 2015 Scheme is set out as follows:

(a) Purpose of the 2015 Scheme

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

(b) Participants of the 2015 Scheme

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

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

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

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

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

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

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

(e) Option Period

One year

(f) Consideration and Acceptance of the option

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

(g) Basis of Determining the Exercise Price

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

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

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

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

(h) The remaining life of the 2015 Scheme

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

Details of the share options movements during the year of 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 31 December 2016	Exercise period	% of the total issued share Capital
Directors								
Mr. Lei Zuliang	30 July 2015	0.331	5,000,000	0	5,000,000	0	30 July 2015– 29 July 2016	0
Mr. Wang Yue	30 July 2015	0.331	25,000,000	0	25,000,000	0	30 July 2015– 29 July 2016	0
Professor Fei Phillip	30 July 2015	0.331	3,000,000	0	3,000,000	0	30 July 2015– 29 July 2016	0
Mr. Long Weihua[(1)]	30 July 2015	0.331	2,500,000	0	2,500,000	0	30 July 2015– 29 July 2016	0
Professor Liu Zhikun	30 July 2015	0.331	1,500,000	0	1,500,000	0	30 July 2015– 29 July 2016	0
Mr. Zhou Xianyan[(2)]	30 July 2015	0.331	1,500,000	0	1,500,000	0	30 July 2015– 29 July 2016	0
Ms. Tian Guangmei	30 July 2015	0.331	1,500,000	0	1,500,000	0	30 July 2015– 29 July 2016	0
Mr. Liang Guoxin	30 July 2015	0.331	1,500,000	0	1,500,000	0	30 July 2015– 29 July 2016	0
Mr. Liu Zhaoxiang	30 July 2015	0.331	1,500,000	0	1,500,000	0	30 July 2015– 29 July 2016	0
Subtotal			43,000,000	0	43,000,000	0	30 July 2015– 29 July 2016	0
Employees	30 July 2015	0.331	70,796,145	43,000,000	27,796,145	0	30 July 2015– 29 July 2016	0
Others	30 July 2015	0.331	162,500,000	96,500,000	66,000,000	0	30 July 2015– 29 July 2016	0
Total			276,296,145	139,500,000	136,796,145	0		0

Notes:

1. Mr. Long Weihua resigned as an executive Director with effect from 9 December 2016.

2. The board of directors has resolved to remove Mr. Zhou Xianyan as a non-executive Director with effect from 30 August 2016.

For the value of options granted and the accounting policy adopted for the share options, please refer to Note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in Note 35 to the consolidated financial statements.

CORPORATE GOVERNANCE

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

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company will be published on the website of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at www.hkex.com.hk and the website of the Company at www.chinacaflc.com, as well as despatched to shareholders of the Company in due course.

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2013, 2014, 2015 and 2016 were audited by CCTH CPA Limited, who would retire at the forthcoming AGM of the Company and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the AGM to re-appoint CCTH CPA Limited as auditors of the Company.

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 30 March 2017

SCOPE AND REPORTING PERIOD

This is the first Environmental, Social and Governance ("**ESG**") report by the Group in compliance with the environmental, social and governance reporting guidelines as set out in Appendix 27 of the Listing Rules.

The Group is principally involved in forestry management. This ESG report focuses on the Group's overall performance in two subject areas, namely, environmental and social, covering the offices in Shenzhen and Hong Kong, as well as the forest operations in Sichuan and Yunnan Provinces from 1 January 2016 to 31 December 2016, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business meet its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at info@chinacaflc.com.

CHINA AGROFORESTRY'S SUSTAINABILITY MISSION AND VISION

Mission

The Group focuses on low carbon and environmental protection, and forms modern low-carbon forestry industry chain and low-carbon agriculture industry chain.

For low-carbon forestry industry chain, the Group uses existing forest resources for forest timber felling, forest transformation and carbon sequestration forest management, uses the acquired high-quality raw materials for deep timber processing and reconstructs the low-function forest to enhance the added value of the forest. The residues of the development of processing and reconstruction of low-function forest are used for the production of solid biomass pellet fuels, the energy management contract business and the conversion of biomass pellet fuels into gas, heat and other biomass energy which are produced for sale by the Group directly. The business covers the whole recycling industry chain of forest resources development.

Forest Development

Low-yield forest reconstruction and management: The Company reconstructs the forest land over which the Company has ownership and improves the comprehensive development and utilization benefits of the forest land. According to the unified planning and design, long production cycle and low quality of the low-yield forest are replaced by fast-growing plantations which have a lumber period of 8-10 years and higher quality. This in turn creates a shorter cycle business structure of reconstruction (replacement & afforestation) — felling — reforestation — felling.

A. *Environmental*

Type of emissions the Group involved in the reporting period was mainly electricity, water and paper. The business does not involve in generation of packaging and hazardous waste, or production-related air, water, and land pollutions which are regulated under national laws and regulations. There is no reported material violation of the relevant environmental laws in 2016.

Total floor area coverage for the Group was 897.81 m^2 for the offices in Shenzhen and Hong Kong and total forest land of 2,279.92 hectares with forest reserve of 350,359 m^3 from forest in Sichuan and Yunnan Provinces, in which over 80% of the forest were plantation and over 78% of the forest in which the trees were aged between 21 and 30 years.

1. *Greenhouse Gas Emission*

(i) Greenhouse Gas Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of CO_2e)	Total Emission (in percentage)
Scope 1			
Direct Emission	NA	NA	NA
Scope 2			
Indirect Emission	Purchased Electricity[2]	17.28	72.76%
Scope 3			
Other Indirect Emission	Paper Consumption	1.28	27.24%
	Water Consumption	5.19	
Total		23.75	

Note 1: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Combined margin emission factor (average) of 0.88 t-CO2/MWh was used for emission of purchased electricity in Mainland China.

There was 23.75 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.026 tCO_2e/m^2.

Electricity

Electricity consumption by the Group's office operations in 2016 was 20,514.12 kWh, with an energy intensity of 22.85 kWh/m^2. The offices continue to practice energy saving measures such as turning off lights before leaving work, installing motion sensors for meeting rooms and corridors, purchasing energy saving equipment and having notices or signs on to remind employees to be more aware of conserving energy.

Non-hazardous Waste

Non-hazardous waste from the Group's operation were mainly office paper. A total of 0.27 tonnes of paper has been used for daily office operations, contributing to 1.28 tonnes of carbon dioxide equivalent. The Group adopts paper saving practices, such as encouraging employees to use duplex printing to minimize paper consumption. Trays are placed next to photocopiers for collecting single-sided paper for reusing and recycling purposes.

Water

Water consumption by the Group's office operations in 2016 was 12,760.60 m^3, with a water intensity of 14.21 m^3/m^2.

2. *Forestry Practices*

Logging Permit

The number of logging permits the Group applies for from district Forestry Department annually depends on its production need. In 2016, logging activities, carried out by contracted forest workstations, only used 6 logging permits, covering an area of 20 hectares, forest reserve of 350 m^3, and a production volume of 131.91 m^3.

Selective Cutting

The Group practices selective cutting such as removing low value, defective, crooked, densely packed and diseased trees, harvesting only mature trees, keeping optimal stand density, removing shrubs, weeds and vines to provide better growing environment and strengthen the growth rates of the remaining trees.

Monthly Inspection and Annual Evaluation

The Group has arranged management to closely monitor and conduct monthly inspection on unauthorized activities or illegal logging, fire hazard, pest or diseases, etc. Any concerns or problems observed during inspection would be handled by the contracted forest workstations at the forest and remediation or rectification works will be carried out promptly according to the onerous entrusted maintenance management contract between the Group and the contracted forest workstations where the woodlands locate.

The Group has also hired external tree specialist to conduct tree assessment to evaluate tree health and conditions. Overall, the tree health was in good condition in 2016, and there was no signs of woods, standing or lying, threatened by pests of diseases or susceptible to tree decay in the reporting period.

B. Social

1. *Employment and Labour Practices*

(i) Employment

The Group has a total number of 38 employees as of 31 December 2016, in which all employees were Chinese and full time staff. A total of 14 employees in senior management, in which 10 of them were male and 4 of them were female.

Employees are entitled to statutory holidays, various types of paid leave (annual, marriage, maternity, compassionate, sick or work-related injury), mandatory provident fund and basic social insurance (pension, medical, unemployment, work-related injury and maternity). The employment contracts also sets out clearly about the working hours, rest periods, compensation, equal opportunity, individual's commitment to the Group, and procedures for termination or dismissal. There is no reported material violation of the relevant employment laws in 2016.

Turnover

There was no turnover in the reporting period.

(ii) Employee Health and Safety

The Group maintains frequent communication with the forest workstations regarding management of forestry logging activities, safety measures and implementation of fire preventive measures. The Group has no standard Health and Safety Policy.

Occupational Health and Safety Data concerning the Group's Business	
	2016
Work related fatality	0
Work injury cases >3 days	0
Work injury cases <3 days	0
Lost days due to work injury	0

(iii) Development and Training

In 2016, the Group has conducted trainings for directors and senior management taught by Hong Kong lawyers, as well as corporate management and financial training for middle level managers. In addition to the 110 training hours completed by above mentioned employees, each employee was encouraged to attend optional webinar with not less than 10 training hours completed per employee. A total of 110 hours training courses was conducted in the reporting period.

(iv) Labour Standard

All employment and recruitment strictly abide by relevant laws and regulation in Hong Kong operation, and Labour Law and Labour Contract Law of the People's Republic of China. No child nor forced labour is allowed in the Group's operation as stated clearly in the Employment Contract.

2. *Operating Practices*

(i) Supply Chain Management

The Group has signed agreement with local district for setting up designated forest workstations to handle forest management practices. The Group conducts annual assessment on the performance of contracted forest workstations, in which the Group would adjust the contract fee with forest workstations accordingly.

(ii) Product Responsibility

The Group has not established any product responsibility policy, and did not receive any product or service complaints in 2016.

(iii) Anti-corruption

The Group has policy on anti-corruption. All directors and employees are required to strictly follow the Group's policy to prevent potential bribery, extortion, fraud and money laundering.

C. Community

1. *Community Investment*

The Group has not participated in any community investment.

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the code provisions (the "**Code Provisions**") contained in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules as the Company's code of corporate governance. Throughout the year ended 31 December 2016, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exception of Code Provisions A.1.8 and A.4.1 as addressed below:

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

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

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the Code Provisions during the year of 31 December 2016. The key corporate governance principles and practices of the Company are summarised in this Annual Report.

THE BOARD

Roles and Responsibilities

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

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

Board Composition

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

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

Executive Directors:
Mr. Lei Zuliang *(Chairman)*
Mr. Long Weihua *(Resigned on 9 December 2016)*
Mr. Wang Yue
Professor Fei Phillip

Non-executive Director:
Professor Liu Zhikun
Mr. Zhou Xianyan *(Removed on 30 August 2016)*

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

The biographical details of the Directors and the relationship among the members of the Board are set out in the Biographical Information of Directors and Senior Management on pages 28 to 29 of this Annual Report.

Appointment, Re-Election and Removal of Directors

- On 9 December 2016, Mr. Long Weihua resigned as an executive Director due to his other business commitments which require more of his time.

- On 30 August 2016, Mr. Zhou Xianyan was removed by the board of directors as a non-executive Director on the ground that Mr. Zhou Xianyan had failed to perform his duty during the appointment.

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

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

During the year ended 31 December 2016, the Board complied at all times with the requirement of the Listing Rules relating to the appointment of at least 3 independent non-executive directors representing at least one-third of the board and at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

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

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

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

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

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

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

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

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

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

Delegation to Management

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

Directors' Participation in Continuous Professional Trainings

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

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

Code Provision A.6.7

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

Mr. Liang Guoxin, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 30 May 2016 due to personal reason.

Mr. Liu Zhaoxiang, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 30 May 2016 due to personal reason.

Mr. Zhou Xianyan, a Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 30 May 2016 due to personal reason.

Professor Liu Zhikun, a Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 30 May 2016 due to personal reason.

Independence of non-executive Directors

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

Induction and Development

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

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

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

Board Meetings

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

The following table is the attendance record of each of the Directors at the meetings held during the year of 2016:

Directors	Attendance/Number of meetings
Executive Directors	
Mr. Lei Zuliang *(Chairman)*	36/36
Mr. Long Weihua *(Resigned on 9 December 2016)*	7/36
Mr. Wang Yue	22/36
Professor Fei Phillip	5/36
Non-executive Director	
Professor Liu Zhikun	4/36
Mr. Zhou Xianyan *(Removed on 30 August 2016)*	2/36
Independent non-executive Directors	
Ms. Tian Guangmei	32/36
Mr. Liang Guoxin	5/36
Mr. Liu Zhaoxiang	5/36

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

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

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

DELEGATION BY THE BOARD

Board Committees

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

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

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

- Remuneration Committee
- Nomination Committee
- Audit Committee

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

Nomination Committee

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

The following table is the attendance record of each of the nomination committee members at the meetings held during the financial year ended 31 December 2016:

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

During the year under review, the Nomination Committee met once.

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

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

b. discussed the maximum term of office for INEDs;

c. assessed the independence of INEDs;

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

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

Remuneration Committee

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

The following table is the attendance record of each of the remuneration committee members at the meetings held during the financial year ended 31 December 2016:

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

During the year under review, the Remuneration Committee met Twice.

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

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

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

c. approved the remuneration package of Directors and Management;

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

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

Audit Committee

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

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

The audit committee has reviewed the accounting principles and practices adopted by the Company, the annual results of the Group during the year ended 31 December 2016 as well as auditing, internal control and financial reporting matters, including the consolidated financial statements for the year ended 31 December 2016. The audit committee is of the view that the Group's consolidated financial statements for the year under review are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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

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

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

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

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

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

d. reviewed and considered the proposal of payment of final dividends for the year ended 31 December 2015 and the interim dividend proposal for the six months ended 30 June 2016 and made recommendations to the Board;

e. reviewed and discussed the financial results of the Group for the year ended 31 December 2015 and the first quarter ended 31 March 2016;

f. reviewed and discussed the interim results for the six months ended 30 June 2016, including the interim results announcement and interim report, and made recommendations to the Board;

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

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

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

JOINT COMPANY SECRETARIES

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

The Joint Company Secretaries' biographies are set out in the Board of Directors and senior management section of this Annual Report. In compliance with Rule 3.29 of the Listing Rules, each of Mr. Ding Liang ("**Mr. Ding**") and Mr. Leung Man Kit ("**Mr. Leung**") has undertaken no less than 15 hours of relevant professional training during the financial year ended 31 December 2016.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

Remuneration bands (HK$)	Number of persons
HK$Nil to HK$1,000,000	9
HK$1,000,001 to HK$2,000,000	–
Over HK$2,000,000	–

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the year ended 31 December 2016.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs, results, and cash flow of the Group for the year. The financial statements set out on pages 64 to 154 were prepared on a historical cost basis. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. In preparing the financial statements for the year ended 31 December 2016, the Board:

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

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

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

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

For the year ended 31 December 2016, the remuneration paid to the auditors in respect of audit services amounted to RMB879,000 and non-audit service assignment (agreed-upon procedures regarding interim financial information for the six months ended 30 June 2016) amounted to RMB386,000.

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

The reporting responsibilities of the Company's auditor, CCTH CPA Limited, are set out in the Independent Auditors' Report on pages 57 and 63.

Internal Controls and Risk Management

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

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

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

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

- The Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

- During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects of the Group. The systems were considered effective and adequate.

- The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

- The internal audit function of the Group is governed by an appointed professional with Certified Internal Auditor qualification. With the appointment of Chief Audit Executive, the effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses from the audits will be provided, so as to resolve material internal control defects.

- Regarding the handling and dissemination of inside information, the Group has practice policy in place.

SHAREHOLDER RELATIONS

Shareholder Engagement and Communication

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

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

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

(b) ***Putting Forward Proposals at General Meetings***

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

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

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

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

Website: www.chinacaflc.com

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

INVESTOR RELATION

Constitutional Documents

There was no change to the Company's Memorandum and Articles of Association during the financial year ended 31 December 2016. A copy of the Memorandum and Articles of Association is posted on the websites of the Company and the Stock Exchange.

CHANGES AFTER CLOSURE OF THE FINANCIAL YEAR

This Annual Report takes into account the changes that have occurred since the end of the financial year ended 2016 to the date of approval of this Annual Report.

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 30 March 2017

CCTH CPA LIMITED
中正天恆會計師有限公司

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

Opinion

We have audited the consolidated financial statements of China Agroforestry Low-Carbon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 154, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key matter
Valuation of plantation forest assets	
Refer to Note 16 to the consolidated financial statements.	
Management has estimated the fair value less costs to sell of the Group's plantation forest assets at 31 December 2016 to be RMB342 million with loss on change in fair value of RMB27 million recognised in profit or loss in respect of the year ended 31 December 2016. The assessment of the fair value loss costs to sell involves management and external valuers making a number of judgments on the key assumptions and assertions used in the cash flow projections prepared based on financial budgets covering the logging periods, and significant estimates with respect to growth rate, discount rate and the underlying cash flow. We identified the valuation of plantation forest assets as a key audit matter as the magnitude of the plantation forest assets is significant and the valuation involves management's estimates and judgments.	Our procedures in relation to assessing the appropriateness of the valuation of the plantation forest assets included: • We obtained an understanding of the management's internal controls and basis of valuation of the Group's plantation forest assets. • We evaluated the external valuers' competency, capabilities and objectivity. • We obtained an understanding of the valuation methodology and key assumptions used for the valuation. • We discussed with the external valuers, tested the results of their work and, with assistance of our valuation specialists, assessed the reasonableness of the valuation methodology and assumptions used and judgments exercised by management and the external valuers for the valuation based on our knowledge of the forestry industry.

Key audit matter	How our audit addressed the key matter

Business combinations

Refer to Note 38(a) to the consolidated financial statements.

During the year, the Group acquired 100% equity interest in Gorgeous City Investment Limited ("Gorgeous City") for an aggregate consideration of RMB250,000,000. In determining the fair value of the assets and liabilities of Gorgeous City and its subsidiary, Shenzhen Heng Fu Delaisi Intelligent Housing Limited ("Delaisi"), acquired, management reviewed in details the nature of such assets and liabilities and the basis of estimating the fair value.

We identified the acquisition of Gorgeous City as a key audit matter because accounting for acquisition requires the identification and valuation of tangible and intangible assets and the allocation of purchase consideration to assets and liabilities acquired, which involves a number of judgments and assumptions.

Our procedures in relation to the acquisition of Gorgeous City included:

- We considered and challenged management's assessment of the appropriate accounting treatment, the identification and valuation of tangible and intangible assets and the allocation of purchase price to the assets and liabilities acquired.
- Where management has relied on the external valuation for the fair value of the assets and liabilities acquired, we assess the competency, capabilities and objectivity of the valuers and tested the results of their work.
- We also considered the adequacy of the Group's disclosure in respect of the acquisition set out in Note 38(a) to the consolidated financial statements.

Impairment assessments of other intangible assets

Refer to Note 21 to the consolidated financial statements.

As a result of the acquisition of container houses business undertaken by Delasis during the current year, the Group recognised goodwill and other intangible assets amounted to HK$357,000 and HK$134,000,000 respectively.

We focused on the impairment assessment of these significant other intangible assets as management's assessment of the 'value in use' of the cash-generating units (CGUs) of this business involves judgments and estimates about the future results of the business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and discount rates applied to future cash flow forecast.

Our procedures in relation to the impairment assessments included:

- We evaluated and challenged the composition of future cash flow forecasts in each of Delaisi's CGUs, and the process by which they were drawn up, including testing the underlying value in use calculation.
- We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current period actual results with the future plans. We considered the appropriateness of the discount rates adopted by management.

Key audit matter	How our audit addressed the key matter

Valuation of contingent consideration payable

Refer to Notes 30 and 38(a) to the consolidated financial statements.

As a result of the acquisition of Delasis during the year, the Company recognised contingent consideration payable which forms part of the purchase consideration for the acquisition. The contingent consideration payable is carried at fair value on initial recognition and at 31 December 2016 amounted to RMB64,652,000 and RMB41,886,000 respectively, as valued by external valuers, with the gain on change of fair value amounted to RMB22,766,000 recognised in profit or loss in respect of the year ended 31 December 2016.

We identified the valuation of contingent consideration payable as a key audit matter as the magnitude of the contingent consideration payable is significant and the valuation involves management's estimates and judgments.

Our procedures in relation to assessing the appropriateness of the valuation of the contingent consideration payable included:

- We obtained an understanding of the management's internal controls and basis of valuation of the contingent consideration payable.
- We evaluated the external valuers' competency, capabilities and objectivity.
- We discussed with the external valuers, tested the results of their works and assessed the reasonableness of the valuation methodology and assumptions used and judgments exercised by management and the external valuers.

Key audit matter	How our audit addressed the key matter
Recoverability of loans receivable and trade and other receivables	
Refer to Notes 19 and 23 to the consolidated financial statements.	
As at 31 December 2016, the Group had loans receivable amounted to approximately RMB82,574,000. As at that date, the Group had gross trade and other receivables amounted to approximately RMB23,210,000 of which impairment provision amounted to RMB835,000 has been made. Recoverability of the loans receivable and trade and other receivables involved management judgment in assessing the allowance for doubtful debts for individual receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty. We have identified impairment assessment of loans receivable and trade and other receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.	Our procedures in relation to management's impairment assessment of loans receivable and trade and other receivables included: • We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. • We reviewed the agreements and other relevant documents relating to the loans made by the Group. • We assessed the classification and accuracy of individual balances in trade receivables ageing report by testing the underlying invoices on a sample basis. • We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the allowance for doubtful debts made by management for these individual balances. • We assessed the historical accuracy of the estimates made by the management for the allowance for doubtful debts.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2017

Yim Kai Pung
Practising Certificate Number: P02324

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	**20,114**	10,132
Cost of sales and services		**(5,460)**	(13,444)
Gross profit (loss)		**14,654**	(3,312)
Investment and other income	7	**829**	91
Other gains and losses	8	**(9,331)**	(15,173)
Selling and distribution costs		**(344)**	(897)
Administrative expenses		**(39,929)**	(29,802)
Finance costs	9	**(18,615)**	(12,680)
Loss before tax		**(52,736)**	(61,773)
Income tax expense	10	**(654)**	(11)
Loss for the year	11	**(53,390)**	(61,784)
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**(4,447)**	(3,805)
Other comprehensive expense for the year		**(4,447)**	(3,805)
Total comprehensive expenses for the year		**(57,837)**	(65,589)
Loss for the year attributable to:			
Owners of the Company		**(52,452)**	(59,854)
Non-controlling interests		**(938)**	(1,930)
		(53,390)	(61,784)
Total comprehensive expense attributable to:			
Owners of the Company		**(56,899)**	(63,659)
Non-controlling interests		**(938)**	(1,930)
		(57,837)	(65,589)

	Notes	2016	2015
Loss per share:	14		
Basic		**RMB(1.53) cents**	RMB(2.15) cents
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,386**	15,235
Prepaid land lease payments	16	**16,735**	9,117
Plantation forest assets	17	**342,205**	220,977
Deposit paid for acquisition of subsidiaries	18	**–**	–
Loans receivable	19	**42,593**	35,224
Goodwill	20	**357**	–
Other intangible assets	21	**125,064**	–
		528,340	280,553
Current assets			
Inventories	22	**110**	1,529
Trade and other receivables	23	**22,375**	8,463
Loans receivable	19	**39,981**	3,426
Deposits and prepayments	24	**6,369**	5,198
Prepaid land lease payments	16	**465**	237
Derivative financial instruments	29	**206**	–
Bank balances and cash	25	**35,938**	40,884
		105,444	59,737
Current liabilities			
Trade and other payables	26	**8,026**	9,058
Promissory notes payable	27	**44,620**	–
Corporate bonds payable	28	**–**	8,502
Convertible bonds payable	29	**18,292**	–
Contingent consideration payable	30	**15,523**	–
Current tax payable		**3,035**	134
		89,496	17,694
Net current assets		**15,948**	42,043
Total assets less current liabilities		**544,288**	322,596

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Promissory notes payable	27	**39,227**	20,075
Corporate bonds payable	28	**135,532**	104,002
Contingent consideration payable	30	**26,363**	–
Deferred tax liabilities	31	**31,266**	–
		232,388	124,077
Net assets		**311,900**	198,519
Capital and reserves			
Share capital	32	**6,239**	5,115
Reserves		**305,661**	186,773
Total equity attributable to owners of the Company		**311,900**	191,888
Non-controlling interests		**–**	6,631
Total equity		**311,900**	198,519

The consolidated financial statements on pages 64 to 154 were approved and authorised for issue by the board of directors on 30 March 2017 and are signed on its behalf by:

Lei Zuliang
Director

Wang Yue
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Warrants reserve RMB'000 (Note 33)	Share option reserve RMB'000 (Note 34)	Convertible bonds reserve RMB'000	Translation reserve RMB'000	Other reserves RMB'000 (Note b)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	4,431	172,158	10,264	12,877	–	825	18,038	(78,472)	140,121	11,465	151,586
Loss for the year	–	–	–	–	–	–	–	(59,854)	(59,854)	(1,930)	(61,784)
Other comprehensive expense for the year	–	–	–	–	–	(3,805)	–	–	(3,805)	–	(3,805)
Total comprehensive expenses for the year	–	–	–	–	–	(3,805)	–	(59,854)	(63,659)	(1,930)	(65,589)
Recognition of equity-settled share-based payments	–	–	–	5,356	–	–	–	–	5,356	–	5,356
Issue of shares upon:											
— Shares placement and subscription	387	59,509	–	–	–	–	–	–	59,896	–	59,896
— Exercise of share options	116	37,055	–	(5,122)	–	–	–	–	32,049	–	32,049
— Conversion of warrants	181	17,954	(178)	–	–	–	–	–	17,957	–	17,957
Share issue expenses	–	(507)	–	–	–	–	–	–	(507)	–	(507)
Warrants lapsed during the year	–	–	(10,086)	–	–	–	–	10,086	–	–	–
Share options lapsed during the year	–	–	–	(7,755)	–	–	–	7,755	–	–	–
Change in ownership interest in a subsidiary without change of control (Note 46(c))	–	–	–	–	–	–	675	–	675	(2,904)	(2,229)
At 31 December 2015 and 1 January 2016	**5,115**	**286,169**	**–**	**5,356**	**–**	**(2,980)**	**18,713**	**(120,485)**	**191,888**	**6,631**	**198,519**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(52,452)**	**(52,452)**	**(938)**	**(53,390)**
Other comprehensaive expense for the year	**–**	**–**	**–**	**–**	**–**	**(4,447)**	**–**	**–**	**(4,447)**	**–**	**(4,447)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(4,447)**	**–**	**(52,452)**	**(56,899)**	**(938)**	**(57,837)**
Recognition of equity component of convertible bonds	**–**	**–**	**–**	**–**	**6,363**	**–**	**–**	**–**	**6,363**	**–**	**6,363**
Issue of shares upon:	–	–									
— Acquisition of subsidiaries	**771**	**118,165**	**–**	**–**	**–**	**–**	**–**	**–**	**118,936**	**–**	**118,936**
— Exercise of share options	**240**	**42,369**	**–**	**(2,704)**	**–**	**–**	**–**	**–**	**39,905**	**–**	**39,905**
— Conversion of convertible bonds	**113**	**13,260**	**–**	**–**	**(3,065)**	**–**	**–**	**–**	**10,308**	**–**	**10,308**
Share options lapsed during the year	**–**	**–**	**–**	**(2,652)**	**–**	**–**	**–**	**2,652**	**–**	**–**	**–**
Change in ownership interest in a subsidiary (Note 46(c))	**–**	**–**	**–**	**–**	**–**	**–**	**1,399**	**–**	**1,399**	**(1,399)**	**–**
Decrease in non-controlling interests arising on disposal of subsidiary (Notes 39 and 46(c))	**–**	**–**	**–**	**–**	**–**	**–**	**(2,074)**	**2,074**	**–**	**(4,294)**	**(4,294)**
At 31 December 2016	**6,239**	**459,963**	**–**	**–**	**3,298**	**(7,427)**	**18,038**	**(168,211)**	**311,900**	**–**	**311,900**

Notes:

a. Statutory reserves

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

b. Other reserves

Other reserves at 1 January 2015 and 31 December 2016 comprise the following:

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Operating activities		
Loss for the year	**(53,390)**	(61,784)
Adjustments for:		
Tax charge recognised in profit or loss	**654**	11
Finance costs	**18,615**	12,680
Net loss on change in fair value less costs to sell of plantation forest assets	**27,150**	6,084
Amortisation of prepaid land payments	**352**	231
Amortisation of other intangible assets	**8,936**	–
Depreciation of property, plant and equipment	**1,916**	2,887
Harvested timber transferred from plantation forest assets to cost of inventories sold	**241**	347
Loss on change in fair value of derivative financial instruments	**2,668**	–
Loss on early repayment of promissory notes	**1,815**	87
Impairment losses recognised in respect of:		
— property, plant and equipment	**1,025**	6,613
— inventories	**–**	255
— trade receivables	**–**	335
— other receivables	**–**	500
— deposit paid on acquisition of property, plant and equipment	**–**	596
Bank interest income	**(94)**	(18)
Gain on change in fair value of contingent consideration payable	**(22,766)**	–
Gain on disposal of subsidiaries	**(2,510)**	–
Loss on disposal of property, plant and equipment	**–**	15
Share-based payment expenses	**–**	5,356
Net exchange losses	**3,138**	2,440
Operating cash flows before movements in working capital	**(12,250)**	(23,365)
Decrease in inventories	**3,206**	1,320
Increase in loans receivable	**(39,504)**	(33,034)
(Increase) decrease in trade and other receivables	**(2,886)**	14,796
(Increase) decrease in deposits and prepayments	**(1,255)**	17,940
Increase (decrease) in trade and other payables	**2,434**	(2,051)
Cash used in operations	**(50,255)**	(24,394)
Income taxes paid	**(114)**	–
Net cash used in operating activities	**(50,369)**	(24,394)

	Notes	2016 RMB'000	2015 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(506)**	(2,663)
Additions to plantation forest assets		**(776)**	–
Proceeds on disposal of property, plant and equipment		**–**	2
Acquisition of subsidiaries	38	**(55,592)**	–
Proceeds from disposal of subsidiaries	39	**(25)**	–
Interests received		**94**	18
Net cash used in investing activities		**(56,805)**	(2,643)
Financing activities			
Interest paid		**(15,364)**	(11,420)
Proceeds from issue of shares, net of issue expenses		**39,905**	91,453
Proceeds from issue of corporate bonds, net of issue expenses		**20,996**	43,473
Proceeds from issue of promissory notes		**42,345**	–
Proceeds from issue of convertible bonds, net of issue expenses		**28,308**	–
Repayments of corporate bonds		**(8,555)**	(24,902)
Repayment of promissory notes		**(6,844)**	(48,215)
Net cash from financing activities		**100,791**	50,389
Net (decrease) increase in cash and cash equivalents		**(6,383)**	23,352
Cash and cash equivalents at beginning of the year		**40,884**	17,050
Effect of foreign exchange rate changes		**1,437**	482
Cash and cash equivalents at end of the year, represented by:			
Bank balances and cash		**35,938**	40,884

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

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

New and revised HKFRSs applied in the current year

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

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

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

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

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

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

HKFRS 9 Financial Instruments (Continued)

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

Other than disclosed above, the directors of the Company anticipate that the application of the new and revised HKFRSs in issue but not yet effective will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

— has power over the investee;

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold, net of discounts and sales related taxes, services rendered and interest income from money lending business.

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

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

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

— the amount of revenue can be measured reliably;

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

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

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

Income from provision of services is recognised when the relevant services have been rendered by the Group.

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

Leasing

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

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

Leasehold land for own use

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land for own use (Continued)

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

Foreign currencies

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

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

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

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

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

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

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

Share-based payment transactions

Share-based payment transactions of the Company

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

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

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

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

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

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

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

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

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

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

Plantation forest assets

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

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

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

At the time the tree is harvested, the agricultural produce is measured at its fair value less costs to sell at the point of harvest. It is taken out of the plantation forest assets (non-current assets) and accounted for under inventories (current assets).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

Intangible Assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of assets, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible and intangible assets (other than goodwill)

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets (other than goodwill) (Continued)

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

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible bonds

The convertible bonds contain three elements: liability component, derivative component and equity component which are classified in accordance with the substance of the contractual arrangements and the definitions of a financial liability, a derivative financial instrument and an equity instruments. Early redemption option that entitles the Company to redeem the convertible bonds before their maturity is regarded as derivative financial instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The derivative component is measured at fair value at the date of issue and subsequent to that date with any change in fair value recognised in profit or loss. The fair value of the equity component at the date of issue is recognised and included in equity, net of income tax effects, if any, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds (Continued)

Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

Derivative financial instruments

Derivative are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgments in applying accounting policies

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

Approval of logging permits for the plantation forest assets

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

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

Key sources of estimation uncertainty

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

(a) Fair value of plantation forest assets

The Group's plantation forest assets are stated at fair value less costs to sell. In determining the fair value of the plantation forest assets, the net present value approach has been adopted which requires a number of key assumptions and estimates to be made such as the successful application of logging permits, discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation forest assets significantly. Management reviews the assumptions and estimates periodically to identify any significant change in the fair value less costs to sell of the plantation forest assets. The carrying amount of the Group's plantation forest assets as at 31 December 2016 is approximately RMB342,205,000 (2015: RMB220,977,000).

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

Management of the Group determines on a regular basis whether the property, plant and equipment and prepaid lease payments are impaired. Impairment losses for property, plant and equipment and prepaid lease payments are recognised when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on higher of fair value less costs of disposal and value in use. The value in use calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2016, the carrying amounts of property, plant and equipment and prepaid land lease payments are approximately RMB1,386,000 (2015: RMB15,235,000) and RMB17,200,000 (2015: RMB9,354,000) respectively. Impairment losses on property, plant and equipment amounted to RMB1,025,000 (2015: RMB6,613,000) have been recognised to profit or loss in respect of the year. No impairment loss of prepaid land lease payments was recognised in respect of both of the years presented.

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

Key sources of estimation uncertainty (Continued)

(c) Depreciation of property, plant and equipment

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

(d) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, each a difference may impact the amortisation charges for the future years.

(e) Impairment of loans receivable

Management regularly reviews the recoverability of the loans receivable. Appropriate impairment loss for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flows discounted using the original effective interest rate. As at 31 December 2016, the carrying amount of loans receivable is RMB82,574,000 (2015: RMB38,650,000). No impairment loss has been recognised on the loans receivable in respect of both of the years presented.

(f) Impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and other debtors and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors and make allowance for doubtful debts on outstanding receivables by reference to historical experience and debtors' financial position. As at 31 December 2016, the carrying amount of trade and other receivables is approximately RMB22,375,000 (2015: RMB8,463,000). No allowance for doubtful debts (2015: RMB835,000) has been recognised in profit or loss in respect of the year.

(g) Impairment of other tangible and intangible assets (other than goodwill)

If circumstances indicate that the carrying amount of tangible and intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to their recoverable amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates and judgements relating to level of future income and operating costs. Changes in these estimates could have significant impact on the carrying amounts of these assets and could result in additional impairment change or reversal of impairment, if any, in future periods.

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

Key sources of estimation uncertainty (Continued)

(h) Fair value measurements of financial assets and financial liabilities

Some of the Group's financial assets and financial liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 44(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value.

5. REVENUE

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

	2016 RMB'000	2015 RMB'000
Revenue from sales of goods	4,443	9,019
Income from provision of services	10,999	–
Interest income from money lending business	4,672	1,113
	20,114	10,132

6. SEGMENT INFORMATION

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

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

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

(ii) Container Houses Business — provision of services in relation to management, leasing, sale and installation of container houses and related business.

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

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

6. SEGMENT INFORMATION (Continued)

Information regarding the above segments for the years ended 31 December 2016 and 2015 is presented below.

Segment revenues and results

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

For the year ended 31 December 2016

	Forestry Business RMB'000	Container Houses Business RMB'000	Biomass Fuel Business RMB'000	Money Lending Business RMB'000	Total RMB'000
Segment revenue	2,135	10,999	2,308	4,672	20,114
Segment profit (loss)	(28,705)*	713#	(7,311)	4,009	(31,294)
Bank interest income					94
Other unallocated income					735
Gain on disposal of subsidiaries					2,510
Gain on change in fair value of contingent consideration payable					22,766
Loss on change in fair value of derivative financial instruments					(2,668)
Loss on early repayment of promissory notes					(1,815)
Other unallocated expenses					(24,449)
Finance costs					(18,615)
Loss before tax					(52,736)
Income tax expense					(654)
Loss for the year					(53,390)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2015

	Forestry Business RMB'000	Container Houses Business RMB'000	Biomass Fuel Business RMB'000	Money Lending Business RMB'000	Total RMB'000
Segment revenue	607	–	8,412	1,113	10,132
Segment profit (loss)	(7,716)*	–#	(22,384)	990	(29,110)
Bank interest income					18
Other unallocated income					73
Loss on early repayment of promissory notes					(87)
Other unallocated expenses					(19,987)
Finance costs					(12,680)
Loss before tax					(61,773)
Income tax expense					(11)
Loss for the year					(61,784)

		2016 RMB'000	2015 RMB'000
*	Segment loss of Forestry Business before net loss on change in fair value loss less costs to sell of planation forest assets	**(1,555)**	(1,632)
	Net loss on change in fair value loss less costs to sell of plantation forest assets	**(27,150)**	(6,084)
	Segment loss of Forestry Business presented above	**(28,705)**	(7,716)
#	Segment profit of Container Houses Business before amortisation of other intangible assets	**9,649**	–
	Amortisation of other intangible assets	**(8,936)**	–
	Segment profit of Container Houses Business presented above	**713**	–

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

Segment assets and liabilities

Segment assets	2016 RMB'000	2015 RMB'000
Forestry Business	**360,659**	230,365
Container Houses Business	**136,699**	–
Biomass Fuel Business	**2,656**	22,657
Money Lending Business	**82,575**	38,650
Total segment assets	**582,589**	291,672
Unallocated assets	**51,195**	48,618
Consolidated assets	**633,784**	340,290

Segment liabilities	2016 RMB'000	2015 RMB'000
Forestry Business	**3,028**	3,016
Container Houses Business	**743**	–
Biomass Fuel Business	**1,527**	3,466
Money Lending Business	**51**	18
Total segment liabilities	**5,349**	6,500
Unallocated liabilities	**316,535**	135,271
Consolidated liabilities	**321,884**	141,771

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

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

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

Other segment information

For the year ended 31 December 2016

	Forestry Business RMB'000	Container Houses Business RMB'000	Biomass Fuel Business RMB'000	Money Lending Business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss/profit or segment assets						
Additions to non-current assets (Note)	148,620	134,510	499	–	–	283,629
Depreciation of property, plant and equipment	57	14	1,708	–	137	1,916
Amortisation of prepaid land lease payments	343	–	9	–	–	352
Amortisation of other intangible assets	–	8,936	–	–	–	8,936
Loss on disposal of property, plant and equipment	–	–	–	–	–	–
Net loss on change in fair value less costs to sell of plantation forest assets	27,150	–	–	–	–	27,150
Impairment losses recognised in respect of:						
— property, plant and equipment	–	–	1,025	–	–	1,025
— trade receivables	–	–	–	–	–	–
— other receivables	–	–	–	–	–	–
— deposit paid on acquisition of property, plant and equipment	–	–	–	–	–	–

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2015

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

Note: The additions to non-current assets exclude the financial assets.

Geographical information

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

	2016 RMB'000	2015 RMB'000
PRC	**15,442**	9,019
Hong Kong	**4,672**	1,113
	20,114	10,132

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

6. SEGMENT INFORMATION (Continued)

Information about major customers

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

	Revenue generated from	2016 RMB'000	2015 RMB'000
Customer A	Biomass Fuel Business	**N/A[1]**	2,061
Customer B	Biomass Fuel Business	**N/A[1]**	1,958
Customer C	Biomass Fuel Business	**N/A[1]**	1,339

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

7. INVESTMENT AND OTHER INCOME

	2016 RMB'000	2015 RMB'000
Bank interest income	**94**	18
Sundry income	**735**	73
	829	91

8. OTHER GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Gain on disposal of subsidiaries (Note 39)	**2,510**	–
Gain on change in fair value of contingent consideration payable (Note 30)	**22,766**	–
Net loss on change in fair value less costs to sell of plantation forest assets (Note 17)	**(27,150)**	(6,084)
Loss on change in fair value of derivative financial instruments (Note 29(a), (b) and (c))	**(2,668)**	–
Loss on early repayment of promissory notes (Note 27)	**(1,815)**	(87)
Impairment losses recognised in respect of:		
— property, plant and equipment (Note 15)	**(1,025)**	(6,613)
— trade receivables (Note 23(a))	**–**	(335)
— other receivables (Note 23(b))	**–**	(500)
— deposit paid on acquisition of property, plant and machinery	**–**	(596)
Exchange losses, net	**(1,949)**	(943)
Loss on disposal of property, plant and equipment	**–**	(15)
	(9,331)	(15,173)

9. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interests on:		
— promissory notes payable (Note 27)	**6,202**	3,983
— corporate bonds payable (Note 28)	**9,573**	8,502
— convertible bonds payable (Notes 29(a), (b) and (c))	**2,840**	–
— borrowings from a shareholder	**–**	195
	18,615	12,680

10. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Hong Kong Profits Tax	**475**	11
PRC Enterprise Income Tax	**2,413**	–
	2,888	11
Deferred tax credit	**(2,234)**	–
	654	11

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

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

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

10. INCOME TAX EXPENSE (Continued)

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

	2016 RMB'000	2015 RMB'000
Loss before tax	(52,736)	(61,773)
Tax credit at applicable income tax rate	(4,710)	(10,714)
Tax effect of expenses not deductible for tax purpose	9,363	9,378
Tax effect of income not taxable for tax purpose	(4,889)	(801)
Tax effect of tax losses not recognised	890	2,148
Income tax expense for the year	654	11

11. LOSS FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Loss for the year has been arrived at after charging:		
Directors' emoluments	1,655	2,317
Other staff costs	6,036	10,324
Total staff costs (Note i)	7,691	12,641
Auditors' remuneration		
— audit services	879	829
— non-audit services	386	122
Cost of inventories recognised and timber harvested	5,460	13,189
Depreciation of property, plant and equipment	1,916	2,887
Amortisation of prepaid lease payments	352	231
Amortisation of intangible assets	8,936	–
Impairment loss on inventories	–	255
Share-based payment expenses (Note ii)	–	3,130
Loss on disposal of property, plant and equipment	–	15
Operating lease rentals in respect of rented premises	4,292	3,385

Notes:

(i) No share-based payment expenses for the year ended 31 December 2016 were recognised by the Group. The total staff costs for the year ended 31 December 2015 included share-based payment expenses amounted to RMB2,226,000 which are attributable to the directors and other employees of the Group.

(ii) The share-based payment expenses for the year ended 31 December 2015 shown above exclude those attributable to the directors and other employees of the Group.

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

(a) Directors and chief executive

The emoluments paid or payable to each of the directors and chief executive were as follows:

For the year ended 31 December 2016

	Fees RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Lei Zuliang	501	–	–	–	501
Mr. Long Weihua[4]	107	–	–	–	107
Professor Fei Phillip[2]	205	–	–	–	205
Mr. Wang Yue[1]	513	–	–	–	513
Non-executive directors:					
Professor Liu Zhikun	40	–	–	–	40
Mr. Zhou Xianyan[3]	33	–	–	–	33
Independent non-executive directors:					
Ms. Tian Guangmei	173	–	–	–	173
Mr. Liang Guoxin	52	–	–	–	52
Mr. Liu Zhaoxiang	31	–	–	–	31
Total	1,655	–	–	–	1,655

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

(a) Directors and chief executive (Continued)

For the year ended 31 December 2015

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

1 Appointed on 1 July 2015
2 Appointed on 24 July 2015
3 Removed on 30 August 2016
4 Resigned on 9 December 2016

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

During the year ended 31 December 2016, no directors were granted share options in respect of their services to the Group under the share option scheme of the Company. Details of the share options granted during the year ended 31 December 2015 are set out in Note 34 to the Group's consolidated financial statements.

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

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2015: two) were directors of the Company whose emoluments are included in the above disclosures. The emoluments of the remaining three (2015: three) individuals were as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other allowances	1,815	1,378
Retirement benefits scheme contributions	–	14
Share-based payments	–	887
	1,815	2,279

These three highest paid employees (2015: three employees) whose remuneration fell within the following bands are as follows:

	2016	2015
Nil to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	–	1
	3	3

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to any directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emolument during the years ended 31 December 2016 and 2015.

13. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2016 (2015: Nil) nor had any dividend been proposed since the end of the reporting period (2015: Nil).

14. LOSS PER SHARE

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

	2016 **RMB'000**	2015 RMB'000
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(52,452)**	(59,854)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**2,840**	–
Loss on change in fair value of derivative financial instruments	**2,668**	–
Loss on early repayment of promissory notes	**–**	2,086
Interest expense on promissory notes	**–**	188
Loss for the purpose of diluted earnings/loss per share	**N/A**	N/A

	2016 **'000**	2015 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,438,753**	2,780,679
Effect of dilutive potential ordinary shares:		
— Warrants	**–**	48,230
— Convertible bonds	**65,213**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	**3,503,966**	2,828,909

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

15. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2015	11,987	668	9,927	274	379	23,235
Additions	1,416	20	1,191	–	36	2,663
Transferred from deposit paid for acquisition of property, plant and equipment	1,963	–	446	–	–	2,409
Reclassification of construction in progress	–	–	–	415	(415)	–
Disposals	(1,651)	(17)	(786)	–	–	(2,454)
Exchange realignment	–	5	50	–	–	55
At 31 December 2015 and 1 January 2016	**13,715**	**676**	**10,828**	**689**	**–**	**25,908**
Acquisition of subsidiaries (Note 38(a))	**–**	**147**	**–**	**–**	**–**	**147**
Additions	**44**	**23**	**439**	**–**	**–**	**506**
Reclassification of construction in progress	**–**	**–**	**–**	**–**	**–**	**–**
Derecognised on disposal of subsidiaries (Note 39)	**(5,487)**	**(211)**	**(7,322)**	**–**	**–**	**(13,020)**
Exchange realignment	**–**	**6**	**57**	**–**	**–**	**63**
At 31 December 2016	**8,272**	**641**	**4,002**	**689**	**–**	**13,604**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	510	121	531	108	–	1,270
Depreciation provided for the year	1,537	233	1,025	92	–	2,887
Impairment loss recognised in profit or loss	4,809	–	1,347	457	–	6,613
Eliminated on disposals	(114)	(8)	(14)	–	–	(136)
Exchange realignment	–	3	36	–	–	39
At 31 December 2015 and 1 January 2016	**6,742**	**349**	**2,925**	**657**	**–**	**10,673**
Depreciation provided for the year	**864**	**208**	**820**	**24**	**–**	**1,916**
Impairment loss recognised in profit or loss	**372**	**–**	**653**	**–**	**–**	**1,025**
Derecognised on disposal of subsidiaries (Note 39)	**(837)**	**(174)**	**(450)**	**–**	**–**	**(1,461)**
Exchange realignment	**–**	**11**	**54**	**–**	**–**	**65**
At 31 December 2016	**7,141**	**394**	**4,002**	**681**	**–**	**12,218**
CARRYING AMOUNTS						
At 31 December 2016	**1,131**	**247**	**–**	**8**	**–**	**1,386**
At 31 December 2015	6,973	327	7,903	32	–	15,235

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

Following the deterioration of the Group's business of manufacture and sales of biomass fuel products in recent years, management of the Group conducted a review of the economic viability of the Group's property, plant and equipment used in this business and considered it appropriate to recognise impairment loss of RMB1,025,000 (2015: RMB6,613,000) on such assets based on their recoverable amounts. Such impairment loss has been recognised in profit or loss in respect of the year and was included in other gains and loss (Note 8).

16. PREPAID LAND LEASE PAYMENTS

	Note	2016 RMB'000	2015 RMB'000
At 1 January		**9,354**	9,585
Acquired on acquisition of subsidiaries (Note 38(b))		**8,811**	–
Amortised for the year		**(352)**	(231)
Derecognised on disposal of subsidiaries (Note 39)		**(613)**	–
At 31 December		**17,200**	9,354
Analysed for reporting purposes as:			
Non-current asset		**16,735**	9,117
Current asset		**465**	237
		17,200	9,354
Prepaid lease payments in respect of land in the PRC:			
Medium-term lease in Sichuan	(i)	**15,973**	7,483
Medium-term lease in Anhui		**–**	623
		15,973	8,106
Long lease in Yunnan	(i)	**1,227**	1,248
		17,200	9,354

Notes:

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

(ii) The prepaid land lease payments in Anhui, Sichuan and Yunnan are amortised over the terms of relevant land lease ranging from 36 to 63 years.

17. PLANTATION FOREST ASSETS

	Dali Forest RMB'000	Hengchang Forest RMB'000	Kunlin Forest RMB'000	Senbo Forest RMB'000	Total RMB'000
At 1 January 2015	18,276	209,132	–	–	227,408
Harvested timber transferred to cost of inventories sold	–	(347)	–	–	(347)
Changes in fair value less costs to sell (Note 8)	1,779	(7,863)	–	–	(6,084)
At 31 December 2015 and 1 January 2016	20,055	200,922	–	–	220,977
Acquisition of subsidiaries (Note 38(b))	–	–	81,724	66,119	147,843
Other additions during the year	–	776	–	–	776
Harvested timber transferred to cost of inventories sold	–	(241)	–	–	(241)
Changes in fair value less costs to sell (Note 8)	(2,048)	(9,436)	(27,822)	12,156	(27,150)
At 31 December 2016	18,007	192,021	53,902	78,275	342,205

Notes:

(a) **Dali Forest**

On 11 July 2012, the Group acquired the entire equity interest in Rongxuan Forestry Investment Holdings Limited ("Rongxuan") and its subsidiaries (collectively referred to as the "Rongxuan Group") which principally holds plantation forest assets in Dali, Yunnan Province, the PRC ("**Dali Forest**"). The **Dali Forest** had a total leasehold land base of approximately 3,530 Chinese Mu (equivalent to approximately 235 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the **Dali Forest**. During the year under review, approval of the logging permit in respect of the **Dali Forest** was not obtained by the Group and no timber logs were harvested (2015: Nil). As at 31 December 2016, the **Dali Forest** is estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations aged 40 years or older.

(b) **Hengchang Forest**

On 28 May 2013, the Group acquired the entire equity interest in China Timbers Limited ("China Timbers") and its subsidiaries (collectively referred as to the "China Timbers Group") which are principally engaged in the operation and management of the forest in Jiange County, Sichuan Province, the PRC ("**Hengchang Forest**"). The **Hengchang 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 **Hengchang Forest**. During the year under review, timber logs of approximately 350 cubic metres (2015: 400 cubic metres) in respect of the **Hengchang Forest** was harvested and the fair value of the timber logs harvested amounted to approximately RMB241,000 (2015: RMB347,000), which was estimated by reference to their sale prices less costs to less, was transferred to cost of inventories sold. As at 31 December 2016, the **Hengchang Forest** is estimated to comprise approximately 1,389 hectares of Cypress with approximately 13 hectares of tree plantations aged 40 years or older.

17. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(c) Kunlin Forest

On 26 February 2016, the Group acquired the entire equity interest in Exceed Target Investment Group Limited ("Exceed Target") and its subsidiaries (collectively referred to as the "Exceed Target Group") which are principally engaged in the operation and management of the Forests in Zhengxing Town, Jiange County, Sichuan Province, the PRC ("**Kunlin Forest**"). The **Kunlin Forest** had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 641 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 year under review, although approval of the logging permit in respect of the **Kunlin Forest** was obtained by the Group, no timber logs were harvested. As at 31 December 2016, the **Kunlin Forest** is estimated to comprise of approximately 642 hectares of cypress with no tree plantations aged 40 years or older.

(d) Senbo Forest

On 11 October 2016, the Group acquired the entire equity interest in Huxiang International Holdings Limited ("Huxiang") and its subsidiaries (collectively referred to as the "Huxiang Group") which principally holds plantation forest assets in Yixing Town, Jiange County, Sichuan Province, the PRC ("**Senbo Forest**"). The **Senbo Forest** had a total leasehold land base of approximately 13,218 Chinese Mu (equivalent to approximately 881 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 **Senbo Forest**. During the year under review, approval of the logging permit in respect of the **Senbo Forest** was not obtained by the Group and no timber logs were harvested. As at 31 December 2016, the **Senbo Forest** is estimated to comprise of approximately 881 hectares of cypress with approximately 290 hectares of tree plantations aged 40 years or older.

(e) Valuation of Plantation Forest Assets

The Group's plantation forest assets are regarded as biological assets and are carried at 31 December 2016 at fair value less costs to sell, which were valued by Ascent Partners Valuation Service Limited ("Ascent Partners"), independent professional valuers. In view of the non-availability of market value for tree plantations in the PRC, the professional valuers have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at 18.21%, 16.80%, 17.51% and 17.51% for the **Dali Forest**, **Hengchang Forest**, **Kunlin Forest** and **Senbo Forest** respectively, to arrive at the fair value of the plantation forest assets.

17. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(e) Valuation of Plantation Forest Assets (Continued)

The principal valuation methodology and assumptions adopted are as follows:

Applicable to all of ***Dali Forest****,* ***Hengchang Forest****,* ***Kunlin Forest*** *and* ***Senbo 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 impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forests is not taken into account.

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

— The discount rates used in the valuation of the plantation forest assets are determined based on weighted average of cost of capital (WACC).

— Both of the account receivable's period and account payable's period are 30 days.

Applicable to ***Dali Forest***

— Cash flow projection is determined for a period of 10 years up to 2026 which involved 8 years of logging activities with the first year of logging activities taken to be from 2018. Management have assumed that the logging volume during the forecast period is 3,000 cubic meters in 2018, 5,000 cubic meters in 2019, 7,000 cubic meters in 2020, 7,000 cubic meters in 2021, 7,000 cubic meters in 2022, 7,000 cubic meters in 2023, 7,000 cubic meters in 2024 and 2,092 cubic meters in 2025 based on the current best estimated harvesting plan and no logging activities is expected to be carried in the year of 2026. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2017 and onwards.

— The average increment in log sales prices is expected to be 1.19% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 18.21%.

— The inflation rate on operation costs is 3.07% per annum.

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

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

— The expected selling price is based on the sales contract provided by the Company.

17. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(e) Valuation of Plantation Forest Assets (Continued)

Applicable to ***Hengchang Forest***

— Cash flow projection is determined for a period of 11 years up to 2027 which involved 10 years of logging activities with the first year of logging activities taken to be from 2017. Management have assumed that the logging volume during the forecast period is 20,000 cubic meters in 2017, 30,000 cubic meters in 2018, 30,000 cubic meters in 2019, 40,000 cubic meters for the years from 2020 to 2025 and 2,119 cubic meters in 2026 based on the current best estimated harvesting plan and no logging activities is expected to be carried in the year of 2027. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2017 and onwards.

— The average increment in log sales prices is expected to be 1.19% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 16.80%.

— The inflation rate on other operation costs is 3.07% per annum.

— The biological growth rate of Cypress is 5.43%.

— The yielding rate for Cypress is 66%.

— The expected selling price has been derived from market information.

Applicable to ***Kunlin Forest***

— Cash flow projection is determined for a period of 11 years up to 2027 which involved 10 years of logging activities with the first year of logging activities taken to be from 2017. Management have assumed that the logging volume during the forecast period is 8,000 cubic meters in 2017, 10,000 cubic meters for the years from 2018 to 2021, 40,000 cubic meters in 2022, 10,000 cubic meters for the years from 2023 to 2025 and 7,118 cubic meters in 2026 based on the current best estimated harvesting plan and no logging activities is expected to be carried in the year of 2027. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2017 and onwards.

— The average increment in log sales prices is expected to be 1.19% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 17.51%.

— The inflation rate on other operation costs is 3.07% per annum.

— The biological growth rate of Cypress is 5.43%.

— The yielding rate for Cypress is 66%.

— The expected selling price has been derived from market information.

17. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(e) Valuation of Plantation Forest Assets (Continued)

Applicable to ***Senbo Forest***

— Cash flow projection is determined for a period of 10 years up to 2026 which involved 9 years of logging activities with the first year of logging activities taken to be from 2017. Management have assumed that the logging volume during the forecast period is 10,000 cubic meters in 2017, 12,000 cubic meters in 2018, 14,000 cubic meters in 2019, 16,000 cubic meters for the years from 2020 to 2024 and 5,196 cubic meters in 2025 based on the current best estimated harvesting plan and no logging activities is expected to be carried in the year of 2026. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2017 and onwards.

— The average increment in log sales prices is expected to be 1.19% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 17.51%.

— The inflation rate on other operation costs is 3.07% per annum.

— The biological growth rate of Cypress is 5.43%.

— The yielding rate for Cypress is 66%.

— The expected selling price has been derived from market information.

The fair value less costs to sell of the plantation forest assets at 31 December 2016 and 31 December 2015 have been determined based on Level 3 fair value measurement. There has been no change from the valuation technique used in the prior year. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

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

(f) Pledge of plantation forest assets

At 31 December 2014, the equity interests in the Company's subsidiaries which hold the plantation forest assets were pledged to secure the promissory notes payable by the Company (Note 27(a)). Such pledge of the equity interests were released during the year ended 31 December 2015.

(g) Other risks associated with the plantation forest assets

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

Regulatory and environmental risks

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

Climate and other risks

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

17. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

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.

18. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

	2016 RMB'000	2015 RMB'000
Movements of deposits paid for acquisition of subsidiaries:		
At 1 January	–	3,000
Reclassified to other receivables (Note 23(b))	–	(3,000)
At 31 December	–	–

In March 2015, the Company and the vendor entered into the deed of termination to terminate the acquisition agreement. Pursuant to the deed of termination, the vendor shall return the refundable deposit of RMB3,000,000 to the Company. Accordingly, the deposit paid was reclassified as other receivable under current assets.

19. LOANS RECEIVABLE

	2016 RMB'000	2015 RMB'000
Loans and interests thereon receivables		
– within one year	39,981	3,426
– in the second to fifth years	42,593	35,224
	82,574	38,650

	2016 RMB'000	2015 RMB'000
Analysed for reporting purposes:		
Classified under		
— Non current assets	42,593	35,224
— Current assets	39,981	3,426
	82,574	38,650

19. LOANS RECEIVABLE (Continued)

Movements during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**38,650**	3,952
Loan made by the Group	**38,496**	36,750
Interest on loans receivable	**4,506**	1,113
Loan and interest repaid	**(3,498)**	(4,829)
Exchange realignment	**4,420**	1,664
At 31 December	**82,574**	38,650

During the year, a subsidiary of the Company entered into agreements with certain third parties, pursuant to which loans totalled HK$45,000,000 (2015: HK$45,750,000) (equivalent to RMB38,496,000 (2015: RMB36,750,000)) were made by the subsidiary to such parties.

Details of the loans receivables outstanding at the end of the reporting period are as follows:

Loan principal amount HK$'000	Interest rate per annum	Maturity date	Security pledged
12,500	6%	15 June 2017	Note b
12,500	6%	10 June 2017	Note b
12,000	6%	6 July 2017	Note b
3,750	6%	13 July 2017	Nil
16,000	8%	5 January 2018	Note b
7,500	8%	5 January 2018	Note b
12,000	9.6%	3 July 2018	Note c
9,300	9.6%	21 July 2018	Note c
200	8%	11 March 2017	Nil
85,750			

Notes:

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

(b) These loans are secured by certain goods and machineries owned by the borrowers of the loans receivable in the aggregate amount of HK$60,500,000.

(c) The loans are secured by guarantees given by certain PRC individuals.

20. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost		
At beginning of the year	–	–
Acquisition of a subsidiary (Note 38 (a))	357	–
At end of the year	357	–

Goodwill has been allocated for impairment testing purposes to the following group of cash-generating units ("CGU"):

— Provision of services in relation to management, leasing, sale and installation of container houses and related business.

The recoverable amount of this group of cash-generating units is determined based on a value in use which uses cash flow projections based on financial budgets approved by management of the Group covering a six-year period, and discount rate of 33.22% per annum. Cash flow projections during the budget period are based on the same expected gross margins throughout the budget period. The cash flows beyond that six-year period have been extrapolated using a steady 3% per annum growth rate. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of units to exceed the aggregate irrecoverable amount.

21. OTHER INTANGIBLE ASSETS

	Trademark RMB'000	Patent RMB'000	Total RMB'000
Cost			
At beginning of the year	–	–	–
Acquisition of a subsidiary (Note 38(a))	80,000	54,000	134,000
At end of the year	80,000	54,000	134,000
Accumulated amortisation			
At beginning of the year	–	–	–
Amortisation charge for the year	5,079	3,857	8,936
At end of the year	5,079	3,857	8,936
Carrying amount			
At 31 December 2016	74,921	50,143	125,064
At 31 December 2015	–	–	–

21. OTHER INTANGIBLE ASSETS (Continued)

The following useful lives are used in the calculation of amortisation of intangible assets:

Trademark	5.25 years
Patent	4.67 years

The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The carrying amounts of the trademark and patent at 31 December 2016 will be amortised over the remaining useful lives of 4.92 years (2015: Nil) and 4.33 years (2015: Nil) respectively.

22. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**87**	674
Finished goods	**23**	855
	110	1,529

23. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**11,068**	4,887
Other receivables	**11,307**	3,576
	22,375	8,463

(a) Trade receivables

	2016 RMB'000	2015 RMB'000
Trade receivables, gross amount	**11,403**	5,222
Less: allowance for doubtful debts	**(335)**	(335)
Trade receivables, net of allowance for doubtful debts	**11,068**	4,887

23. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

The Group generally allows an average credit period of 90 days (2015: 90 days) to its trade customers, where payment in advance is normally required. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice dates:

	2016 RMB'000	2015 RMB'000
0–90 days	8,830	3,129
91–180 days	1,948	1,628
181–365 days	290	130
Total	11,068	4,887

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

	2016 RMB'000	2015 RMB'000
Past due:		
0–90 days	1,948	1,628
More than 90 days	290	130
Total	2,238	1,758

The trade receivables that are past due but not impaired related to a number of customers. Having considered the credit quality of the customers and past experience of debts settlement, management of the Group is of the view that these trade receivables are fully recoverable and impairment loss on the receivables is not required to be made.

Movements of allowance of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	335	–
Impairment loss recognised (Note 8)	–	335
At 31 December	335	335

23. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables

An analysis of other receivables is as follows:

	2016 RMB'000	2015 RMB'000
Receivables in respect of refundable deposits paid for acquisition of a subsidiary (Note (i) below)	–	3,000
Proceeds receivable from disposal of subsidiaries (Note (ii) below and Note 39)	10,058	–
Sundry receivables	1,749	1,076
	11,807	4,076
Less: allowance for doubtful debts	(500)	(500)
	11,307	3,576

Notes:

(i) On 2 February 2016, the Company entered into an agreement with the vendor for the acquisition of a subsidiary, under which the vendor has agreed for the repayment of the deposit paid of RMB3,000,000 before 30 June 2016. The deposit was repaid by the vendor on 30 June 2016.

(ii) The proceeds receivable from disposal of subsidiaries are unsecured, interest free and repayable on or before 16 August 2017.

Movements of allowance of other receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	500	–
Impairment loss recognised (Note 8)	–	500
At 31 December	500	500

24. DEPOSITS AND PREPAYMENTS

	2016 RMB'000	2015 RMB'000
Other deposits paid	1,843	1,054
Prepayments	4,526	4,144
	6,369	5,198

25. BANK BALANCES AND CASH

At 31 December 2016, the Group's bank balances and cash denominated in RMB amounted to approximately RMB6,193,000 (2015: RMB3,419,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The bank balances carry interests at rates of 0.001% to 0.385% (2015: 0.001% to 0.35%) per annum.

26. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**81**	983
Other payables	**5,859**	5,759
Accrued charges	**2,086**	2,316
	8,026	9,058

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

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

	2016 RMB'000	2015 RMB'000
0–30 days	**–**	332
31–90 days	**–**	409
Over 90 days	**81**	242
Total	**81**	983

27. PROMISSORY NOTES PAYABLE

	2016 RMB'000	2015 RMB'000
Promissory notes payable:		
— issued on 8 January 2013 (Note a)	–	–
— issued on 28 May 2013 (Note b)	22,691	20,075
— issued on 16 August 2016 (Note c)	44,620	–
— issued on 11 October 2016 (Note d)	16,536	–
	83,847	20,075

	2016 RMB'000	2015 RMB'000
Carrying amount payable		
— Within one year	44,620	–
— More than two years, but not exceeding five years	39,227	20,075
	83,847	20,075
Less: Amount shown under current liabilities	44,620	–
Amount shown under non-current liabilities	39,227	20,075

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

The Company issued the Note A in 2013 with the principal amount of HK$190,000,000 to a third party, Maple Reach Limited, for a cash consideration of HK$190,000,000. The Note A carried interest at 15% per annum and was payable on the maturity date with a redemption premium of HK$26,610,000 (the "Redemption Premium"). The Note A with the principal amount of HK$59,024,000 together with the Redemption Premium amounted to HK$8,413,000 remained outstanding at 31 December 2014.

During the year ended 31 December 2015, the Company repaid the remaining part of the Note A with the principal amount of HK$59,024,000 for an aggregate consideration of HK$67,437,000, comprising cash paid by the Company amounted to HK$59,024,000 and the redemption premium payable amounted to HK$8,413,000. The redemption premium payable totalled HK$22,327,000 (equivalent to RMB17,942,000) was settled during the year ended 31 December 2015, which was satisfied by the issue of 69,762,915 new ordinary shares of the Company at the issue price of HK$0.3204 per share (Note 32(d)).

At the end of the reporting period, the Group had no Note A (2015: Nil) remained outstanding.

27. PROMISSORY NOTES PAYABLE (Continued)

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

On 28 May 2013, the Company issued the Note B with the principal amount of HK$144,000,000 as part of the consideration for the acquisition of the entire interest in China Timbers and its subsidiaries (Note 17(b)).

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

The Note B with the principal amount of HK$28,503,000 was outstanding at 31 December 2014. During the year ended 31 December 2015, the Company redeemed part of the Note B with the principal amount of HK$1,000,000 for cash consideration of HK$1,000,000. At the end of the reporting period, the Note B with the principal amount of HK$27,503,000 (2015: HK$27,503,000) remained outstanding. The effective interest rate in respect of the Note B at 31 December 2016 is 14.96% per annum (2015: 14.96% per annum).

(c) Promissory note issued on 16 August 2016 (the "Note C")

On 16 August 2016, the Company issued the Note C with the principal amount of HK$50,000,000 for a cash consideration of the HK$50,000,000.

The Note C, which is secured by the pledge of 318,500,000 ordinary shares of the Company held by Wang Yue, the executive director of the Company, carries interest at 10% per annum and is payable on the maturity date of 15 August 2017.

At the end of the reporting period, the Note C with the principal amount of HK$50,000,000 (2015: Nil) remained outstanding. The effective interest rate in respect of Note C at 31 December 2016 is 8.18% per annum (2015: Nil).

(d) Promissory note issued on 11 October 2016 (the "Note D")

On 11 October 2016, the Company issued the Note D with the principal amount of HK$33,000,000 as part of the consideration for acquisition of the entire interest in Huxiang International Holdings Limited and its subsidiaries (Note 38(b)(ii)).

The Note D, which is unsecured, carries interest at 3% per annum and is payable on the maturity date of 10 October 2019. The Company is also entitled to redeem the whole or part of the Note D at the principal amount at any time before the maturity date.

During the year, the Company redeemed part of the Note D with the principal amount of HK$8,000,000 for cash consideration of HK$8,000,000. At the end of the reporting period, the Note D with the principal amount of HK$25,000,000 (2015: Nil) remained outstanding. The effective interest rate in respect of Note D at 31 December 2016 is 15.08% per annum (2015: Nil).

27. PROMISSORY NOTES PAYABLE (Continued)

(d) Promissory note issued on 11 October 2016 (the "Note D") (Continued)

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

	Note A RMB'000	Note B RMB'000	Note C RMB'000	Note D RMB'000	Total RMB'000
At 1 January 2015	56,322	18,067	–	–	74,389
Interest charge for the year (Note 9)	1,231	2,752	–	–	3,983
Interest paid during the year	(4,441)	(339)	–	–	(4,780)
Promissory notes repaid during the year	(54,170)	(803)	–	–	(54,973)
Loss on early repayment of promissory notes (Note (ii))	30	57	–	–	87
Interest payable included in trade and other payables	–	(816)	–	–	(816)
Exchange realignment	1,028	1,157	–	–	2,185
At 31 December 2015 and 1 January 2016	–	20,075	–	–	20,075
Issue of promissory notes,					
— in cash	–	–	42,345	–	42,345
— for acquisition of subsidiaries (Note 38(b)(ii))	–	–	–	20,412	20,412
Interest charge for the year (Note 9)	–	3,084	2,465	653	6,202
Interest paid during the year	–	(1,014)	(2,139)	–	(3,153)
Promissory notes repaid during the year	–	–	–	(6,844)	(6,844)
Loss on early repayment of promissory notes (Note (i))	–	–	–	1,815	1,815
Interest payable included in trade and other payables	–	(868)	–	–	(868)
Exchange realignment	–	1,414	1,949	500	3,863
At 31 December 2016	–	22,691	44,620	16,536	83,847

Notes:

(i) During the current year, part of the Note C with the aggregate principal amount of HK$8,000,000 was repaid by the Company. The loss on repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK$8,000,000 (equivalent to RMB6,844,000) upon repayment of the Note C over the carrying amount of the note repaid at the dates of repayments, amounted to RMB1,815,000 which has been recognised in profit or loss for the year (Note 8).

(ii) During the year ended 31 December 2015, part of the Note A and Note B with the aggregate principal amount of HK$60,254,000 were repaid by the Company. The loss on repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK$60,024,000 (equivalent RMB48,215,000) and the premium payable amounted to HK$8,413,000 (equivalent to RMB6,758,000) upon repayment of the Note A over the aggregate carrying amount of the notes repaid amounted to HK$68,328,000 (equivalent to RMB54,886,000) at the dates of repayments, amounted to RMB87,000 which has been recognised in profit or loss for the year (Note 8).

28. CORPORATE BONDS PAYABLE

	2016 RMB'000	2015 RMB'000
Unsecured corporate bonds payable:		
— Within one year	–	8,502
— More than one year, but not exceeding two years	–	–
— More than two years, but not exceeding five years	**52,951**	15,359
— More than five years	**82,581**	88,643
	135,532	112,504
Less: Amount shown under current liabilities	–	(8,502)
Amount shown under non-current liabilities	**135,532**	104,002

Movements of the corporate bonds payable are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**112,504**	84,843
Proceeds received on issue of corporate bonds, net of interest prepaid	**22,296**	44,750
Transaction costs incurred for issue of bonds	**(1,300)**	(1,277)
Interest charge for the year (Note 9)	**9,573**	8,502
Repayments of corporate bonds during the year	**(8,555)**	(24,902)
Interest paid during the year	**(6,848)**	(4,954)
Interest payable included in trade and other payables	**(428)**	(643)
Exchange realignment	**8,290**	6,185
At 31 December	**135,532**	112,504

28. CORPORATE BONDS PAYABLE (Continued)

During the current year, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK$30,500,000 (2015: HK$57,600,000), which gave rise to a total proceeds of HK$30,500,000 (2015: HK$55,710,000) (equivalent to RMB26,092,000 (2015: RMB44,750,000)) (before expenses).

During the current year, the Company repaid part of the corporate bonds with the principal amount of HK$10,000,000 (2015: HK$31,000,000) for a consideration of HK$10,000,000 (2015: HK$31,000,000) (equivalent to RMB8,554,600 (2015: RMB$24,902,000)). At the end of the reporting period, the corporate bonds payable with the principal amount of HK$161,200,000 (2015: HK$140,700,000) remained outstanding.

An analysis of the corporate bonds payable outstanding at the end of the reporting period is as follows:

Date of issue	Principal amount of corporate bonds HK$	Interest rate per annum	Maturity date
17 January 2014	5,000,000	7.0%	16 January 2021
26 February 2014	5,000,000	7.0%	25 Feburary 2021
10 March 2014	5,000,000	7.0%	9 March 2021
8 April 2014	10,000,000	4.0%	7 April 2022
8 April 2014	5,000,000	7.0%	7 April 2021
15 April 2014	10,000,000	6%	14 April 2022
17 April 2014	10,000,000	6%	16 April 2022
7 May 2014	10,000,000	6%	6 May 2022
12 May 2014	5,000,000	6%	11 May 2022
28 May 2014	5,000,000	7.0%	27 May 2021
5 June 2014	3,000,000	7.0%	4 June 2021
18 June 2014	10,000,000	5%	17 June 2022
20 August 2014	6,700,000	6%	19 August 2019
5 September 2014	4,400,000	6%	4 September 2020
17 October 2014	10,000,000	5%	16 October 2022
18 March 2015	10,000,000	5.5%	17 March 2022
21 August 2015	3,000,000	7.0%	20 August 2019
13 October 2015	6,600,000	6.5%	12 October 2021
25 November 2015	7,000,000	7.0%	24 November 2019
8 January 2016	10,500,000	7.0%	7 January 2020
16 November 2016	6,900,000	9.0%	15 May 2024
19 November 2016	10,000,000	7.0%	18 November 2023
29 November 2016	3,100,000	9.0%	28 May 2024
	161,200,000		

The effective interest rate of the corporate bonds payable in respect of the current year ranged from 4.15% to 11.86% per annum (2015: 4.15% to 40.11% per annum).

29. CONVERTIBLE BONDS

	Liability components		Derivative components		Equity components	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Carrying amount of converitble bonds issued on						
– 22 January 2016	**–**	–	**–**	–	**–**	–
– 12 April 2016	**18,292**	–	**(206)**	–	**3,298**	–
– 25 April 2016	**–**	–	**–**	–	**–**	–
At end of the year	**18,292**	–	**(206)**	–	**3,298**	–

(a) Convertible bonds issued on 22 January 2016 (the "Bond A")

On 22 January 2016, the Company issued 5% convertible bonds due on 21 January 2017 with the principal aggregate amount of HK$9,000,000 to a third party for a cash consideration of HK$9,000,000 (equivalent to approximately of RMB7,557,000). The Bond A can be converted into ordinary shares of the Company at an initial conversion price of HK$0.175 per share for the period from three months following the date of the issue of convertible bonds to the maturity date of 21 January 2017. The Company is entitled to redeem all or part of the Bond A after six months from the date of issue at the consideration which is equal to the principal amount of the bonds redeemed together with any accrued interest.

Under the terms of the Bond A, unless previously redeemed, converted, or purchased and cancelled, the outstanding Bond A is redeemed on 21 January 2017 at 105% of principal amount of the bonds.

During the year ended 31 December 2016, all the Bond A with an aggregate principal amount of HK$9,000,000 were fully converted into approximately 51,360,000 new shares of the Company at the initial conversion price.

The Bond A contains three components: liability, equity (the conversion right) and derivative (the redemption right) elements. The fair value of the liability component, equity component and derivative component at the date of issue was valued by Ascent Partners Valuation Service Limited ("Ascent Partners"), an independent firm of business and financial services valuers. The fair value of the liability component at the date of issue was estimated using the effective interest rate of approximately 22% per annum. The fair value of the equity component and derivative component at the date of issue was valued using the Binomial Model. The inputs into the model are as follows:

Risk-free rate	1.18%
Expected volatility	91.72%
Expected life	1 year
Dividend yield	Nil

The risk-free rate was determined with reference to the Hong Kong Sovereign zero coupon yield with maturity matching that of the Bond A.

The expected volatility was determined based on the historical volatility of the share prices of the Company.

29. CONVERTIBLE BONDS (Continued)

(a) Convertible bonds issued on 22 January 2016 (the "Bond A") (Continued)

Movements of the liability component, derivative component and equity component of the Bond A for the year are set out below:

	Liability component RMB'000	Derivative component RMB'000	Equity component RMB'000	Total RMB'000
Fair value of Bond A at date of issue	6,488	(546)	1,615	7,557
Transaction costs incurred for issue of Bond A	(23)	–	(6)	(29)
Carrying amount at date of issue	6,465	(546)	1,609	7,528
Imputed interest charge for the year (Note 9)	380	–	–	380
Interest paid during the year	(93)	–	–	(93)
Loss on change in fair value	–	556	–	556
Converted during the year	(6,701)	–	(1,609)	(8,310)
Exchange realignment	(51)	(10)	–	(61)
At 31 December 2016	–	–	–	–
At 31 December 2015	–	–	–	–

(b) Convertible bonds issued on 12 April 2016 (the "Bond B")

On 12 April 2016, the Company issued 8% convertible bonds due on 11 April 2017 at the principal amount of HK$20,000,000 to a third party for a cash consideration of HK$20,000,000 (equivalent to approximately RMB16,663,000). The Bond B can be converted into ordinary shares of the Company at an initial conversion price of HK$0.31 per share for the period from three months following the date of the issue of the bonds to the maturity date of 11 April 2017. The Company is entitled to redeem all or part of the Bond B after six months from the date of issue at the consideration which is equal to the principal amount of the bonds redeemed together with any accrued interest.

Under the terms of the Bond B, unless previously redeemed, converted, or purchased and cancelled, the outstanding Bond B will be redeemed on 11 April 2017 at 108% of the principal amount of the bonds.

No part of the Bond B were converted into ordinary shares of the Company during the year ended 31 December 2016, the convertible bonds with an aggregate principal amount of HK$20,000,000 were wholly remained outstanding at the end of the reporting period (2015: Nil).

29. CONVERTIBLE BONDS (Continued)

(b) Convertible bonds issued on 12 April 2016 (the "Bond B") (Continued)

The Bond B contains three components: liability, equity (the conversion right) and derivative (the redemption right) elements. The fair value of the liability component, equity component and derivative component at the date of issue was valued by Ascent Partners. The fair value of the liability component at the date of issue was estimated using the effective interest rate of 20.35% per annum. The fair value of the equity component and derivative component at the date of issue and the fair value of the derivative component at the end of the reporting period were valued using the Binomial Model. The inputs into the model are as follows:

	Equity component and derivative component (At date of issue)	Derivative component (At 31 December 2016)
Risk-free rate	0.379%	0.702%
Expected volatility	95.36%	77.23%
Expected life	1 year	0.28 year
Dividend yield	Nil	Nil

The risk-free rate was determined with reference to the Hong Kong Sovereign zero coupon yield with maturity matching that of the Bond B.

The expected volatility was determined based on the historical volatility of the share prices of the Company.

Movements of the liability component, derivative component and equity component of the Bond B for the year are as follows:

	Liability component RMB'000	Derivative component RMB'000	Equity component RMB'000	Total RMB'000
Fair value of Bond B at date of issue	14,904	(1,550)	3,309	16,663
Transaction cost incurred for issue of Bond B	(53)	–	(11)	(64)
Carrying amount at date of issue	14,851	(1,550)	3,298	16,599
Imputed interest charge for the year (Note 9)	2,244	–	–	2,244
Loss on change in fair value	–	1,394	–	1,394
Exchange realignment	1,197	(50)	–	1,147
At 31 December 2016	18,292	(206)	3,298	21,384
At 31 December 2015	–	–	–	–

The effective interest rate in respect of the liability component of the convertible bonds payable at 31 December 2016 is 20.35% per annum (2015: Nil).

29. CONVERTIBLE BONDS (Continued)

(c) Convertible bonds issued on 25 April 2016 (the "Bond C")

On 25 April 2016, the Company issued 8% convertible bonds due on 24 April 2018 with the principal amount of HK$5,000,000 to a third party for a cash consideration of HK$5,000,000 (equivalent to approximately of RMB4,198,000). The convertible bonds can be converted into ordinary shares of the Company at an initial conversion price of HK$0.315 per share for the period from three months following the date of the issue of the bonds to the maturity date of 24 April 2018. The Company is entitled to redeem all or part of the outstanding Bond C after six months from the date of issue at the consideration which is equal to the principal amount of the bonds redeemed together with any accrued interest.

Under the terms of the Bond C, unless previously redeemed, converted, or purchased and cancelled, the outstanding Bond C will be redeemed on 24 April 2018 at 108% of the principal amount of the bonds.

During the current year, all the Bond C with the aggregate principal amount of HK$5,000,000 was fully converted into approximately 15,840,000 new shares of the Company at the initial conversion price.

The Bond C contains three components: liability, equity (the conversion right) and derivative (the redemption right) elements. The fair value of the liability component, equity component and derivative component at the date of issue was valued by Ascent Partners. The fair value of the liability component at the date of issue was estimated using the effective interest rate of 18.46% per annum. The fair value of the equity component and derivative component at the date of issue was valued using the Binomial Model. The inputs into the model were as follows:

Risk-free rate	0.72%
Expected volatility	77.14%
Expected life	2 years
Dividend yield	Nil

The risk-free rate was determined with reference to the Hong Kong Sovereign zero coupon yield with maturity matching that of the Bond C.

The expected volatility was determined based on the historical volatility of the share prices of Company.

29. CONVERTIBLE BONDS (Continued)

(c) Convertible bonds issued on 25 April 2016 (the "Bond C") (Continued)

Movement of the liability component, derivative component and equity component of the Bond C for the year are set out below:

	Liability component RMB'000	Derivative component RMB'000	Equity component RMB'000	Total RMB'000
Fair value of the Bond C at date of issue	3,441	(704)	1,461	4,198
Transaction cost incurred for issue of Bond C	(12)	–	(5)	(17)
Carrying amount at date of issue	3,429	(704)	1,456	4,181
Imputed interest charge for the year (Note 9)	216	–	–	216
Interest paid during the year	(108)	–	–	(108)
Loss on change in fair value	–	718	–	718
Converted during the year	(3,607)	–	(1,456)	(5,063)
Exchange realignment	70	(14)	–	56
At 31 December 2016	–	–	–	–
At 31 December 2015	–	–	–	–

30. CONTINGENT CONSIDERATION PAYABLE

	2016 RMB'000	2015 RMB'000
Contingent consideration payable in relation to the acquisition of Gorgeous City Investment Limited, at fair value	**41,886**	–
Analysed for reporting purposes:		
Classified under		
— Non-current liabilities	**26,363**	–
— Current liabilities	**15,523**	–
	41,886	–
Movements during the year are as follows:		
At beginning of the year	**–**	–
Arising from the acquisition of subsidiary (Note 38(a))	**64,652**	–
Gain on change in fair value (Note 8)	**(22,766)**	–
At end of the year	**41,886**	–

30. CONTINGENT CONSIDERATION PAYABLE (Continued)

Details regarding the acquisition of Gorgeous City Investment Limited are set out in Note 38(a).

The contingent consideration payable is carried at fair value initially at 9 September 2016 and at 31 December 2016, which was valued by B.I. Appraisals Limited ("**B.I. Appraisals**"), independent professional valuers, based on the probabilistic approach of management's expectations of the net profit after tax of Delaisi in future years and using the discounted cash flow method to arrive at the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration. The inputs to the model are as follows:

	At 9 September 2016	At 31 December 2016
Risk-free rate	**2.81%**	**3.06%**
Discount rate	**24.83%**	**25.33%**
Share price	**HK$0.305**	**HK$0.173**

31. DEFERRED TAX LIABILITIES

Movements in the deferred tax liabilities during the year are as follows:

	Fair value adjustments on business combination RMB'000
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Arising from acquisition of subsidiary (Note 38(a))	33,500
Credit to profit or loss	(2,234)
At 31 December 2016	31,266

As at 31 December 2016, the Group had unrecognised tax losses of approximately RMB10,683,000 (2015: RMB11,238,000), which can be carried forward to offset future taxable profit and will expire within five years after the end of the reporting period. No deferred tax asset had been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB37,147,000 (2015: RMB25,239,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

	Par value HK$	Number of ordinary shares '000	Nominal amount of ordinary shares HK$'000
Authorised:			
At 1 January 2015, 31 December 2015 and 31 December 2016	0.002	5,000,000	10,000

	Par value HK$	Number of ordinary shares '000	Nominal amount of ordinary shares HK$'000	Carrying amount RMB'000
Issued and fully paid:				
At 1 January 2015	0.01	517,800	5,178	4,431
Issue of shares on placement of shares (Note a)	0.01	34,792	348	275
Issue of shares on exercise of share options (Note b)	0.01	14,712	147	116
Share subdivision (Note c)		2,269,217	–	–
Issue of shares on subscription of shares (Note d)	0.002	69,763	140	112
Issue of shares on conversion of warrants (Note e)	0.002	110,000	220	181
At 31 December 2015	0.002	3,016,284	6,033	5,115
Issue of shares on placement of shares (Note f)	0.002	455,469	910	771
Issue of shares on exercise of share options (Note g)	0.002	139,500	279	240
Issue of shares on conversion of convertible bonds (Note h)	0.002	67,200	135	113
At 31 December 2016	0.002	3,678,453	7,357	6,239

Notes:

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

(b) On 29 May 2015, 8 June 2015 and 25 June 2015, the Company issued 6,360,000, 6,384,000 and 1,968,000 shares respectively upon the exercise of share options granted at the exercise price of HK$2.76 per share, giving rise to a gross proceed of approximately HK$40,605,000 (equivalent to RMB32,049,000).

(c) 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.

32. SHARE CAPITAL (Continued)

Notes: (Continued)

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

(e) On 24 November 2015, all the Warrant A were converted into 110,000,000 new shares of the Company at the subscription price of HK$0.198 per share (Note 33(a)), giving rise to a gross proceed of HK$21,780,000.

(f) During the year, the Company issued 328,282,828 and 127,186,240 new ordinary shares of HK$0.001 each on 26 February 2016 and 9 September 2016 respectively for the acquisition of Exceed Target Investment Group Limited and Gorgeous City Investment Limited, details of which are set out in Note 38(b)(ii) and Note 38(a) respectively.

(g) On 25 April 2016, 17 June 2016 and 25 July 2016, the Company issued 2,500,000, 25,000,000 and 112,000,000 shares upon the exercise of share options granted at the exercise price of HK$0.331 per share, giving rise to a gross proceed of approximately HK$46,175,000 (equivalent to RMB39,905,000).

(h) During the year, certain convertible bonds issued by the Company were converted into new shares of the Company, as follows:

Date of conversion	Principal amount of conversion bonds HK$	Convertible price per share HK$	Number of shares issued on conversion '000
25 April 2016	1,000,000	0.175	5,700
27 April 2016	8,000,000	0.175	45,660
24 August 2016	5,000,000	0.315	15,840
	14,000,000		67,200

33. WARRANTS RESERVE

	2016 RMB'000	2015 RMB'000
At 1 January	–	10,264
Transferred to share premium upon exercise of the Warrants A (Note a below)	–	(178)
Transferred to accumulated losses upon lapse of the Warrants B (Note b below)	–	(10,086)
At 31 December	–	–

Notes:

(a) On 28 March 2013, the Company issued an aggregate of 22,000,000 warrants at the issue price of HK$0.01 per warrant (the "Warrants A") which entitled the holders thereof to convert each unit of the warrants into one new share of the Company at the subscription price of HK$0.99 per share during the period of three years commencing from the date of issue of the warrants. During the year ended 31 December 2015, the subscription price under the Warrant A was adjusted to HK$0.198 per share following the share subdivision implemented by the Company and all the Warrant A were converted into 110,000,000 new shares of the Company at the adjusted subscription price of HK$0.198 per share.

(b) In connection with the promissory notes issued to Maple Reach Limited ("Maple Reach") in prior years as detailed in Note 27(a), the Company issued warrants convertible into 25,000,000 new shares of the Company at the total exercise price of HK$26,610,000 (the "Warrant B") to Maple Reach. The Warrant B lapsed during the year ended 31 December 2015 and the warrant reserve in respect of the Warrant B lapsed amounted to RMB10,086,000 was transferred to the accumulated losses following the lapse of such warrants.

34. SHARE-BASED PAYMENT TRANSACTIONS

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

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

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 139,500,000 (2015: 276,296,145), representing 3.79% (2015: 9.74%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

No share options were granted by the Company during the year ended 31 December 2016. During the year ended 31 December 2015, certain share options were granted by the Company to its directors and employees, details of which are as follows:

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

The options granted on 30 July 2015 vested at the dates of grant.

34. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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

Inputs into the model

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

Movements during the year ended 31 December 2016 and 31 December 2015 of the share options granted are as follows:

For the year ended 31 December 2016

	Exercise price per share HK$	Date of grant	Number of share options granted: Outstanding at 1 January 2016	Movements during the year: Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2016
Directors	0.331	30 July 2015	43,000,000	–	–	–	(43,000,000)	–
Employees	0.331	30 July 2015	70,796,145	–	(43,000,000)	–	(27,796,145)	–
Other participants	0.331	30 July 2015	162,500,000	–	(96,500,000)	–	(66,000,000)	–
			276,296,145	–	(139,500,000)	–	(136,796,145)	–
Exercisable at the end of the year								–
Weighted average exercise price			0.331	–	0.331	–	0.331	–

34. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

For the year ended 31 December 2015

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

No share-based payment expense (2015: RMB5,356,000) has been recognised in profit or loss in respect of the year.

The weighted average exercise price of the share options granted and outstanding for the year ended 31 December 2015 is HK$0.331 per share. The weighted average remaining contractual life of outstanding share options granted and outstanding for the year ended 31 December 2015 is 0.58 year.

35. RETIREMENT BENEFIT SCHEMES

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

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

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income of approximately RMB184,000 (2015: RMB281,000) represents contributions payable by the Group at rates or amounts specified in the schemes.

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

36. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises (2015: office and factory premises) under operating lease arrangements with leases negotiated for an average term of one to three years (2015: one to twenty years) and rentals are fixed over the lease term. At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**4,107**	3,021
In the second to fifth years inclusive	**3,366**	2,130
More than five year	**–**	506
	7,473	5,657

37. CAPITAL COMMITMENTS

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for:		
— Acquisition of plant and machinery	**–**	1,391

38. ACQUISITION OF SUBSIDIARIES

	2016 **RMB'000**	2015 RMB'000
Net cash outflow arising on acquisition of		
— Gorgeous City Investment Limited (Note (a))	**4,127**	–
— Other subsidiaries (Note (b))	**51,465**	–
Net cash outflow arising from acquisition of subsidiaries	**55,592**	–

Notes:

(a) Acquisition of Gorgeous City Investment Limited

On 22 April 2016, the Company entered into an agreement with certain third parties (the "Vendors") for the acquisition by the Company of 100% equity interest in Gorgeous City Investment Limited ("Gorgeous City") for an aggregate consideration of RMB250,000,000. Gorgeous City is an investment holding company and, through its subsidiary, Shenzhen Heng Fu Delaisi Intelligent Housing Limited ("Delaisi"), a limited company established in the PRC, is principally engaged in the provision of services in relation to management, leasing, sale and installation of container houses and related business in the PRC. The acquisition of Gorgeous City could allow the Group to diversify its businesses to the Container Houses Business.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Gorgeous City Investment Limited (Continued)

The consideration payable for the acquisition is satisfied by the following:

	RMB'000
On or before completion of the acquisition	
— Payment in cash	5,000
— Issue of 127,186,240 new shares of the Company	35,000
Subsequent to completion of acquisition	
— Payment in cash and issue of new shares of the Company	210,000
Total purchase consideration	250,000

Under the terms of the agreement for the acquisition, the balance of the purchase consideration of RMB210,000,000 is contingent and will be settled if Delaisi has fulfilled the profit guarantees of the period specified below during the guaranteed periods:

Guaranteed period	Profit guarantee RMB'000 (Note)	Contingent consideration RMB'000	Manner of payment of the consideration if the profit guarantee is achieved
The completion date (inclusive) to 31 December 2016	17,500	17,500	RMB5,250,000 is to be paid by cash and RMB12,250,000 by issue of new shares of the Company
1 January 2017 to 30 June 2017	24,500	24,500	RMB7,350,000 is to be paid by cash and RMB17,150,000 by issue of new shares of the Company
1 July 2017 to 31 December 2017	31,500	31,500	RMB9,450,000 is to be paid by cash and RMB22,050,000 by issue of new shares of the Company
1 January 2018 to 30 June 2018	38,500	38,500	RMB11,550,000 is to be paid by cash and RMB26,950,000 by issue of new shares of the Company
1 July 2018 to 31 December 2018	45,500	45,500	RMB13,650,000 is to be paid by cash and RMB31,850,000 by issue of new shares of the Company
1 January 2019 to 30 June 2019	52,500	52,500	RMB15,750,000 is to be paid by cash and RMB36,750,000 by issue of new shares of the Company
		210,000	

Note: Profit guarantee refers to the audited net profit after taxation of Delaisi, which is prepared in accordance with HKFRSs, for the respective guaranteed periods.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Gorgeous City Investment Limited (Continued)

The Vendors jointly and severally provide the profit guarantees of Delaisi in favour of the Company for the guaranteed period up to and ending 30 June 2019.

In the event that during any guaranteed period, Delaisi is able to meet 70% or more of the corresponding profit guarantee but less than 100% thereof during the relevant guaranteed period, the amount of the consideration payable to the Vendors during the relevant guaranteed period shall be paid proportionately and the Company has no obligation to pay such consideration or any part thereof to the Vendors for that shortfall during such guaranteed period unless the net profits of Delaisi (after tax) of the succeeding guaranteed period or the succeeding full year exceeds the amount of guaranteed profit of that succeeding period with the surplus being sufficient to make up for the shortfall of the preceding guaranteed period or any part thereof whereby the Company shall pay back the corresponding shortfall of the consideration to the Vendors.

On the other hand, if Delaisi fails to meet 70% of the profit guarantee or having net loss during any guaranteed period, the Company has no obligation to pay the consideration or any part thereof to the Vendors for the specific guaranteed period unless the net profits of Delaisi (after tax) of the succeeding guaranteed period or the succeeding full year exceeds the amount of guaranteed profit of that succeeding period with the surplus being sufficient to make up all or part of the shortfall of the preceding year whereby the Company shall pay back the consideration to the Vendors on a pro rata basis.

If upon the expiration of the guaranteed period ending 30 June 2019, the accumulated net profits of Delaisi (after taxation) is less than RMB210,000,000, the Vendors shall jointly and severally pay to the Company a compensation calculated by the following formula:

> RMB40,000,000 X (1 – (the accumulated net profits of Delaisi during the guarantee period/ RMB210,000,000) x 100%)

Hence, if the accumulated profits of Delaisi amounted to nil or is loss-making during the guarantee period, the Vendors shall jointly and severally compensate the Company with a sum of RMB40,000,000.

Completion of the acquisition of 100% equity interest in Gorgeous City took place on 9 September 2016. This acquisition has been accounted for as acquisition of business using the purchase method. The effect of the acquisition is summarised as follows:

Consideration paid or payable

	RMB'000
Consideration paid	
— Cash paid	5,000
— Issue of 127,186,240 shares of the Company, at fair value	33,347
Contingent consideration payable, at fair value (Note 30)	64,652
	102,999

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Gorgeous City Investment Limited (Continued)

The fair value of the shares issued was estimated by reference to the market price of the shares of the Company at the date of issue.

Acquisition-related costs amounting to approximately RMB610,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in that year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Consolidated assets and liabilities of Gorgeous City recognised at the date of acquisition are as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	147
Other intangible assets	134,000
Current assets	
Trade and other receivables	1,521
Deposits and prepayments	135
Bank balances and cash	873
Current liabilities	
Trade and other payables	(429)
Current tax payable	(105)
Non-current liabilities	
Deferred tax liabilities	(33,500)
	102,642

The trade and other receivables had acquired the gross contractual amount of RMB1,521,000. No contractual cash flows from these receivables are expected not to be collected.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Gorgeous City Investment Limited (Continued)

The fair value of the other intangible assets at the date of acquisition was valued by B.I. Appraisals, using the discounted cash flow method to arrive at the present value of the expected future economic benefits that will flow to the Group arising from these intangible assets. The inputs to the model are as follows:

Risk-free rate	2.81%
Discount rate	28.83% – 30.83%
Expected useful lives	4.6 – 5.2 years

Goodwill arising on consideration:

	RMB'000
Consideration attributable to acquisition	102,999
Less: Net assets acquired	(102,642)
Goodwill arising on consideration	357

Net cash outflow arising on the acquisition:	
Cash consideration paid	5,000
Bank balances and cash acquired	(873)
	4,127

Impact of acquisition on the results of the Group

Included in the revenue and loss for the year ended 31 December 2016 is revenue and profit of RMB10,999,000 and of RMB713,000 respectively attributable to Gorgeous City and its subsidiaries.

Had the acquisition of Gorgeous City been effected at the beginning of the year ended 31 December 2016, the revenue of the Group for that year would have been RMB25,526,000, and the loss for that year would have been RMB64,970,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2016, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of other subsidiaries

(i) Exceed Target Investment Group Limited

On 21 January 2016, the Company entered into an agreement with a third party for the acquisition by the Company of 100% equity interest of Exceed Target Investment Group Limited ("Exceed Target"). The principal asset of Exceed Target, through its PRC subsidiary, is the **Kunlin Forest** located in Jiange County, Sichuan Province, the PRC (Note 17(c)). The acquisition of Exceed Target would allow the Group to expand its core Forestry Business.

Completion of the acquisition of 100% equity interest in Exceed Target took place on 26 February 2016, and the consideration for the acquisition was satisfied by the issue of 328,282,828 new shares of the Company.

(ii) Huxiang International Holdings Limited

On 30 September 2016, the Company entered into an agreement with a third party for the acquisition by the Company of 100% equity interest of Huxiang International Holdings Limited ("Huxiang"). The principal asset of Huxiang, through its subsidiary, is the **Senbo Forest** located in Jiange County, Sichuen Province, the PRC (Note 17(d)). The acquisition of Huxiang would allow the Group to expand its core Forestry Business.

Completion of the acquisition of 100% equity interest in Huxiang took place on 11 October 2016. The consideration for the acquisition was satisfied by (i) payment in cash of HK$60,000,000 (equivalent to RMB51,890,000) by the Company; and (ii) issue of promissory notes by the Company with principal amount of HK$33,000,000 (Note 27(d)).

The acquisitions of Exceed Target and Huxiang have been accounted for as acquisition of assets. The effect of these acquisitions are summarized as follows:

	Exceed Target RMB'000	Huxiang RMB'000	Total RMB'000
Consideration paid			
— Cash paid	–	51,890	51,890
— Issue of 328,282,828 new shares of the Company at fair value	85,589	–	85,589
— Issue of promissory note at fair value	–	20,412	20,412
	85,589	72,302	157,891

The fair value of the shares issued was estimated by reference to the market price of the shares of the Company at the date of issue.

The fair value of the promissory notes at the date of issue was estimated using the effective interest rate of 15.08% per annum, as valued by Ascent Partners.

Acquisition-related costs amounting to approximately RMB832,000 have been excluded from the cost of acquisitions and have been recognised directly as an expense in that year and included in "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of other subsidiaries (Continued)

Consolidated assets and liabilities of Exceed Target and Huxiang recognised at the dates of acquisition are as follows:

	Exceed Target RMB'000	Huxiang RMB'000	Total RMB'000
Non-current assets			
Plantation forest assets	81,724	66,119	147,843
Prepaid land lease payments	3,741	5,070	8,811
Current assets			
Inventories	–	1,970	1,970
Other receivables	150	76	226
Bank balances and cash	40	385	425
Current liabilities			
Other payables	(66)	(1,318)	(1,384)
	85,589	72,302	157,891

The other receivables acquired had gross contractual amounts of RMB150,000 (Exceed Target) and RMB76,000 (Huxiang). No contractual cash flows from these receivables are expected not to be collected.

	Exceed Target RMB'000	Huxiang RMB'000	Total RMB'000
Net cash outflow(inflow) arising on acquisition			
Cash consideration paid	–	51,890	51,890
Bank balances and cash	(40)	(385)	(425)
Net cash outflow(inflow) on acquisition of other subsidiaries	(40)	51,505	51,465

39. DISPOSAL OF A SUBSIDIARY

Disposal during the year ended 31 December 2016

The Group disposed of 63.74% equity interest in Xinyu Bio Energy (Anhui) Company Limited ("Anhui Xinyu") on 31 August 2016 for a cash consideration of RMB10,058,000.

Consideration receivable

	RMB'000
Consideration receivable	10,058

39. DISPOSAL OF A SUBSIDIARY (Continued)

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

	RMB'000
Non-current assets	
Property, plant and equipment	11,559
Prepaid land lease payments	613
Current assets	
Inventories	183
Trade and other receivables	779
Deposits and prepayments	173
Bank balances and cash	25
Current liabilities	
Trade and other payables	(1,490)
Net assets disposed of	11,842

Gain on disposal of subsidiaries

	RMB'000
Consideration for disposal	10,058
Net assets disposed of	(11,842)
Non-controlling interests	4,294
Gain on disposal of subsidiaries	2,510

Net cash outflow arising from disposal

	RMB'000
Consideration for disposal received	–
Less: Bank balances and cash disposed of	(25)
	(25)

40. MAJOR NON-CASH TRANSACTIONS

(i) As referred to in Notes 38(a) and 38(b)(i), the Company issued 127,186,240 and 328,282,828 new shares of HK$0.001 each as consideration for the acquisitions of Gorgeous City and Exceed Target respectively.

(ii) As referred to in Note 38(b)(ii), the Company issued promissory note with the principal amount of HK$33,000,000 as part of the consideration for the acquisition of Huxiang.

41. PLEDGE OF ASSETS

The Group had no assets pledged as at 31 December 2016 and 31 December 2015.

42. RELATED PARTY TRANSACTIONS

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

	2016 **RMB'000**	2015 RMB'000
Interest paid to a shareholder (Note i)	**–**	195
Machinery and equipment sold to a non-controlling interest (Note 46)	**–**	2,355

Notes:

(i) In January 2015, a shareholder of the Company made a loan amounted to HK$11,000,000 to the Company. The loan, which was unsecured and carried interest at 8% per annum, was fully repaid in April 2015. Interest on the loan amounted to RMB195,000 was charged by the shareholder in respect of the year ended 31 December 2015.

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

	2016 **RMB'000**	2015 RMB'000
Salaries and other allowances	**3,181**	2,486
Share-based payments	**–**	1,283
Retirement benefits scheme contributions	**–**	14
	3,181	3,783

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of net debt, which includes promissory notes payable, corporate bonds payable and convertible bonds payable disclosed in Note 27, Note 28 and Note 29 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts or the repayment of existing debts.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**140,887**	87,997
Derivative financial instruments	**206**	–
	141,093	87,997
Financial liabilities		
Financial liabilities at amortised cost	**245,517**	141,637
Financial liabilities at FVTPL		
Contingent consideration payable	**26,363**	–
	271,880	141,637

44. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, trade and other receivables, derivative financial instruments, bank balances and cash, trade and other payables, promissory notes payable, corporate bonds payable, convertible bonds payable and contingent consideration payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

No revenue derived by the Group in respect of the years ended 31 December 2016 and 2015 were denominated in foreign currencies. Substantially all of the costs incurred for both of the years ended 31 December 2016 and 31 December 2015 were denominated in functional currencies of the group entities.

As 31 December 2016 and 31 December 2015, the Group had no significant monetary assets and liabilities which were denominated in foreign currencies.

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

As the Group had no material foreign currency denominated monetary assets and liabilities at 31 December 2016 and 31 December 2015, no significant impacts on the financial performance of the Group would arise from the changes in foreign currency rates, accordingly sensitivity analysis in this respect is not presented.

(ii) Interest rate risk

As at 31 December 2016 and 2015, the Group was also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits as at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates have been 50 basis points higher/lower in 2016 and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2016 would decrease/increase by approximately RMB136,000 (2015: RMB160,000). This is mainly attributable to the Group's exposure to interest rates on its bank deposits which carried interest at floating rates.

44. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iii) Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group has concentration of credit risk as 10% (2015: 58%) and 34% (2015: 93%) of the total trade receivables was due from the Group's largest customer and the five largest customers.

The Group's concentration of credit risk by geographical location is mainly in the PRC which accounted for all of the total trade receivables as at 31 December 2016 and 31 December 2015.

(iv) Liquidity risk

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

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated by interest rate curve.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these no-derivative financial assets is necessary in order to understand the Group's liquidity risk management at the liquidity is managed on a net asset and liability basis.

The amount included below for variable interest rate instruments for the non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

44. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

As at 31 December 2016

	On demand or within one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2016 RMB'000
Non-derivative financial assets					
Loans receivable	**38,831**	**46,255**	**–**	**85,086**	**82,574**
Trade and other receivables	**22,375**	**–**	**–**	**22,375**	**22,375**
Bank balances and cash	**35,938**	**–**	**–**	**35,938**	**35,938**
	97,144	**46,255**	**–**	**143,399**	**140,887**
Non-derivative financial liabilities					
Trade and other payables	**8,026**	**–**	**–**	**8,026**	**8,026**
Promissory notes payable	**1,968**	**99,159**	**–**	**101,127**	**83,847**
Corporate bonds payable	**6,982**	**89,753**	**91,620**	**188,355**	**135,352**
Convertible bonds payable (Note)	**21,600**	**–**	**–**	**21,600**	**18,292**
	38,576	**188,912**	**91,620**	**319,108**	**245,517**

Note: This is categorised based on contractual term of redemption at maturity on the assumption that there were no redemption or conversion of the convertible bonds outstanding at 31 December 2016 before the maturity date.

As at 31 December 2015

	On demand or within one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2015 RMB'000
Non-derivative financial assets					
Loans receivable	3,552	38,236	–	41,788	38,650
Trade and other receivables	8,463	–	–	8,463	8,463
Bank balances and cash	40,884	–	–	40,884	40,884
	52,899	38,236	–	91,135	87,997
Non-derivative financial liabilities					
Trade and other payables	9,058	–	–	9,058	9,058
Promissory notes payable	1,843	25,806	–	27,649	20,075
Corporate bonds payable	14,917	42,323	100,378	157,618	112,504
	25,818	68,129	100,378	194,325	141,637

44. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Both of the Group's derivative financial instruments, representing redemption options of the convertible bonds, and contingent consideration payable are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, in particular, the valuation technique(s) and inputs used.

	Fair value as at 31 December 2016 RMB'000	2015 RMB'000	Fair value hierarchy	Valuation technical(s)	Inputs and key assumptions
Financial assets					
Derivative financial instruments	**206**	–	Level 2	Binomial Model	Note 29
Financial liabilities					
Contingent consideration payable	**41,886**	–	Level 3	Probabilistic approach of management's expectations of the net profit after tax of Delaisi in future years and discounted cash flows method used to arrive at the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Note 30

44. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement (Continued)

(i) ***Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)***

There were no transfer of the financial assets and financial liabilities between the levels in both of the years presented.

(ii) ***Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)***

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their values. The fair values, which are included in Level 3 category, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(iii) ***Reconciliation of Level 3 fair value measurements***

The financial assets at fair value through profit or loss are measured at fair value on Level 2 fair value measurement. Reconciliation of Level 3 fair value measurements of the contingent consideration payable is as follows:

	Contingent consideration payable	
	2016	2015
	RMB'000	RMB'000
Balance at beginning of the year	**–**	–
Arising from acquisition of subsidiaries, at fair value included in Level 3 category	**64,652**	–
Gain on change in fair value	**(22,766)**	–
Balance at end of the year	**41,886**	–

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current assets		
Investments in subsidiaries	**465,697**	204,808
Property, plant and equipment	**4**	138
	465,701	204,946
Current assets		
Other receivables	**–**	3,000
Deposits paid and prepayments	**4,989**	4,606
Amounts due from subsidiaries	**92,298**	76,053
Derivative of financial instruments	**206**	–
Bank balances and cash	**28,279**	6,683
	125,772	90,342
Current liabilities		
Other payables	**2,672**	2,797
Amount due to a subsidiary	**168**	–
Promissory notes payable	**44,620**	–
Corporate bonds payable	**–**	8,502
Convertible bonds payable	**18,292**	–
Contingent consideration payable	**15,523**	–
	81,275	11,299
Net current assets	**44,497**	79,043
Total assets less current liabilities	**510,198**	283,989
Non-current liabilities		
Promissory notes payable	**39,227**	20,075
Corporate bonds payable	**135,532**	104,002
Contingent consideration payable	**26,363**	–
	201,122	124,077
Net assets	**309,076**	159,912
Capital and reserves		
Share capital	**6,239**	5,115
Reserves	**302,837**	154,797
Total equity	**309,076**	159,912

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 March 2017 and is signed on its behalf by:

Lei Zuliang	**Wang Yue**
Director	*Director*

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Reserves of the Company

	Share premium RMB'000	Warrant reserve RMB'000 (Note 33)	Share option reserve RMB'000 (Note 34)	Convertible bonds reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	172,158	10,264	12,877	–	(22)	(120,970)	74,307
Loss for the year	–	–	–	–	–	(33,577)	(33,577)
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–	(33,577)	(33,577)
Recognition of equity-settled share-based payments	–	–	5,356	–	–	–	5,356
Issue of shares upon:							
— Shares placement and subscription	59,509	–	–	–	–	–	59,509
— Exercise of share options	37,055	–	(5,122)	–	–	–	31,933
— Conversion of warrants	17,954	(178)	–	–	–	–	17,776
Share issue expenses	(507)	–	–	–	–	–	(507)
Warrants lapsed during the year	–	(10,086)	–	–	–	10,086	–
Share options lapsed during the year	–	–	(7,755)	–	–	7,755	–
At 31 December 2015 and 1 January 2016	286,169	–	5,356	–	(22)	(136,706)	154,797
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(26,348)**	**(26,348)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(26,348)**	**(26,348)**
Recognition of equity component of convertible bonds	**–**	**–**	**–**	**6,363**	**–**	**–**	**6,363**
Issue of shares upon:							
— Shares placement and subscription	**118,165**	**–**	**–**	**–**	**–**	**–**	**118,165**
— Exercise of share options	**42,369**	**–**	**(2,704)**	**–**	**–**	**–**	**39,665**
— Conversion of convertible bonds	**13,260**	**–**	**–**	**(3,065)**	**–**	**–**	**10,195**
Share options lapsed during the year	**–**	**–**	**(2,652)**	**–**	**–**	**2,652**	**–**
At 31 December 2016	**459,963**	**–**	**–**	**3,298**	**(22)**	**(160,402)**	**302,837**

46. SUBSIDIARIES

(a) General information of subsidiaries

Details of the material subsidiaries at the end of the reporting period are set out below:

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interests held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2016	2015	**2016**	2015	**2016**	2015	
Rongxuan Forestry Investment Holding Limited 榮軒林業投資控股有限公司	BVI	Ordinary	US$50,000	**100%**	100%	**–**	–	**100%**	100%	Investment holding
Rongxuan Forestry Investment Group Limited 榮軒林業投資集團有限公司	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
YuePengDa Forestry (Shenzhen) Ltd. [1,3] 岳鵬達木業（深圳）有限公司	The PRC	Contributed capital	RMB6,680,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Dalilanhai Forestry Ltd. [1,3] 大理藍海林業有限公司	The PRC	Contributed capital	RMB1,000,000	**–**	–	**100%**	100%	**100%**	100%	Management of plantation forest assets
China Timbers Limited 中國木業有限公司	BVI	Ordinary	US$1	**100%**	100%	**–**	–	**100%**	100%	Investment holding
China Timbers Limited 中國木業投資集團有限公司	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Shenzhen Junlifa Timbers Limited.[1,3] 深圳市君利發木業有限公司	The PRC	Contributed capital	RMB500,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Jiange Hengchang Low-Carbon Forestry Development Co., Ltd. [2,3] 劍閣縣恒昌低碳林業開發有限公司	The PRC	Contributed capital	RMB1,000,000	**–**	–	**100%**	100%	**100%**	100%	Forestry management
Jiange Hengfa Biomass Energy Development Co., Ltd. [2,3] 劍閣縣恒發生物質能源開發有限公司	The PRC	Contributed capital	RMB5,000,000	**–**	–	**100%**	100%	**100%**	100%	Production and sales of biomass fuel products
Liangzhou City Hengfa Biomass Energy Development Co., Ltd. [2,3] 連州市恒發生物質能源開發有限公司	The PRC	Contributed capital	RMB10,000,000	**–**	–	**100%**	100%	**100%**	100%	Production and sales of biomass fuel products
Anhui Xinyu [2,3,5] 安徽新宇	The PRC	Contributed capital	RMB19,500,000	**–**	–	**–**	52.07%	**–**	52.07%	Production and sales of biomass fuel products
石台新宇生物能源有限公司[2,3,5] Shitai Xinyu Biomass Energy Co., Ltd	The PRC	Contributed capital	RMB10,000,000	**–**	–	**–**	52.07%	**–**	52.07%	Production and sales of biomass fuel products
Forever Biosource (Credit) Limited 恒生源（信貸）有限公司	Hong Kong	Ordinary	HK$1,000	**100%**	100%	**–**	–	**100%**	100%	Money lending

46. SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interests held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2016	2015	2016	2015	2016	2015	
Exceed Target Investment Group Limited [4] 盛卓投資集團有限公司	BVI	Ordinary	US$1,000	100%	–	–	–	100%	–	Investment holding
China Linkage (Hong Kong) Limited [4] 漢景（香港）有限公司	Hong Kong	Ordinary	HK$1	–	–	100%	–	100%	–	Investment holding
Shenzhen HongtaiHua Muye Limited [3,4] 深圳市宏太華木業有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Investment holding
Jiange Kunlin Linye Company Limited [3,4] 劍閣縣坤林林業種植有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Forestry management
Huxiang International Holdings Limited [7] 湖湘國際控股有限公司	BVI	Ordinary	US$10,000	100%	–	–	–	100%	–	Investment holding
Hengfeng Investments Holdings Limited [7] 恒豐投資控股有限公司	Hong Kong	Ordinary	HK$10,000	–	–	100%	–	100%	–	Investment holding
Kaixuan Muye (Shenzhen) Limited [3,7] 凱軒木業（深圳）有限公司	The PRC	Contributed capital	HK$3,000,000	–	–	100%	–	100%	–	Investment holding
Jiange Senbo Linye Company Limited [3,7] 劍閣縣森博林業有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Forestry management
Gorgeous City Investment Limited [6]	BVI	Ordinary	US$12,500	100%	–	–	–	100%	–	Investment holding
Sunny Land Capital Limited [6]	BVI	Ordinary	US$50,000	–	–	100%	–	100%	–	Investment holding
Paracelsus Swiss Limited [6]	Hong Kong	Ordinary	HK$100,000	–	–	100%	–	100%	–	Investment holding
Sunny Land Trading Limited [6] 日地貿易有限公司	Hong Kong	Ordinary	HK$1	–	–	100%	–	100%	–	Investment holding
Shenzhen Heng Fu Delaisi Intelligent Housing Limited [3,6] 深圳恒富得萊斯智能房屋有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Container houses services
Xiangyin Heng Fu Delaisi Intelligent Housing Limited [3,6] 湘陰恒富得萊斯智能房屋有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Container houses services
沛縣恒富得萊斯移動房屋有限公司 [6]	The PRC	Contributed capital	RMB2,000,000	–	–	100%	–	100%	–	Container houses services
深圳前海得萊斯智能房屋有限公司 [6]	The PRC	Contributed capital	RMB5,000,000	–	–	100%	–	100%	–	Container houses services
Noble Bridge Investment Holdings Limited	BVI	Ordinary	US$1	100%	–	–	–	100%	–	Dormant

None of the subsidiaries had issued any debt securities at the end of the year.

46. SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

[1] These entities are registered as wholly-foreign owned enterprises under the PRC laws.
[2] These entities are registered as limited liability enterprises under the PRC laws.
[3] The English transliteration of the Chinese name of the court is for identification purpose only and should not be regarded as the official English name of the court.
[4] The subsidiaries were acquired by the Group on 26 February 2016.
[5] The subsidiaries were disposed of by the Group on 16 August 2016.
[6] The subsidiaries were acquired by the Group on 9 September 2016.
[7] The subsidiaries were acquired by the Group on 11 October 2016.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

Name of company	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Anhui Xinyu	(PRC)	**–**	47.93%	**–**	1,930	**–**	6,631

Detail of the changes in the Group's ownership interest in Anhui Xinyu are set out in Note 46(c).

46. SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Anhui Xinyu	31 December 2015 RMB'000
Current assets	2,682
Non-current assets	12,330
Current liabilities	(1,175)
Equity attributable to owners of the Company	7,206
Non-controlling interests	6,631

	Period from 1 January 2016 to 31 August 2016 RMB'000	Year ended 31 December 2015 RMB'000
Revenue	**1,569**	3,471
Expenses	**(3,563)**	(8,478)
Loss for the year	**(1,994)**	(5,007)
Loss attributable to:		
— owners of the Company	**(1,056)**	(3,077)
— non-controlling interests	**(938)**	(1,930)
Loss for the year	**(1,994)**	(5,007)
Total comprehensive expense attributable to:		
— owners of the Company	**(1,056)**	(3,077)
— non-controlling interests	**(938)**	(1,930)
Total comprehensive expense for the year	**(1,994)**	(5,007)
Net cash inflow/(outflows) from operating activities	**412**	(6,579)
Net cash outflows from investing activities	**(484)**	(1,026)
Net cash inflows from financing activities	**–**	7,689
Net cash inflow (outflow)	**(72)**	84

46. SUBSIDIARIES (Continued)

(c) Changes in ownership interest in a subsidiary

During the year ended 31 December 2015, a subsidiary, Anhui Xinyu, implemented a reduction of its registered capital by RMB19,500,000, under which the registered capital was reduced from RMB39,000,000 to RMB19,500,000. The repayment of the registered capital of RMB19,500,000 was satisfied by (i) the disposal of certain machinery and equipment by Anhui Xinyu for a consideration of RMB2,355,000 to non-controlling interests and (ii) set off against the amount of RMB17,145,000 due to the subsidiary by the Group. As a result, the percentage of the registered capital contributed by the Group was reduced to 52.07% with the remaining 47.93% contributed by the non-controlling interests. The gain on deemed disposal of partial interest in the subsidiary amounted to RMB675,000 has been directly recognised in reserves of the Gorup.

During the current year, the Group acquired additional 11.67% equity interest in Anhui Xinyu on 14 August 2016 from non-controlling interests for nil consideration. The amount of non-controlling interests arising from the equity interest acquired amounted to RMB1,399,000 has been directly recognised in equity and included in other reserves.

During the current year, the Group disposed of its 63.74% equity interest in Anhui Xinyu on 31 August 2016 as detailed in Note 39. The accumulated amount arising from changes in ownership interest in Anhui Xinyu of RMB2,074,000, which was previously included in other reserves, was transferred to accumulated losses following the completion of the disposal.

47. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

The following events took place subsequent to the end of the reporting period:

(a) On 31 December 2016, the Company entered into a subscription agreement with a third party (who is an individual) for the issue of corporate bonds with the principal amount of HK$9,000,000 by the Company to the third party for a consideration of HK$9,000,000. The bonds carry interest at 5% per annum with the maturity period of 5 years from the date of issue. Completion of the issue of these corporate bonds took place on 4 January 2017.

(b) On 2 March 2017, a wholly-owned subsidiary of the Company entered into an acquisition agreement with a third party (which is an entity established in the PRC) under which the subsidiary has conditionally agreed to acquire the entire interest in 湘陰中箱置業有限公司 ("Xiangyin", an entity established in the PRC) for an aggregate consideration of RMB100,000,000 which will be satisfied by (i) the payment in cash of RMB5,000,000 and (ii) the remaining balance of RMB95,000,000 by the issue of a promissory note with the principal amount of RMB95,000,000 by the Company. Xiangyin is principally engaged in the design, manufacture and distribution of container houses. The principal assets of Xiangyin are approximately 8,000 container houses located in the PRC. Details regarding this proposed acquisition are set out in the announcement dated 2 March 2017 made by the Company.

Completion of the acquisition of Xiangyin by the Group has not taken place up to the date of approval of these consolidated financial statements.

(c) On 20 March 2017, the Company entered into subscription agreement with an independent private investor, pursuant to which the Company issued to the private investor the corporate bonds with the aggregate principal amount of HK$10,000,000, bearing interest at 7% per annum and with maturity period of seven years from the date of issue.

(d) On 23 March 2017, the Company entered into subscription agreement with an independent private investor, pursuant to which the Company issued to the private investor the corporate bonds with the aggregate principal amount of US$2,000,000, bearing interest at 7% per annum and with maturity period of three years from the date of issue.