中國農林低碳控股有限公司

China Agroforestry Low-Carbon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 01069)

Annual Report
2013

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Lei Zuliang *(Chairman)*
Mr. Cai Shuiyong
Mr. Long Weihua *(Redesignated from an independent non-executive Director on 1 November 2013)*
Mr. Cai Shuiping *(Resigned on 14 February 2013)*

Non-executive Directors:

Professor Liu Zhikun
Mr. Zhou Xianyan *(Appointed on 5 March 2014)*

Independent Non-executive Directors:

Ms. Tian Guangmei *(Appointed on 17 June 2013)*
Mr. Liang Guoxin *(Appointed on 1 November 2013)*
Mr. Liu Zhaoxiang *(Appointed on 16 April 2014)*
Mr. Zhou Wei *(Appointed on 17 June 2013 and resigned on 16 April 2014)*
Ms. Chan Ling *(Resigned on 24 June 2013)*
Mr. Liu Jianlin *(Resigned on 19 June 2013)*

AUDIT COMMITTEE

Ms. Tian Guangmei *(Appointed as member and chairman on 24 June 2013 and 22 January 2014 respectively)*
Mr. Liang Guoxin *(Appointed on 1 November 2013)*
Mr. Liu Zhaoxiang *(Appointed on 16 April 2014)*
Mr. Zhou Wei *(Appointed as member and chairman on 17 June 2013 and 19 June 2013 respectively and resigned as chairman and member on 22 January 2014 and 16 April 2014, respectively)*
Mr. Long Weihua *(Resigned on 1 November 2013)*
Ms. Chan Ling *(Resigned on 24 June 2013)*
Mr. Liu Jianlin *(Resigned on 19 June 2013)*

REMUNERATION COMMITTEE

Mr. Liang Guoxin *(Appointed as member and chairman on 1 November 2013 and 22 January 2014 respectively)*
Mr. Cai Shuiyong
Mr. Liu Zhaoxiang *(Appointed on 16 April 2014)*
Mr. Zhou Wei *(Appointed as member and chairman on 17 June 2013 and 24 June 2013 respectively and resigned as chairman and member on 22 January 2014 and 16 April 2014, respectively)*
Mr. Long Weihua *(Resigned on 1 November 2013)*
Ms. Chan Ling *(Resigned on 24 June 2013)*

NOMINATION COMMITTEE

Mr. Liu Zhaoxiang *(Appointed as chairman on 16 April 2014)*
Mr. Cai Shuiyong
Mr. Liang Guoxin *(Appointed on 1 November 2013)*
Mr. Zhou Wei *(Appointed as member and chairman on 17 June and 24 June 2013 respectively and resigned on 16 April 2014)*
Mr. Long Weihua *(Resigned on 1 November 2013)*
Ms. Chan Ling *(Resigned on 24 June 2013)*

COMPLIANCE OFFICER

Mr. Cai Shuiyong

JOINT COMPANY SECRETARIES

Mr. Ding Liang *CGA, ACCA (Appointed on 24 June 2013)*
Mr. Leung Man Kit *CPA (Appointed on 16 April 2014)*
Ms. Chan Ling *CPA, MSc (Appointed on 24 June 2013 and resigned on 16 April 2014)*
Mr. Kwong Ping Man *CPA, ACIS, ACS (Resigned on 4 June 2013)*

AUTHORISED REPRESENTATIVES

Mr. Cai Shuiyong
Mr. Ding Liang *CGA, ACCA (Appointed on 4 June 2013)*
Mr. Kwong Ping Man *CPA, ACIS, ACS (Resigned on 4 June 2013)*

CORPORATE INFORMATION (continued)

INDEPENDENT AUDITORS

CCTH CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
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 ("CHINA" OR THE "PRC")

40F, Landmark
4028 Jintian Road
Futian District
Shenzhen City
Guangdong Province
The PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 190
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

China Construction Bank (Asia) Corporation Limited
11/F, Devon House
979 King's Road
Quarry Bay, Hong Kong

COMPANY WEBSITE

www.chinacaflc.com

STOCK CODE

01069

FINANCIAL HIGHLIGHTS

ANNUAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

- Turnover for the financial year ended 31 December 2013 amounted to approximately Renminbi ("**RMB**") 67.0 million (2012: RMB92.4 million), representing a decrease of approximately 27.5% as compared with the corresponding period in 2012.

- Turnover from the forestry business for the financial year ended 31 December 2013 was approximately RMB28.9 million (2012: nil) and segment profit from the forestry business for the financial year ended 31 December 2013 was approximately RMB10.4 million (2012: RMB1.5 million).

- Loss attributable to the owners of the Company for the financial year ended 31 December 2013 amounted to approximately RMB19.6 million (2012: RMB20.0 million), representing a decrease of approximately 2.0% as compared with the corresponding period in 2012.

- Total comprehensive expenses attributable to the owners of the Company for the financial year ended 31 December 2013 amounted to approximately RMB17.7 million (2012: RMB20.0 million), representing a decrease of approximately 11.5% as compared with the corresponding period in 2012.

- Basic loss per share for the financial year ended 31 December 2013 amounted to approximately RMB0.0514 (2012: RMB0.0542).

- 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 2013 (2012: nil).

CHAIRMAN'S STATEMENT

On behalf of the Board, I 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 2013.

In 2013, the global economy continued its slow recovery from the global financial crisis. The Federal Reserve took its first steps of tapering of its third round of quantitative easing as the economic growth of the United States continued to pick up. The economy of the European Union has showed signs of recovery, having rebounded from a low and the growth rate of the other developing countries slowed to some extent but still experienced relatively strong growth.

The year of 2013 saw the economic growth of the People's Republic of China ("**China**" or the "**PRC**") slowing down. However, the country is on track for steady economic development with most economic indicators being positive during the year, easing worries of a sharp economic downturn. The Third Plenary Session of the 18th Central Committee of China's Communist Party issued development guidance to comprehensively push through/deepen reforms and presented a series of practical measures that are expected to be rolled out. These measures are largely viewed as a positive signal for the ongoing support of the comprehensive development of China.

The impact of the fluctuation of raw material prices and the rise of the statutory minimum wages, resulted in the year of 2013 being a difficult and challenging one for the Group's garment manufacturing business in China. The factories in China faced escalating manufacturing costs, insufficient skilled sewing workers and keen competition both domestically and from overseas. As a result, the garment business of the Group was adversely affected for the financial year ended 31 December 2013.

As a result of the continuing adverse conditions in the garment business segment, the Group ventured into the forestry business via acquisitions of companies engaging in the operation and management of forest lands in the PRC.

As discussed in the 2013 interim report, the acquisition of China Timbers Limited ("**China Timbers**") and its subsidiaries was completed in late May 2013 and the Group has positioned the forestry business as its core business. As at 31 December 2013, the Group held long and medium-lease forest lands of approximately 3,530 Chinese Mu and 21,045 Chinese Mu in Dali City of Yunan Province and Jiange County of Sichuan Province of the PRC, respectively.

The Group began harvesting works in September 2013 and for the period until 31 December 2013, the Group harvested approximately 25,000 cubic metres of forest stock in the Jiange County of Sichuan Province. The Company also entered into a strategic cooperation framework agreement with the People's Government of Jiange County (劍閣縣人民政府) in Sichuan Province in July 2013 to invest by phases in forest management on more than 400,000 Chinese Mu forestry land in Jiange County and receive a harvest quota of not less than 60,000 cubic metres ("**m^3**") per annum. The Company also agreed to consider investing in the low carbon industry by engaging in research and development of biomass fuel produced by wood waste and investing in timber processing enterprises in Jiange County of the PRC.

CHAIRMAN'S STATEMENT (continued)

Meanwhile, the forest lands situated in Dali City of Yunan Province have been under various maintenance works. The logging and transportation permits are being applied for before the commencement of the harvesting works.

In view of the opportunities and the growth potential of utilising forestry waste to produce biomass fuel, the Company and Central South University of Forestry and Technology (中南林業科技大學) entered into a strategic cooperation agreement in September 2013, forming a strategic alliance for the joint research and development in the areas of biomass materials and biofuels. This would provide the Group access to the academic resources of the university and the Board holds the view the development of its biomass fuel business will benefit greatly from the scientific research provided by the university.

The first phase of biomass fuel base located in the Jiange County has formally been put into production on 9 January 2014, with the designed capacity of 30,000 to 40,000 tonnes per year.

Looking forward to 2014, the Group will remain committed to developing its forestry business by increasing the harvesting operations in Jiange County of Sichuan Province and commencing harvesting work in Dali City of Yunan Province.

In respect of the biomass fuel business of the Group, the market of biomass fuel in the surrounding areas of Jiange County, such as Guangyuan and Mianyang, is still in the start-up stage, and demand is still growing. The current selling price of similar products in the PRC is approximately RMB900 to RMB1,000 per tonne. The Company will strive to expand the production capacity of its biomass fuel base in 2014. Further, the Group will consider expanding its low carbon agriculture and forestry business in both the Hunan Province and Guangdong Province of the PRC.

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

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 31 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

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

After the completion of the acquisition of China Timbers Limited ("**China Timbers**") and its subsidiaries in late May 2013, the Group had positioned the forestry business as its core business, with over 24,500 Chinese Mu of forest lands under management as at 31 December 2013. The Group is also engaged in the manufacturing and wholesaling of apparels under its own brand name and on an original equipment manufacturing ("**OEM**") basis in the PRC.

Forestry business

As at 31 December 2013, the long and medium-lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu and 21,045 Chinese Mu in Dali City of Yunnan Province and Jiange County of Sichuan Province, respectively.

The Group began harvesting works in September 2013. The Group harvested approximately 25,000 cubic metres of forest stock in the Jiange County of Sichuan Province from September 2013 to December 2013. Approximately 43.2% of the revenue of the Group was contributed by China Timbers for the financial year ended 31 December 2013 (2012: nil).

The forest lands situated in Dali City of Yunnan Province have been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, no revenue has been contributed by Rongxuan Forestry Investment Holdings Limited ("**Rongxuan**") to the Group for the financial year ended 31 December 2013 (2012: nil).

Garment business

For the financial year ended 31 December 2013, the Group's garment business consisted of manufacturing and wholesaling of apparels on an OEM basis and manufacturing and sales of branded products in the PRC. The apparels under its own brand name of the Company are mainly sold to domestic import and export companies, and overseas trading companies for export. Accordingly, the Group's garment business is mainly operated in the PRC. Approximately 56.8% of the Group's revenue was generated from the garment business for the financial year ended 31 December 2013 (2012: 100%).

The PRC market did not grow to the extent that the Company had hoped during the financial year ended 31 December 2013. During the year, the Group's garment business faced a very complex and volatile environment both domestically and internationally. The core garment manufacturing business of the Group has been significantly impacted by the unfavorable and uncertain global macroeconomic environment and the said business continues to face considerable head winds from mounting manufacturing costs, shortage of skilled sewing workers, slowing domestic demand as well as strong domestic and international competitions. As a result, the garment business of the Group was adversely affected for the financial year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Turnover

During the financial year ended 31 December 2013, the Company recorded a turnover of approximately RMB67.0 million, representing a decrease of approximately 27.5% as compared to approximately RMB92.4 million for 2012. Such significant drop was mainly due to the slowdown of both domestic and overseas demand and the fierce competition in the garment industry in the PRC, which is partially offset by the new stream of revenue generated from the forestry business.

Turnover from the Company's forestry business for the year ended 31 December 2013 was approximately RMB28.9 million (2012: nil). This is attributable to the sale of the forest stock harvested from the Jiange County of Sichuan Province from September 2013 to December 2013. The Group expects the revenue generated from this business to further increase in the coming year with a full year of harvesting of the forest land situated in Jiange County of Sichuan Province and the commencement of harvesting of the forest land situated in the Dali City of Yunan Province in 2014.

Turnover from the Company's OEM apparels sold to domestic import and export companies and overseas trading companies for export for the year ended 31 December 2013 was approximately RMB32.9 million (2012: RMB74.0 million), which is approximately 55.5% lower than that for the corresponding period in 2012. Such decrease was mainly attributable to the impact of the unstable global economic conditions which slowed down the export of the Group's apparel products.

The Company also distributes its own brand apparels to local chain stores, its franchise stores and through its wholesale outlet in the PRC. The turnover of the distribution of the Company's brand apparels for the financial year ended 31 December 2013 was approximately RMB5.2 million (2012: RMB18.5 million), which is approximately 71.9% lower than that for the corresponding period in 2012. Such decrease was mainly attributable to the weaker market sentiment in the PRC.

In terms of product mix, turnover of OEM products represented approximately 86.4% of the total garment business turnover (2012: 80.0%) while turnover of the brand products only accounted for approximately 13.6% (2012: 20.0%).

Gross Loss

The Group recorded a gross loss of approximately RMB1.7 million for the financial year ended 31 December 2013 (2012: RMB0.9 million), representing an increase of approximately 88.9% as compared to that for the corresponding period in 2012.

The Group's forestry business recorded nil gross profit for the financial year ended 31 December 2013 (2012: nil). Cost of sales of the Group's forestry business mainly included timber costs, measured at its fair value less costs to sell at the point of harvest, and forest protection fund paid to the government authorities.

The Group's garment business recorded a gross loss of approximately RMB1.7 million for the financial year ended 31 December 2013 (2012: RMB0.9 million), representing an increase of approximately 88.9% as compared to that for the corresponding period in 2012.

Cost of sales of the Group's garment business mainly included costs incurred from raw materials, direct labour costs and manufacturing overheads. The decrease in the Group's cost of sales for the financial year ended 2013 was mainly a result of the decreased costs of raw materials owing to the drop of the sales volume in apparel products.

The gross margin of the Group's garment business, calculated by dividing gross profit by turnover, is not applicable for the financial year ended 31 December 2012 and 2013 as a gross loss was recorded for both years. The gross loss in 2013 was mainly attributable to the decreased sales volume of the Group's apparel products as a result of the fierce competition in the garment industry, the weaker market sentiment in the PRC and the direct labour costs owing to the statutory minimal wages policy in the PRC.

VALUATION OF THE PLANTATION FOREST ASSETS

Change in fair value of plantation forest assets

During the year ended 31 December 2013, the Group recognised a gain on change in fair value less costs to sell of plantation forest assets of approximately RMB13.1 million (2012: RMB1.8 million). The change in fair value was mainly attributable to the newly acquired forest lands in Jiange County, Sichuan Province of the PRC of approximately RMB12.3 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 30 March 2014 and 14 March 2014 (the "**Valuation Reports**") on the fair market value of the plantation forest assets with a total site area of approximately 3,530 Chinese Mu and 21,045 Chinese Mu located in Dali City of Yunan Province (the "**Dali Forests**") and Jiange County of Sichuan Province (the "**Jiange Forests**", together with the Dali Forests, the "**Forests**"), the PRC, respectively. The Independent Valuer has extensive experience in performing valuation of businesses, tangible and intangible assets and financial instruments, and has served as the independent valuer for various forestry projects for listed companies on the Stock Exchange.

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

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

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

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

Mr. Peng, aged 55, studied and graduated in湖南林業學校(Hunan Forestry School*, now known as Central South University of Forestry and Technology (中南林業科技大學)) in 1985. Mr. Peng obtained his bachelor in forestry in Central South University of Forestry and Technology in 1993. He has been working in國家林業局中南調查規劃設計院(Academy of Central South Forest Inventory and Planning of SFA) since 1985 and is currently a senior engineer. The Academy of Central South Forest Inventory and Planning of SFA is directly supervised by the SFA and is awarded a Class A qualification (甲A級資質), which is the highest credential in the forestry field in the PRC. All data collected and work performed by the Academy of Central South Forest Inventory and Planning of SFA are reported to the SFA. Research published by the SFA as the official governmental data are mainly based on the information collated by the various academies of forest inventory and planning.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Mr. Peng has over 25 years of experience in the forestry related works in the PRC, especially the national 1st class and 2nd class forestry resources survey (國家一類與二類森林資源調查). Mr. Peng has been engaged in a wide variety of technical forestry works in 17 provinces in the PRC, including but not limited to, forestry policy planning, forestry researching, forestry resources inspection and surveying, planning and designing of ecological forests and natural reserve forests and forestry resources monitoring by using remote sensing technology. During his employment with Academy of Central South Forest Inventory and Planning of SFA, he has participated in over 100 forestry surveying, verification and planning tasks and he has published over 30 theses and/or technical reports on forestry resources surveying and planning independently. The above forestry tasks handled by Mr. Peng in the Academy of Central South Forest Inventory and Planning of SFA involved the tree stock volume estimation and the experimental procedure for the determination and verification of various parameters used in forestry valuations.

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

Project	Date	Items of works
Provide technical advice and expert opinions in respect of the forest lands of the Group with a total site area of approximately 21,786 Chinese mu located in Jiange County, Sichuan Province, the PRC	2012	To monitor and investigate the forest resources, such as stock volume and their biological conditions, such as ages, health statuses, diameter at breast height, of the area.
Monitoring and investigation project for the protection of natural forest in Wanyuan County (萬源市) of Sichuan Province	2006	To monitor and investigate the forest resources, such as stock volume and their biological conditions, such as ages, health statuses, diameter at breast height, of the area.
The inspection project of transforming farmland to forest in Li County (理縣) and Songpan County (松潘縣) of Sichuan Province	2001	To inspect the progress of turning the farmland into forest in the area, as well as the checking of biological conditions of the forest in the area, such as ages, health statuses and diameter at breast height.
National 2nd class forestry resources survey in Mingxi County of Fujian Province (福建省明溪縣森林資源二類調查)	July – December 1996	To collect the data of the forest resources, such as stock volume, as well as their biological conditions, such as ages, health statuses, diameter at breast height, in the area for the future governmental planning purposes.
National 2nd class forestry resources survey in Fenyi County of Jiangxi Province (江西省分宜縣森林資源二類調查)	May – November 1989	To collect the data of the forest resources, such as stock volume, as well as their biological conditions, such as ages, health statuses, diameter at breast height, in the area for the future governmental planning purposes.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Project	Date	Items of works
National 2nd class forestry resources survey in Youxi County of Fujian Province（福建省尤溪縣森林資源二類清查）	September 1985 – May 1986	To collect the data of the forest resources, such as stock volume, as well as their biological conditions, such as ages, health statuses, diameter at breast height, in the area for the future governmental planning purposes.

In 2012, Mr. Peng prepared a technical report for advisory purposes for the valuation of the forests lands of the Group with a total site area of approximately 21,786 Chinese mu located in Jiange County, Sichuan Province, the PRC.

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

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

(i) as a senior engineer at the Academy of Central South Forest Inventory and Planning of SFA, Mr. Peng has over 25 years of experience in the forestry related works in the PRC, especially in the national 1st class and 2nd class forestry resources survey（國家一類與二類森林資源調查）, for different kinds of forests and trees, including cypress trees;

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

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

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

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

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

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

Valuation methodology and assumptions

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

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

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

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

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

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

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

Work performed by the Independent Valuer and Mr. Peng

(i) Jiange Forests

Sampling investigation work by random was done by Mr. Peng on the plantation land of Jiange Forests among each of the 182 sub-compartments being divided in accordance to《森林資源規劃設計調查主要技術規定》(國家林業局，2003年4月) by using a 1:10000 topographic map. In addition, angle gauge sample plot (角規樣地) approach was adopted to determine the timber volume in each sub-compartment.

The survey of a total of 1,403.03 hectares (equivalent to 21,045.4 Chinese Mu) has been completed and all of them belong to the forest lands of Jiange Forests. The surveying area involves 2 counties, 1 town and 10 administrative villages, which comprises of 182 sub-compartments.

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

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

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

(ii) Dali Forests

Sampling investigation work by random was done by Mr. Peng on the plantation land of Dali Forests among each of the 15 sub-compartments being divided in accordance to《森林資源規劃設計調查主要技術規定》(國家林業局，2003年4月) by using a 1:10000 topographic map. In addition, angle gauge sample plot (角規樣地) approach was adopted to determine the timber volume in each sub-compartment.

The survey of a total of 235.34 hectares (equivalent to approximately 3,530.1 Chinese Mu), of which, 142.14 hectares (equivalent to approximately 2,132.1 Chinese Mu) are Yunan pine forest lands and 93.2 hectares (equivalent to approximately 1,398.0 Chinese Mu) are oak tree forest lands, has been completed and all of them belong to the forest lands of Dali Forests. The surveying area involves 2 towns and 2 administrative villages, which comprises of 2 compartments and 15 sub-compartments.

Mr. Peng and his two assistants investigated the health status of the trees through visual inspection in the Dali 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, 78 angle gauge survey sample plots were selected randomly and set up according to the Principal Technical Requirements on Forestry Resources Planning and Design Survey on the forest lands of the Dali Forests. The stock volume in one sub-compartment can be derived by multiplying the stock volume per unit hectare to the area of the sub-compartment. Such sample size is sufficient in ascertaining the stock volume of the Dali Forests which enables to draw the conclusions of the Dali 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.

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**"), 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 青川博源生態林業開發有限公司 (Qingchuan Boyuan Ecological Forestry Development Company Limited*) ("**Qingchuan Boyuan**") and 大理藍海 (Dalinanhai Forestry Ltd*)("**Dalinanhai**").

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

c. The Independent Valuer has visited the premises where Qingchuan Boyuan's business operates. The Independent Valuer has relied on the assistance of and information provided by the Company and Qingchuan Boyuan.

   The Independent Valuer did not visit the premises where Dalinanhai's business operates for the purposes of preparing the Valuation Reports. However, the Independent Valuer had previously visited the said premise for the purposes of preparing a previous valuation. The Independent Valuer confirmed with the Company that there is no material change in the conditions of the Dali Forest and have relied on the technical report prepared by Mr. Peng for the valuation of Dalinanhai. The Independent Valuer has relied on the assistance of and information provided by the Company and Dalinanhai.

Discount rate

(i) Jiange Forests

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

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

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

Where

- $ß_l$ is the sensitivity of return on equity of Qingchuan Boyuan to the market risk premium; and
- the market risk premium is the difference between the expected rate of return on the market portfolio and the risk-free rate.

The value of $ß_l$ is given by

$ß_l = ß_u + ßu(1\text{-}t)D/E$

where

- $ß_u$ is the unlevered sensitivity of return on equity of the forest industry to the market risk premium;
- t is the effective tax rate of Qingchuan Boyuan; and
- D/E is the debt-to-equity ratio of the weighted average of the comparable companies identified.

(ii) Dali Forests

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

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

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

Where

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

The value of $ß_l$ is given by

$$ß_l = ß_u + ß_u(1\text{-}t)D/E$$

where

- $ß_u$ is the unlevered sensitivity of return on equity of the forest industry to the market risk premium;
- t is the effective tax rate of Dalinanhai; and
- D/E is the debt-to-equity ratio of the weighted average of the comparable companies identified.

Selling prices

(i) Jiange Forests

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

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

Based on the results of the research from the websites above, the prevailing market prices of various diameter at breast height of cypress wood ranging from RMB1,600 to RMB2,150 per cubic metre for diameter between 16 cm to 25 cm, which accounts for about 85% of cypress in the Jiange Forests. Accordingly, the average price of RMB1,830 is derived by the weighted average of the diameter at breast height of the cypress timber in the Jiange Forests. As the market price is based on the dimension of the tree log rather than the age of the trees, in particular the diameter of the tree log, the weighted average is derived by taking into the account of the diameter at breast height distribution which affects the price of cypress log, and hence the valuation of the Jiange Forests. Accordingly, the age of the trees is not being considered in the valuation of the Jiange Forests.

(ii) Dali Forests

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

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

The prevailing average market prices were RMB1,427 and RMB2,200 for Yunan pine and oak, respectively. As the market price is based on the dimension of the tree log rather than the age of the trees, in particular the diameter of the tree log, the weighted average is derived by taking into the account of the diameter at breast height distribution which affects the price of pine and oak logs, and hence the valuation of the Dali Forests. Accordingly, the age of the trees is not being considered in the valuation of the Dali Forests.

Costs in the cash flow projections

(i) Jiange Forests

- Timber operational cost rate: RMB60/Chinese Mu for maintenance cost, RMB66/m^3 for timber logging cost, RMB60/Chinese Mu for road construction and maintenance cost and RMB58/m^3 for timber transportation cost;
- Scrap sale rate: RMB300/ton;
- Scrap produced rate: 4 tons/Chinese Mu;
- Corporate tax: 0% (waived);
- Silviculture fund collection rate: RMB72/m^3;
- Agriculture subsidy: RMB210/Chinese Mu;
- Management & staff cost: RMB49,520 per month; and
- Land rental cost: RMB39/Chinese Mu

(ii) Dali Forests

- Timber logging cost rate: RMB66/m^3 for timber logging and processing, RMB60/Chinese Mu for road construction and RMB58/m^3 for timber transportation;
- Scrap sale rate: RMB300/ton;
- Scrap produced rate: 3.5 tons/Chinese Mu;
- Corporate tax: 0% (waived);
- Silviculture fund collection: 10% on the timber sales; and
- Agriculture Subsidy: RMB200/Chinese Mu

Historical yield of the biological assets

(i) Jiange Forests

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(ii) Dali Forests

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

Sensitivity analysis for the fair value

(i) Jiange Forests

Discount rate

Variance	Discount Rate	Fair Value	% Change
3%	19.61%	RMB197,033,550	-5.79%
2%	18.61%	RMB200,927,998	-3.92%
1%	17.61%	RMB204,959,228	-2.00%
0%	16.61%	RMB209,133,665	0.00%
-1%	15.61%	RMB213,458,107	2.07%
-2%	14.61%	RMB217,939,749	4.21%
-3%	13.61%	RMB222,586,212	6.43%

Cypress market price

Variance	Price	Fair Value	% Change
15%	2,105	RMB243,784,507	16.57%
10%	2,013	RMB232,234,227	11.05%
5%	1,922	RMB220,683,946	5.52%
0%	1,830	RMB209,133,665	0.00%
-5%	1,739	RMB197,583,385	-5.52%
-10%	1,647	RMB186,033,104	-11.05%
-15%	1,556	RMB174,482,823	-16.57%

Estimation of cypress volume

Variance	Volume	Fair Value	% Change
15%	289,458	RMB212,781,854	1.74%
10%	276,873	RMB213,652,594	2.16%
5%	264,288	RMB214,606,262	2.62%
0%	251,703	RMB209,133,665	0.00%
-5%	239,118	RMB200,154,341	-4.29%
-10%	226,533	RMB191,196,935	-8.58%
-15%	213,948	RMB182,265,316	-12.85%

Estimation of cypress growth rate

Variance	Growth Rate	Fair Value	% Change
3%	8.43%	RMB214,276,508	2.46%
2%	7.43%	RMB214,718,620	2.67%
1%	6.43%	RMB213,091,068	1.89%
0%	5.43%	RMB209,133,665	0.00%
-1%	4.43%	RMB205,357,208	-1.81%
-2%	3.43%	RMB201,757,042	-3.53%
-3%	2.43%	RMB198,328,589	-5.17%

Estimation of logging cost

Variance	Logging Cost	Fair Value	% Change
100%	132	RMB196,386,269	-6.10%
50%	99	RMB202,759,967	-3.05%
25%	83	RMB205,946,816	-1.52%
0%	66	RMB209,133,665	0.00%
-10%	59	RMB210,408,405	0.61%
-25%	50	RMB212,320,514	1.52%
-75%	17	RMB218,694,212	4.57%

Estimation of road construction cost

Variance	Road Construction	Fair Value	% Change
100%	120	RMB204,363,799	-2.28%
50%	90	RMB206,748,732	-1.14%
25%	75	RMB207,941,199	-0.57%
0%	60	RMB209,133,665	0.00%
-10%	54	RMB209,610,652	0.23%
-25%	45	RMB210,326,132	0.57%
-75%	15	RMB212,711,065	1.71%

Estimation of transport cost

Variance	Transportation	Fair Value	% Change
100%	116	RMB201,740,176	-3.54%
50%	87	RMB205,436,920	-1.77%
25%	73	RMB207,285,293	-0.88%
0%	58	RMB209,133,665	0.00%
-10%	52	RMB209,873,014	0.35%
-25%	44	RMB210,982,038	0.88%
-75%	15	RMB214,678,783	2.65%

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Estimation of forest operation cost

Variance	Forest Operation	Fair Value	% Change
100%	120	RMB204,363,799	-2.28%
50%	90	RMB206,748,732	-1.14%
25%	75	RMB207,941,199	-0.57%
0%	60	RMB209,133,665	0.00%
-10%	54	RMB209,610,652	0.23%
-25%	45	RMB210,326,132	0.57%
-75%	15	RMB212,711,065	1.71%

(ii) Dali Forests

Discount rate

Variance	Discount Rate	Fair Value	% Change
3%	19.13%	RMB18,640,000	-6.72%
2%	18.13%	RMB19,071,000	-4.56%
1%	17.13%	RMB19,519,000	-2.32%
0%	16.13%	RMB19,983,000	0.00%
-1%	15.13%	RMB20,465,000	2.41%
-2%	14.13%	RMB20,966,000	4.92%
-3%	13.13%	RMB21,485,000	7.52%

Yunan pine market price

Variance	Price	Fair Value	% Change
15%	1,641	RMB21,278,000	6.48%
10%	1,570	RMB20,847,000	4.32%
5%	1,498	RMB20,415,000	2.16%
0%	1,427	RMB19,983,000	0.00%
-5%	1,355	RMB19,552,000	-2.16%
-10%	1,284	RMB19,120,000	-4.32%
-15%	1,213	RMB18,689,000	-6.48%

Oak tree market price

Variance	Price	Fair Value	% Change
15%	1,641	RMB21,278,000	6.48%
10%	1,570	RMB20,847,000	4.32%
5%	1,498	RMB20,415,000	2.16%
0%	1,427	RMB19,983,000	0.00%
-5%	1,355	RMB19,552,000	-2.16%
-10%	1,284	RMB19,120,000	-4.32%
-15%	1,213	RMB18,689,000	-6.48%

Estimation of Yunan pine volume

Variance	Volume	Fair Value	% Change
15%	17,046	RMB20,176,000	0.97%
10%	16,305	RMB20,172,000	0.95%
5%	15,564	RMB20,162,000	0.90%
0%	14,823	RMB19,983,000	0.00%
-5%	14,082	RMB19,678,000	-1.53%
-10%	13,340	RMB19,353,000	-3.15%
-15%	12,599	RMB19,009,000	-4.87%

Estimation of oak tree volume

Variance	Volume	Fair Value	% Change
15%	17,807	RMB20,690,000	3.54%
10%	17,033	RMB20,515,000	2.66%
5%	16,258	RMB20,333,000	1.75%
0%	15,484	RMB19,983,000	0.00%
-5%	14,710	RMB19,503,000	-2.40%
-10%	13,936	RMB18,990,000	-4.97%
-15%	13,162	RMB18,456,000	-7.64%

Estimation of Yunan pine growth rate

Variance	Growth Rate	Fair Value	% Change
3%	8.73%	RMB20,734,000	3.76%
2%	7.73%	RMB20,446,000	2.32%
1%	6.73%	RMB20,164,000	0.91%
0%	5.73%	RMB19,983,000	0.00%
-1%	4.73%	RMB19,827,000	-0.78%
-2%	3.73%	RMB19,667,000	-1.58%
-3%	2.73%	RMB19,504,000	-2.40%

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Estimation of oak tree growth rate

Variance	Growth Rate	Fair Value	% Change
3%	7.78%	RMB20,273,000	1.45%
2%	6.78%	RMB20,229,000	1.23%
1%	5.78%	RMB20,126,000	0.72%
0%	4.78%	RMB19,983,000	0.00%
-1%	3.78%	RMB19,844,000	-0.70%
-2%	2.78%	RMB19,707,000	-1.38%
-3%	1.78%	RMB19,573,000	-2.05%

Estimation of logging cost

Variance	Logging Cost	Fair Value	% Change
100%	132	RMB18,330,000	-8.27%
50%	99	RMB19,157,000	-4.13%
25%	83	RMB19,570,000	-2.07%
0%	66	RMB19,983,000	0.00%
-10%	59	RMB20,149,000	0.83%
-25%	50	RMB20,397,000	2.07%
-75%	17	RMB21,223,000	6.21%

Estimation of road construction cost

Variance	Road Construction	Fair Value	% Change
100%	120	RMB19,159,000	-4.12%
50%	90	RMB19,571,000	-2.06%
25%	75	RMB19,777,000	-1.03%
0%	60	RMB19,983,000	0.00%
-10%	54	RMB20,066,000	0.42%
-25%	45	RMB20,189,000	1.03%
-75%	15	RMB20,602,000	3.10%

Estimation of transport cost

Variance	Transportation	Fair Value	% Change
100%	116	RMB19,208,000	-3.88%
50%	87	RMB19,596,000	-1.94%
25%	73	RMB19,790,000	-0.97%
0%	58	RMB19,983,000	0.00%
-10%	52	RMB20,061,000	0.39%
-25%	44	RMB20,177,000	0.97%
-75%	15	RMB20,565,000	2.91%

Estimation of forest operation cost

Variance	Forest Operation	Fair Value	% Change
100%	120	RMB19,159,000	-4.12%
50%	90	RMB19,571,000	-2.06%
25%	75	RMB19,777,000	-1.03%
0%	60	RMB19,983,000	0.00%
-10%	54	RMB20,066,000	0.42%
-25%	45	RMB20,189,000	1.03%
-75%	15	RMB20,602,000	3.10%

Selling and Distribution Costs

The selling and distribution costs of the Group decreased from approximately RMB0.8 million for the financial year ended 31 December 2012 to approximately RMB0.4 million for the financial year ended 31 December 2013, representing a decrease of approximately 50.0%. The decrease in selling and distribution costs was mainly attributable to the decrease of the transportation costs owing to the decreased sales volume of the Group's apparel products.

Administrative Expenses

The administrative expenses of the Group increased by approximately 181.0% from approximately RMB5.8 million for the financial year ended 31 December 2012 to approximately RMB16.3 million for the financial year ended 31 December 2013. The increase in administrative expenses was mainly due to the addition of staff and administrative costs associated with the forestry business.

Impairment loss recognised in respect of trade receivables

During the year ended 31 December 2013, the Group recognised an impairment loss in respect of trade receivables of approximately RMB2.5 million (2012: RMB11.1 million) as such amount was under dispute and have already passed the credit period.

Finance Costs

The finance costs were related to the interests on (i) the issue of promissory notes ("**Note A**"), bearing 15% interest per annum, in the principal amount of HK$190 million issued by the Company on 8 January 2013 for cash; and (ii) the promissory notes ("**Note B**"), bearing 3% interest per annum, in the principal amount of HK$144 million issued by the Company on 28 May 2013 as partial settlement of the consideration for the acquisition of the entire issued share capital of China Timbers; and (iii) the zero coupon convertible bonds for the acquisition of the Rongxuan group on 11 July 2012.

Income Tax Expense

For the year ended 31 December 2013, the effective tax rate of the Group was approximately 0% because there was loss before tax and no income tax expenses had been incurred (2012: 0%). In addition, any profits resulting from forestry business were exempted from PRC enterprise income tax according to relevant PRC law and regulations.

Loss and Total Comprehensive Expenses Attributable to Owners of the Company

As a result of the above changes, the Company has recorded a loss of approximately RMB19.6 million for the financial year ended 31 December 2013, representing a decrease of approximately 2.0% as compared to a loss of approximately RMB20.0 million for the financial year ended 31 December 2012. The total comprehensive expenses attributable to owners of the Company was approximately RMB17.7 million for the financial year ended 31 December 2013, which represents a decrease of approximately 11.5% when comparing to approximately RMB20.0 million for the financial year ended 31 December 2012.

Basic Loss per Share

Basic loss per share for the financial year ended 31 December 2013 amounted to RMB0.0514 (2012: RMB0.0542), representing a decrease of approximately 5.2%.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed a total of 766 employees (981 as at 31 December 2012). Total staff costs for the year under review, including the Directors' remuneration and termination benefits, amounted to approximately RMB14.9 million (2012: RMB23.8 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 "**Shares**"). 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 and bank borrowings. As at 31 December 2013, the Group had total assets of approximately RMB324.7 million (2012: RMB93.3 million) and net assets of approximately RMB81.7 million (2012: RMB73.9 million). The Group's cash and bank balances as at 31 December 2013 amounted to approximately RMB21.8 million (2012: RMB26.2 million). As at 31 December 2013, there was no unutilised banking facilities (unutilised banking facilities as at 31 December 2012: HK$190,000,000 (equivalent to approximately RMB154,831,000)).

On 10 December 2012, the Company and Mr. Du Jianjun entered into the acquisition agreement, as supplemented by two supplemental agreements dated 2 January 2013 and 26 March 2013, pursuant to which, among other things, the Company conditionally agreed to acquire from Mr. Du Jianjun the entire issued share capital of China Timbers at a consideration of HK$280,000,000, which was to be satisfied by HK$136,000,000 in the form of cash, and the remaining balance in the form of promissory note. The acquisition of China Timbers was approved by the shareholders of the Company (the "**Shareholders**") on 16 May 2013 and the aforesaid acquisition was completed on 28 May 2013.

Taking into account the cash reserves and net current assets of the Group, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and seek other opportunities in order to achieve its business objectives.

PLEDGE OF ASSETS

The Group had pledged certain of its buildings and leasehold lands to secure banking facilities granted to the Group. At the end of the reporting period, the carrying values of these pledged assets are as follows:

	2013 RMB'000	2012 RMB'000
Buildings	–	1,403
Prepaid lease payments	–	1,081
	–	2,484

As at 31 December 2013, the Company has pledged its entire equity interest of all subsidiaries under Rongxuan Forestry Investment Holdings Limited and China Timbers Limited to Maple Reach Limited ("**Maple Reach**") as security for the pledged notes issued to Maple Reach.

COMMITMENTS

The Group leases certain of its office premises and production plants under operating lease arrangements with leases negotiated for an average term of one to three 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 falls due as follows:

	2013 RMB'000	2012 RMB'000
Within one year	2,385	212
In the second to fifth year inclusive	3,977	322
	6,362	534

The commitment disclosed above included the lease payments of approximately RMB33,000 (2012: RMB62,000) which are payable to Mr. Tsoi Kam On, the brother of Mr. Cai Shuiyong, under the operating leases which will expire in 2014.

The Group had no material capital commitments as at 31 December 2013.

As at 31 December 2012, capital expenditure in respect of the acquisition of a subsidiary authorised but not contracted for amounted to approximately RMB229,133,000. The acquisition of the subsidiaries was completed during the current year.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the financial year ended 31 December 2013, the Group did not experience significant exposure to the exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 74.8% as at 31 December 2013 (31 December 2012: 20.8%).

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

During the year, no part of Note A was redeemed and HK$25,000,000 of Note B was redeemed at cash consideration of HK$25,000,000. Accordingly, the principal amount of HK$190 million of Note A and HK$119,000,000 of Note B remain outstanding as at the date of this annual report.

CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares. As at 31 December 2013, the total number of the ordinary shares of the Company in issue was 396,296,296 shares (2012: 370,000,000 shares). The total equity attributable to the owners of the Company as at 31 December 2013 was approximately RMB81.7 million (2012: RMB73.9 million).

On 8 January 2013, the Company issued the Note A with the principal amount of HK$190,000,000 to a third party, Maple Reach, for a cash consideration of HK$190,000,000. The Note A bears interest at 15% per annum, payable on a semi-annual basis, and is payable on the maturity date of two years after the date of issue with a redemption premium of HK$26,610,000 (the "Redemption Premium"). Under the terms of the Note A, the Company was entitled to early redeem the note after six months from the issue date at the principal amount of the note plus the redemption premium as specified therein. The Note A was secured by 186,850,000 shares of the Company owned by existing shareholders of the Company, the Company's entire equity interest of all subsidiaries under the Rongxuan Group and the Group's entire equity interest of all subsidiaries under the China Timbers Group upon completion of its acquisition by the Group.

On 18 January 2013, the Company entered into the warrant subscription agreements with seven independent subscribers, pursuant to such agreements the Company agreed to issue, and the seven subscribers agreed to subscribe for an aggregate of 22,000,000 unlisted warrants at the issue price of HK$0.01 per warrant. Pursuant to the warrant subscription agreements, the holders of the unlisted warrants will be entitled to subscribe for up to 22,000,000 new shares at the initial subscription price of HK$0.99 per share for a period of 3 years commencing from the date of the issuance of the warrants.

On 16 May 2013, the parties to the Note A reached an agreement for the change in the terms of the note, under which the Company issued warrants convertible into 25,000,000 new shares of the Company at the total price of HK$26,610,000 to Maple Reach. Under the relevant agreements, the exercise price payable on the conversion of the warrants will be satisfied by applying the Redemption Premium of the Note A.

During the year, no part of the Note A was redeemed and no part of the Warrant A was converted into shares of the Company. As at the date of this annual report, the Note A with the principal amount of HK$190,000,000 (2012: nil) and the Warrant A with the nominal value of HK$26,610,000 (2012: nil) remained outstanding.

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

During the year, the Company redeemed part of the Note B with the principal amount of HK$25,000,000 at cash consideration of HK$25,000,000. As at the date of this annual report, the Note B with the principal amount of HK$119,000,000 (2012: nil) remained outstanding.

On 16 July 2013, the issued zero coupon convertible bonds of the Company with principal amount amounted to HK$21,300,000 as the consideration of the acquisition of 100% equity interest in Rongxuan in 2012 were converted into 26,296,296 ordinary shares at a conversion price of HK$0.81 per share. Accordingly, as at the date of this annual report, the total number of ordinary shares of the Group in issue was 396,296,296 shares.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

On 10 December 2012, the Company and Mr. Du Jianjun entered into the acquisition agreement, as supplemented by two supplemental agreements dated 2 January 2013 and 26 March 2013, pursuant to which, among other things, the Company conditionally agreed to acquire from Mr. Du Jianjun the entire issued share capital of China Timbers at a consideration of HK$280,000,000, which was to be satisfied by HK$136,000,000 in the form of cash, and the remaining balance in the form of promissory note. The acquisition of China Timbers was approved by the shareholders on 16 May 2013 and the aforesaid acquisition was completed on 28 May 2013. Details of the acquisition of China Timbers were disclosed in the announcements of the Company dated 10 December 2012, 2 January 2013, 26 March 2013 and the circular dated 30 April 2013, as well as the poll result and completion of acquisition announcements dated 16 May 2013 and 28 May 2013, respectively.

Save as disclosed above, there were no significant investments held or material acquisitions and disposals of subsidiaries for the financial year ended 31 December 2013.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2013, the Group expected to incur an estimated RMB5 million for the purposes of constructing and setting up the biomass fuel base located in the Jiange Country, with the designed capacity of 30,000 to 40,000 tonnes per year. The said biomass fuel base was completed in January 2014 and has commenced production since completion of the biomass fuel base. For further details, please refer to the announcement of the Company dated 17 January 2014.

Save as disclosed above, the Group had no future plans for material investments or capital assets as at 31 December 2013.

EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

In January 2014, February 2014 and March 2014, the Company issued debentures with the aggregate principal amounts of HK$15,000,000. The debentures, which are unsecured and carry interest at 7% per annum, are repayable on the maturity date of 7 years after the issuance of such debentures.

SUMMARY OF FIVE-YEAR FINANCIAL INFORMATION

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

Results

	For the year ended 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013 RMB'000**
Revenue	146,003	202,232	184,804	92.438	**66,956**
Gross profit/(loss)	20,165	32,823	12,884	(884)	**(1,661)**
Profit/(loss) before tax	15,698	26,706	1,531	(20,037)	**(19,632)**
Profit/(loss) attributable to owners of the Company	15,702	23,089	411	(20,037)	**(19,632)**
Basic earnings/(loss) per share (RMB)	0.042	0.0624	0.0011	(0.0542)	**(0.0514)**

Assets and Liabilities

	As at 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013 RMB'000**
Non-current assets	17,082	23,749	22,432	26,699	**246,825**
Current assets	53,641	73,645	74,749	66,627	**77,852**
Current liabilities	9,268	16,383	15,759	6,864	**7,262**
Net assets	61,455	81,011	81,422	73,868	**81,744**

PROSPECT AND OUTLOOK

For 2014, we expect to see modest growth in major economies. While the US economy continues its gradual recovery, the PRC economy is expected to slow down but in a managed manner. However, uncertainties still exist in the macro environment that could lead to unexpected market volatility and need to be monitored closely. The US economic recovery and the tapering of the quantitative easing programme will have important implications for the global markets.

The Group is expecting a challenging year ahead for its garment business in light of the above and due to other factors such as the fierce competition in the garment industry, fluctuation of the price of raw materials and the rise of the statutory minimum wages in the PRC, which had led to a gross loss for this segment. The Group may re-structure its garment business, as it may not demonstrate promising growth in the future.

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 industry.

Maintenance works of the forest lands in the Jiange County of Sichuan Province and in the Dali City of Yunan Province has been ongoing and the logging and transportation permits for 2014 has been applied for. Harvesting of forest stock will commence when the said permits are obtained, with production capacity expected to grow gradually in 2014.

Looking forward, the Group will continue to implement its vertically-integrated development strategy by exploring downstream businesses to capture opportunities throughout the industry value chain, including utilising forestry waste to produce biomass fuel.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. **Lei Zuliang** (**雷祖亮**), aged 62, is an executive Director and the chairman of the Board. 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. Cai Shuiyong (**蔡水泳**), aged 47, is an executive Director of the Group. He is responsible for the overall strategic planning and direction of the Group. Mr. Cai has over 15 years of experience in the garment industry. He had been the general manager of Quanzhou Qiaomei Garment Co., Ltd., a domestic enterprise established in the PRC, from 1995 to 2005. Since 2006, he has been a director of Wannianxian Xiefeng Textiles and Dress Co., Ltd. ("**Xiefeng Textile**"), Jiangxi Province Wannianxing Textiles and Dress Co., Ltd. ("**Wannianxing Textile**") and Wannian County Xiangyun Fibers and Fabrics Co., Ltd. ("**Xiangyun Fiber**"). He is also a director of Newshine International Limited ("**Newshine**") and Sino Prosper (Asia) Limited ("**Sino Prosper**"). He was the director of Jiangxi Hongfeng Textile Company Limited ("**Hongfeng Textile**") which the disposal of Hongfeng Textile was completed in December 2012. He is the spouse of Ms. Cai Shuyan, one of the Group's senior management.

Mr. **Long Weihua** (**龍衛華**), aged 47, was redesignated as an executive Director on 1 November 2013. He graduated with a master's degree in engineering at the Hunan University of the PRC in 1993 and also completed the Tsinghua capital management class (investment and financing stream) for presidents organized by the Research Institute of Tsinghua University in Shenzhen in 2011. Mr. Long Weihua has been a qualified engineer in the PRC since 1996. He has extensive experiences in project development, project investment and project management. He is a project manager in the department of engineering of Shenzhen Yantian Port Group Co., Ltd since April 1996. He is a founder and the dean of general affairs of Shenzhen Lions Organization Bodhi branch (深圳獅子會菩提分會).

Non-Executive Directors

P**rofessor Liu Zhikun** (**劉志坤**), aged 58, 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 and plywood, etc. He has completed various national and provincial level research projects, and possesses in-depth technical knowledge and achieved fruitful results in the forest industry.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT (continued)

M**r. Zhou Xianyan (周先雁)**, aged 57, is a non-executive Director. He graduated with a Bachelor degree in civil engineering, a Master's degree in civil engineering specializing in highway engineering, and a Doctoral degree in civil engineering specializing in structural engineering at the Hunan University of the PRC in 1982, 1986, and 1996 respectively. He has extensive experience in national or provincial research projects and has been publishing research papers in his area of expertise. He was a deputy head of civil engineering at the Hunan University for more than 4 years since 1994. Mr. Zhou Xianyan had then become the general manager of Baiquan Group Company of Hunan University for approximately 3 years. Since 2001, Mr. Zhou Xianyan has been the Principal or Vice Principal of three universities or colleges in Hunan and the Principal of Central South University of Forestry and Technology since November 2008. Further, Mr. Zhou Xianyan has achieved various awards from national or provincial science and technology progress (國家、省部級科技進步獎).

Independent Non-Executive Directors

M**s. Tian Guangmei (田光梅)**, aged 53, 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 Guangmei 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).

M**r. Liang Guoxin (梁國新)**, aged 51, graduated with a master's degree in 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 experience in project development and project management. He held a managerial position in Shenzhen Yantian District Urban Development Co. (深圳市鹽田區城建開發公司) from 1999 to 2005. Since 2005, he has been the person in charge of the construction of two golf courses, clubhouse and villa projects of Shenzhen OCT East Co., Ltd. (深圳東部華僑城有限公司).

Mr. Liu Zhaoxiang (劉兆祥), aged 66, 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 Zhaoxiang 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 Zhaoxiang 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

M**s. Cai Shuyan (蔡淑燕)**, aged 44, joined the Group in May 2006 and is the supervisor of Xiefeng Textile, Wannianxing Textile and Xiangyun Fiber and the responsible officer of Quanzhou Office. Ms. Cai Shuyan is the spouse of Mr. Cai Shuiyong.

M**r. Cai Jiabo (蔡家搏)**, aged 29, joined the Group in January 2005 and is a director of Wannianxing Textile, the general manager of Xiangyun Fiber and the marketing director of the Group. He obtained a Professional Certificate in English issued by University of Westminster in association with Management Development Institute of Singapore in 2003. Mr. Cai Jiabo is the son of Mr. Cai Shuiping.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT (continued)

M**r. Xiao Wei** (**肖偉**), aged 40, joined the Group in January 2007 and is the production director of the Group. Before joining the Group, he had been one of the factory heads of Quanzhou Longquan Garment Co., Ltd., a domestic enterprise established in the PRC, from 2000 to 2006.

M**s. Wang Xiaohua** (**王小華**), aged 40, joined the Group in January 2007 and is the financial controller of the Group. Before joining the Group, she had been an accountant of a domestic enterprise established in the PRC, from 1993 to 2006.

M**r. Ding Liang** (**丁亮**), aged 41, joined the Group in June 2013 and is the chief financial officer of the Group, a joint company secretary and an authorised representative of the Company. Mr. Ding Liang 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 Liang is a fellow member of the Association of Chartered Certified Accountants and a Certified General Accountant of the Association of Canada. Mr. Ding Liang has over 11 years' experience in the auditing, accounting and finance industry. Prior to joining the Company, he had served as a financial controller of a company listed on the TSX Venture Exchange in Canada.

Mr. Leung Man Kit (**梁文傑**), aged 37, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants as well as a Fellow Member of the Association of International Accountants, Fellow Member of the Taxation Institute of Hong Kong and also a Member of The Hong Kong Institute of Directors. He obtained a Master Degree of Business Administration in Financial Management from The University of Hull in the United Kingdom. Mr. Leung has over 13 years of audit and tax experience from various listed and private companies in Hong Kong and the PRC. He is also experienced in carrying out compliance duties of companies listed on the Stock Exchange. Mr. Leung was an executive director of Modern Beauty Salon Holdings Limited (Stock Code: 919), a company listed on the Main Board of the Stock Exchange, from 15 September 2010 to 13 February 2014.

DIRECTORS' REPORT

The Directors present this Annual Report together with the audited financial statements of the Group for the financial year ended 31 December 2013.

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 38 to the consolidated financial statements. After the completion of the acquisition of China Timbers and its subsidiaries in late May 2013, the Group has positioned the forestry business as its core business. Save and except for the above, there were no significant changes in nature of Group's principal activities during the year. The Company has acquired the medium and long-lease forest lands with approximately 21,045 Chinese Mu and 3,530 Chinese Mu, which is located in Jiange County of Sichuan Province, the PRC and in Dali City of Yunnan Province, the PRC, respectively.

An analysis of the Group's performance for the financial year ended 31 December 2013 by business and geographical segments is set out in note 6 to the consolidated financial statements of this Annual Report.

FINANCIAL RESULTS

The Group's financial results for the financial year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 55 to 130 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2013 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for (%)
Purchase	
– the largest supplier	22.3
– the five largest suppliers combined	55.6
Sales	
– the largest customer	43.2
– the five largest customers combined	92.3

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.

DIRECTORS' REPORT (continued)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2013 are set out in note 13 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 23 to the consolidated financial statements of this Annual Report.

BORROWINGS

The Group has no secured bank borrowings as at 31 December 2013.

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 headed "Summary of Five-Year Financial Information" of this Annual Report. The summary does not form part of the audited financial statement.

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 2013.

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 total issued share capital was held by the public throughout the year ended 31 December 2013.

RESERVES

Details of movements in the reserves of the Company and the Group during the financial year ended 31 December 2013 are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company does not have any reserve available for distribution to owners (2012: 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 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 section headed "Biographical Information of Directors and Senior Management" 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 terminable 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 10 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 2013, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

As at 31 December 2013, so far as is known to the Directors, 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 and underlying Shares

Name	Capacity	Number of Shares and underlying Shares	Approximate percentage of issued share capital
Central Huijin Investment Ltd.	Interest of controlled corporation	211,850,000 (1)	53.46%
China Construction Bank Corporation	Interest of controlled corporation	211,850,000 (1)	53.46%
Maple Reach	Beneficial owner and/or person having a security interest in shares	211,850,000 (1)	53.46%
Mr. He Si Xing	Interest of controlled corporation	105,550,000 (2)	26.63%
Well Bright	Beneficial owner	105,550,000	26.63%
Mr. Hu Kai	Interest of controlled corporation	73,900,000 (3)	18.65%
Victor Charm Investment Ltd.	Beneficial owner	73,900,000	18.65%

Notes:

1. These shares comprise of (i) 186,850,000 Shares charged in favor of Maple Reach by existing Shareholders; and (ii) 25,000,000 underlying Shares which would be issued upon the exercise of the subscription rights attaching to Warrant A issued by the Company to Maple Reach. Maple Reach 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. CCB is owned as to 57.22% by Central Huijin Investment Limited ("**Huijin**"). Accordingly, Huijin was deemed to be interested in the Shares in which CCB and Maple Reach were interested by virtue of the SFO.

2. Mr. He Si Xing beneficially owned 50% of Well Bright. Therefore, Mr. He Si Xing is deemed to be interested in all the Shares held by Well Bright.

3. Mr. Hu Kai beneficially owned 100% of Victor Charm Investments Limited. Therefore, Mr. Hu Kai is deemed to be interested in all the Shares held by Victor Charm Investments Limited.

Save as disclosed above, and as at 31 December 2013, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under 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.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the financial year ended 31 December 2013 (2012: nil) and there is no closure of the registers of members accordingly.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in, 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 sections headed "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

The related party transactions disclosed in Note 34 to the financial statements constituted connected transactions under the Listing Rules and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

Save and except for the above, no transactions were entered into by the Group during the year ended 31 December 2013, which constitute connected transactions under the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the financial year under review and up to and including the date of this Annual Report, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete, either directly or indirectly, 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 (The "Scheme")

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

The purpose of the 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.

DIRECTORS' REPORT (continued)

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.

The Company shall be entitled to issue options, provided that the total number of the Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Scheme of the Company shall not exceed 10% of the aggregate Shares in issue at the date when the Shares were first listed on the Stock Exchange, which is 370,000,000 Shares. As of 31 December 2013, 37,000,000 Shares were available for issue under the Scheme, which represented 10% of the then issued share capital. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules and obtaining the approval of the Shareholders in general meeting, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme does not exceed the 30% of the Shares in issue from time to time.

Unless approved by the Shareholders, 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.

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.

At the time of the grant of the options, the Company will specify the minimum period for which an option must be held before it can be exercised. The Scheme does not require any such minimum period. The period within which the option must be exercised will be specified by the Company at the time of grant. Such period must expire no later than 10 years from the relevant date of grant (being the date of which the Board resolves to make an offer of options to the relevant grantee).

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.

The Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No share options were granted under the Scheme during the financial year ended 31 December 2013 and there were no share options outstanding as at 31 December 2013.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement schemes of the Group are set out in note 25 to the consolidated financial statements.

CORPORATE GOVERNANCE

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

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 28 May 2014. Notice of the annual general meeting will be published and despatched to the Shareholders together with this Annual Report.

AUDITORS

The auditors of the Company were previously SHINEWING (HK) CPA Limited ("**SHINEWING**") for the financial years ended 31 December 2009 to 2012. On 24 December 2013, the Board appointed CCTH CPA Limited ("**CCTH**") as the new auditors of the Company to fill the casual vacancy occasioned by the resignation of SHINEWING.

CCTH has acted as auditors of the Company for the financial year ended 31 December 2013.

CCTH shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of CCTH as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 31 March 2014

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining high standards of corporate governance and practices to protect the interests of the Shareholders. 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 embeds best governance practices throughout the organisation.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the Company's code of corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the financial year ended 31 December 2013, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8, A.2.1 and A.4.1 as addressed below:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this Annual 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 that is the most cost-efficient; and

2. Pursuant to the Code Provision A.2.1, the roles of chairman and chief executive officer should not be performed by the same individual. Mr. Cai Shuiyong was previously appointed as the chairman and chief executive officer of the Company. On 21 June 2013, the Company has appointed Mr. Lei Zuliang and Mr. Cai Shuiyong has relinquished his role as the chairman of the Company. Since then, the Company has complied with Code Provision A.2.1.

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 2013. 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, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors:
Mr. Lei Zuliang *(Chairman)*
Mr. Cai Shuiyong
Mr. Long Weihua *(Re-designated from an independent non-executive Director on 1 November 2013)*

Non-executive Directors:
Professor Liu Zhikun
Mr. Zhou Xianyan *(Appointed on 5 March 2014)*

Independent non-executive Directors:
Ms. Tian Guangmei *(Appointed on 17 June 2013)*
Mr. Liang Guoxin (*Appointed on 1 November 2013)*
Mr. Liu Zhaoxiang (*Appointed on 16 April 2014)*

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 32 to 34 of this Annual Report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

CORPORATE GOVERNANCE REPORT (continued)

Appointment, Re-Election and Removal of Directors

- On 14 February 2013, Mr. Cai Shuiping resigned as an executive Director.
- On 17 June 2013, Ms. Tian Guangmei and Mr. Zhou Wei were appointed as independent non-executive Directors and Mr. Zhou Wei was appointed as a member of the audit committee, remuneration committee and nomination committee of the Company.
- On 19 June 2013, Mr. Liu Jianlin resigned as an independent non-executive Director and chairman of the audit committee of the Company. Mr. Zhou Wei was appointed as the chairman of the audit committee of the Company.
- On 21 June 2013, Mr Cai Shuiyong relinquished his role as chairman of the Company and Mr. Lei Zuliang took over the role of chairman of the Company.
- On 24 June 2013, Ms. Chan Ling resigned as an independent non-executive Director, member of the audit committee and chairman of the remuneration committee and nomination committee of the Company. Mr. Zhou Wei was appointed as the chairman of the remuneration committee and nomination committee of the Company and Ms. Tian Guangmei was appointed as a member of the audit committee of the Company.
- On 2 July 2013, Mr. Cai Shuiyong relinquished his role as chief executive officer of the Company.
- On 1 November 2013, Mr. Long Weihua was redesignated from an independent non-executive Director to an executive Director and he has also resigned as a member of the audit committee, remuneration committee and nomination committee of the Company. Mr Liang Guoxin was appointed as an independent non-executive Director and was also appointed as a member of the audit committee, remuneration committee and nomination committee of the Company.
- On 22 January 2014, Mr. Zhou Wei resigned as the chairman of the audit committee and remuneration committee of the Company. Ms. Tian Guangmei and Mr. Liang Guoxin were appointed as the chairman of the audit committee and the remuneration committee of the Company, respectively.
- On 5 March 2014, Mr. Zhou Xianyan was appointed as a non-executive Director.
- On 16 April 2014, Mr. Zhou Wei resigned as an independent non-executive Director, chairman of the nomination committee and member of the audit committee and remuneration committee of the Company. Mr. Liu Zhaoxiang has been appointed as an independent non-executive Director, chairman of the nomination committee and member of the audit committee and remuneration committee of the Company.

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 financial year ended 31 December 2013, the Board complied at all times with the requirement of the Listing Rules 3.10 and 3.10A relating to the appointment of at least three 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.

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 each year shall be those appointed by the Board during the year and those who have been in office the longest since their last re-election. There are 5 Directors whose service terms will expire at the conclusion of the 2013 Annual General Meeting ("**2013 AGM**"). Pursuant to the Company's articles of association, they are all eligible for re-appointment.

Independence of independent 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. 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.

CORPORATE GOVERNANCE REPORT (continued)

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 intervals 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 for 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 financial year ended 31 December 2013:

Directors	**Attendance/Number of meetings**
Executive Directors	
Mr. Lei Zuliang *(Chairman)*	17/17
Mr. Cai Shuiyong	1/17
Mr. Long Weihua *((Redesignated from an independent non-executive Director on 1 November 2013)*	2/2
Mr. Cai Shuiping *(Resigned on 14 February 2013)*	1/1
Non-executive Directors	
Professor Liu Zhikun	3/17
Independent non-executive Directors	
Ms. Tian Guangmei *(Appointed on 17 June 2013)*	12/13
Mr. Zhou Wei *(Appointed on 17 June 2013)*	2/13
Mr. Liang Guoxin *(Appointed on 1 November 2013)*	2/3
Ms. Chan Ling *(Resigned on 24 June 2013)*	1/8
Mr. Liu Jianlin *(Resigned on 19 June 2013)*	1/6
Mr. Long Weihua *(Redesignated to an executive director on 1 November 2013)*	3/3

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 keep 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 three 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). All Board Committees of the Company are established with defined written terms of reference which are available on both the Company's website and the website of the Stock Exchange.

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.

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. Cai Shuiyong and two independent non-executive Directors namely Mr. Liang Guoxin and Mr. Liu Zhaoxiang. 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 2013.

Nomination Committee Members

Mr. Zhou Wei *(Chairman, appointed as member and chairman on 17 June and 24 June 2013 respectively and resigned on 16 April 2014)*	2/2
Mr. Cai Shuiyong	0/2
Mr. Liang Guoxin *(Appointed on 1 November 2013)*	0/0
Mr. Long Weihua *(Resigned on 1 November 2013)*	2/2
Ms. Chan Ling *(Resigned on 24 June 2013)*	1/1

CORPORATE GOVERNANCE REPORT (continued)

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 the Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of the Directors and senior management. The remuneration committee comprises one executive Director, namely, Mr. Cai Shuiyong and two independent non-executive Directors, namely Mr. Liang Guoxin and Mr. Liu Zhaoxiang. 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 2013.

Remuneration Committee Members

Mr. Liang Guoxin *(Appointed as member and chairman on 1 November 2013 and 22 January 2014 respectively)*	0/0
Mr. Zhou Wei *(Appointed on 17 June 2013 and 24 June 2013 respectively and resigned as chairman and member on 22 January 2014 and 16 April 2014, respectively)*	3/4
Mr. Cai Shuiyong	0/4
Mr. Long Weihua *(Resigned on 1 November 2013)*	3/4
Ms. Chan Ling *(Resigned on 24 June 2013)*	3/4

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 Annual Report, the audit committee has three members comprising 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 met four times during the reviewed period, and the attendance records of individual committee members are set out below:

	Attendance/Number of meetings
Ms. Tian Guangmei *(Appointed as member and chairman on 24 June 2013 and 22 January 2014 respectively)*	3/4
Mr. Liang Guoxin *(Appointed on 1 November 2013)*	3/4
Mr. Zhou Wei *(Appointed as member and chairman on 17 June 2013 and 19 June 2013 respectively and resigned as chairman and member on 22 January 2014 and 16 April 2014, respectively)*	1/4
Mr. Long Weihua *(Resigned on 1 November 2013)*	2/4
Ms. Chan Ling *(Resigned on 24 June 2013)*	1/4
Mr. Liu Jianlin *(Resigned on 19 June 2013)*	1/4

JOINT COMPANY SECRETARIES

Mr. Kwong Ping Man ("**Mr. Kwong**") resigned as the company secretary and an authorised representative of the Company with effect from 4 June 2013 and the Board had appointed Mr. Ding Liang ("**Mr. Ding**") and Ms. Chan Ling ("**Ms. Chan**") as the new joint company secretaries (the "**Joint Company Secretaries**") on 4 June 2013 and 24 June 2013 respectively and Mr. Ding as an authorised representative of the Company to fill the casual vacancy occasioned by the resignation of Mr. Kwong.

On 16 April 2014, Ms. Chan tendered her resignation as a joint company secretary of the Company; and Mr. Leung Man Kit had been appointed as a joint company secretary of the Company.

All Directors have access to the advice and services of the 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 section headed "Biographical information of Directors and senior management" of this Annual Report. In compliance with Rule 3.29 of the Listing Rules, each of Mr. Ding and Ms. Chan has undertaken no less than 15 hours of relevant professional training during the financial year ended 31 December 2013.

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Having made specific enquiry with all the Directors, the Company confirmed that all the Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the financial year ended 31 December 2013.

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 consolidated financial statements set out on pages 55 to 130 were prepared on a going concern 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 financial year ended 31 December 2013, 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 going concern basis.

For the financial year ended 31 December 2013, the remuneration paid to the auditors, CCTH in respect of audit services amounted to HK$800,000 and non-audit service assignment amounted to HK$nil.

For the financial year ended 31 December 2012, the remuneration paid to the auditors, SHINEWING in respect of audit services amounted to HK$780,000 and non-audit service assignment amounted to HK$100,000.

The reporting responsibilities of CCTH CPA Limited ("**CCTH**") are set out in the Independent Auditors' Report on pages 53 and 54.

Internal Controls

The Board recognises the importance of maintaining an adequate and effective internal control system to safeguard the Company's assets against unauthorised use of disposition, and to protect the interests of the Shareholders.

Senior management assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal control system with the guidance of the executive Directors. During the financial year ended 31 December 2013, the Board has discussed and reviewed the internal control system and the relevant proposal made by senior management in order to ensure an adequate and effective system of internal control. Based on the information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

SHAREHOLDER RELATIONS

Shareholder Engagement and Communication

The Board gives high priority to balanced, clear, and transparent communications which allow the Shareholders and investors to understand the Group's prospects and the market environment in which it operates. The Company engages with the 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 to request for an 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 of the Company 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 the 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.

CORPORATE GOVERNANCE REPORT (continued)

INVESTOR RELATION

Constitutional Documents

There was no change to the Company's memorandum and articles of association during the financial year ended 31 December 2013. A copy of the memorandum and articles of association of the Company 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 31 December 2013 to the date of approval of this Annual Report.

On behalf of the Board
Lei Zuliang
Chairman

Shenzhen, the PRC, 31 March 2014

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE MEMBERS OF
CHINA AGROFORESTRY LOW-CARBON HOLDINGS LIMITED
(FORMERLY KNOWN AS JIANGCHEN INTERNATIONAL HOLDINGS LIMITED)
中國農林低碳控股有限公司
（前稱：江晨國際控股有限公司）
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Agroforestry Low-Carbon Holdings Limited (the "Company", formerly known as Jiangchen International Holdings Limited) and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 130, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by another auditor who expressed an unqualified opinion on those financial statements on 28 March 2013.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2014

Kwong Tin Lap
Practising Certificate Number: P01953

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	5	**66,956**	92,438
Cost of sales		**(68,617)**	(93,322)
Gross loss		**(1,661)**	(884)
Gain on change in fair value less costs to sell of plantation forest assets	15	**13,119**	1,799
Gain on bargain purchase of subsidiaries	29	**46,390**	–
Gain on disposal of a subsidiary	30	**–**	850
Sundry income		**191**	139
Loss on change in fair value of derivative financial assets	22	**(2,141)**	(3,128)
Loss on re-measurement of promissory notes upon change in note terms		**(9,050)**	–
Loss on early repayment of promissory notes	21	**(6,240)**	–
Selling and distribution costs		**(392)**	(777)
Administrative expenses		**(16,339)**	(5,761)
Impairment loss recognised in respect of			
– trade receivables	17	**(2,490)**	(11,122)
– other receivables	17	**(1,357)**	–
Finance costs	7	**(39,662)**	(1,153)
Loss before tax		**(19,632)**	(20,037)
Income tax expense	8	**–**	–
Loss for the year	9	**(19,632)**	(20,037)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**1,954**	39
Other comprehensive income for the year		**1,954**	39
Total comprehensive expenses for the year		**(17,678)**	(19,998)
Loss for the year attributable to owners of the Company		**(19,632)**	(20,037)
Total comprehensive expenses for the year attributable to owners of the Company		**(17,678)**	(19,998)
Loss per share:	12		
Basic		**RMB(5.14) cents**	RMB(5.42) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	13	**6,940**	4,356
Prepaid lease payments	14	**10,768**	3,148
Plantation forest assets	15	**229,117**	19,195
		246,825	26,699
Current assets			
Inventories	16	**–**	2,961
Trade and other receivables	17	**55,509**	34,989
Prepaid lease payments	14	**267**	63
Derivative financial assets	22	**–**	2,184
Current tax recoverable		**232**	232
Bank balances and cash	18	**21,844**	26,198
		77,852	66,627
Current liabilities			
Trade and other payables	19	**5,917**	5,479
Amount due to a former controlling shareholder	20	**1,345**	1,385
		7,262	6,864
Net current assets		**70,590**	59,763
Total assets less current liabilities		**317,415**	86,462
Non-current liabilities			
Promissory notes payable	21	**235,671**	–
Convertible bonds	22	**–**	12,594
		235,671	12,594
Net assets		**81,744**	73,868
Capital and reserves			
Share capital	23	**3,466**	3,256
Reserves		**78,278**	70,612
Total equity attributable to owners of the Company		**81,744**	73,868

The consolidated financial statements on pages 55 to 130 were approved and authorised for issue by the board of directors on 31 March 2014 and are signed on its behalf by:

Lei Zuliang
Director

Long Weihua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000 (Note a)	Convertible bonds equity reserve RMB'000	Warrants reserve RMB'000 (Note 24)	Translation reserve RMB'000	Other reserves RMB'000 (Note b)	Retained profits RMB'000	Total RMB'000
At 1 January 2012	3,256	10,642	10	5,943	–	–	–	18,038	43,533	81,422
Loss for the year	–	–	–	–	–	–	–	–	(20,037)	(20,037)
Other comprehensive income for the year	–	–	–	–	–	–	39	–	–	39
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	39	–	(20,037)	(19,998)
Recognition of equity component of convertible bonds	–	–	–	–	12,444	–	–	–	–	12,444
At 31 December 2012 and 1 January 2013	3,256	10,642	10	5,943	12,444	–	39	18,038	23,496	73,868
Loss for the year	–	–	–	–	–	–	–	–	(19,632)	(19,632)
Other comprehensive income for the year	–	–	–	–	–	–	1,954	–	–	1,954
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	1,954	–	(19,632)	(17,678)
Issue of warrants	–	–	–	–	–	12,297	–	–	–	12,297
Issue of shares upon conversion of convertible bonds	210	25,491	–	–	(12,444)	–	–	–	–	13,257
At 31 December 2013	3,466	36,133	10	5,943	–	12,297	1,993	18,038	3,864	81,744

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 relevant subsidiaries.

b. Other reserves

Other reserves 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 2013

	Notes	2013 RMB'000	2012 RMB'000
Operating activities			
Loss before tax		**(19,632)**	(20,037)
Adjustments for:			
Amortisation of prepaid lease payments		**166**	161
Depreciation of property, plant and equipment		**735**	1,301
Harvested timber transferred from plantation forest assets to cost of inventories sold		**27,127**	–
Finance costs		**39,662**	1,153
Gain on change in fair value loss costs to sell of plantation forest assets		**(13,119)**	(1,799)
Gain in bargain purchase of subsidiaries		**(46,390)**	–
Gain on disposal of a subsidiary		**–**	(850)
Bank interest income		**(17)**	(139)
Loss on change in fair value of derivative financial assets		**2,141**	3,128
Loss on re-measurement of promissory notes upon change in note terms		**9,050**	–
Loss on early repayment of promissory notes		**6,240**	–
Loss on disposal of property, plant and equipment		**39**	127
Impairment loss recognised in respect of trade receivables		**2,490**	11,122
Impairment loss recognised in respect of other receivables		**1,357**	–
Exchange gains		**(295)**	–
Operating cash flows before movements in working capital		**9,554**	(5,833)
Decrease in inventories		**2,961**	6,011
Increase in trade and other receivables		**(37,917)**	(1,790)
(Decrease) increase in trade and other payables		**(988)**	4,331
Increase in amount due to a former controlling shareholder		**–**	796
Net cash (used in) from operating activities		**(26,390)**	3,515

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(3,334)**	(173)
Proceeds on disposal of property, plant and equipment		**8**	25
Acquisition of subsidiaries	28, 29	**(108,193)**	111
Disposal of a subsidiary	30	**13,800**	(15)
Interest received		**17**	139
Net cash (used in) from investing activities		**(97,702)**	87
Financing activities			
Interest paid		**(11,382)**	(318)
Proceeds from issue of warrants		**178**	–
Proceeds from issue of promissory notes, net of issue expenses		**151,069**	–
Repayment of promissory notes		**(19,969)**	–
Repayments of bank borrowings		**–**	(10,000)
Net cash from (used in) financing activities		**119,896**	(10,318)
Net decrease in cash and cash equivalents		**(4,196)**	(6,716)
Cash and cash equivalents at beginning of the year		**26,198**	32,868
Effect of foreign exchange rate changes		**(158)**	46
Cash and cash equivalents at end of the year, represented by:			
Bank balances and cash		**21,844**	26,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

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

Pursuant to a special resolution passed by the shareholders of the Company at the extraordinary general meeting held on 29 July 2013, the name of the Company was changed from "Jiangchen International Holdings Limited" to "China Agroforestry Low-Carbon Holdings Limited" with the adoption of the new Chinese name「中國農林低碳控股有限公司」for identification purpose.

The address of the registered office and principal place of business are disclosed in the section of "Corporate Information" in the annual report. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacture and wholesale of apparels, forestry management and investment holding.

The directors of the Company considered that at 31 December 2012, Well Bright Group Limited ("Well Bright"), a limited company incorporated in the British Virgin Islands ("BVI"), was the parent company and Mr. Cai Shuiyong ("Mr. Cai SY") and Mr. Cai Shuiping ("Mr. Cai SP") were the ultimate controlling shareholders.

During the year, Well Bright disposed of 73,900,000 shares of the Company, representing the Company's 19.97% issued shares, to Victor Charm Investments Limited ("Victor Charm"), a company incorporated in the BVI and beneficially owned by Mr. Hu Kai and Mr. Cai SY and Mr. Cai SP have disposed of the entire interest in Well Bright to certain individuals. Upon the completion of the disposals, the directors consider that there are no parent company and ultimate holding company of the Company at the end of the reporting period.

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

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

Except as described below, the application of the new and revised HKFRSs in the current year had no material impact on the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

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

New and revised HKFRSs applied in the current year (Continued)

HKFRS 13 "Fair Value Measurement" (Continued)

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the consolidated statement of comprehensive income is renamed as the consolidated statement of profit or loss and other comprehensive income. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section of the consolidated statement of profit or loss and other comprehensive income such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[3]
HKFRS14	Regulatory Deferral Accounts[5]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for first time annual HKFRS financial statements beginning on or after 1 January 2016.

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

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- 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. 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.

- 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 fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and biological assets that are measured at fair values, 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.

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income 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)

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 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, 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.

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, the quoted prices in that market 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.

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) and transferred to cost of sales upon sales of the agricultural produce. Depletion of plantation forest assets is calculated based on the rate corresponding to the volume of standing trees actually harvested and the total estimated standing trees volume of the plantation forest assets.

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.

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.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes and is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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.

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.

The Group as lessee

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

Leasehold land for own use

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of 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, or 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.

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred 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 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories of agricultural produce, if any, are measured at its fair value less costs to sell at the point of harvest. Other inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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 the change in fair value of derivative financial assets line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in respective note.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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 ranging from 90 to 180 days, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

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.

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 the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a former controlling shareholder, promissory notes payable and convertible bonds are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Convertible bonds issued by the Group that contain the liability, conversion option and early redemption option (which is not closely related to the host liability component) are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and a derivative financial asset. 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 classified as an equity instrument.

On initial recognition, both the liability component and the derivative financial asset (representing early redemption option component) are measured at fair value. The equity component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative financial asset is measured at fair value with changes in fair values recognised in profit or loss. The equity component will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components and early redemption option in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method. Transaction costs relating to the early redemption option are charged to profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Impairment losses on tangible and intangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Share-based payment transactions of the Company

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

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

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

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

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.

In the opinion of the directors of the Company, the absence of logging permit for plantation forest assets, if any, 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.

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) 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.

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

Key sources of estimation uncertainty (Continued)

(b) 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 less costs to sell 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 2013 is approximately RMB229,117,000 (2012: RMB19,195,000).

(c) 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 debtors' 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 2013, the carrying amount of trade and other receivables is approximately RMB54,078,000 (net of allowance for doubtful debts of approximately RMB15,069,000) (2012: carrying amount of approximately RMB32,765,000 (net of allowance for doubtful debts of approximately RMB11,222,000)). Allowance for doubtful debts of approximately RMB3,847,000 was recognised for the year ended 31 December 2013 (2012: RMB 11,122,000).

(d) 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 loss 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, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment and prepaid lease payments have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2013, the carrying amounts of property, plant and equipment and prepaid lease payments are approximately RMB6,940,000 (2012: RMB4,356,000) and RMB11,035,000 (2012: RMB3,211,000) respectively. No impairment loss of these assets was recognised in respect of both of the years presented.

5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

6. SEGMENT INFORMATION

Information reported to the chairman of the board (being the chief operating decision maker) for the purposes of resource allocation and assessment of segment performance.

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

(i) Manufacturing and wholesaling of OEM products – manufacturing and sale of apparel products made according to design and specifications specified by customers.
(ii) Manufacturing and sales of branded products ("Brand business") – sale of apparel designed in-house and sold under the Group's own brand name.
(iii) Forestry business – plantation, logging and sale of timber related products.

Information regarding the above segments for the years ended 31 December 2013 and 2012 is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the years ended 31 December 2013 and 2012:

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2013

	Manufacturing and wholesaling of OEM products RMB'000	Brand business RMB'000	Forestry business RMB'000	Total RMB'000
Turnover	32,864	5,164	28,928	66,956
Segment (loss) profit	(9,849)	(2,024)	10,398	(1,475)
Bank interest income				17
Exchange gains				173
Sundry income				1
Gain on bargain purchase of subsidiaries				46,390
Gain on disposal of a subsidiary				–
Loss on change in fair value of derivative financial assets				(2,141)
Loss on re-measurement of promissory notes upon change in note terms				(9,050)
Loss on early repayment of promissory notes				(6,240)
Central administrative costs				(7,645)
Finance costs				(39,662)
Loss before tax				(19,632)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2012

	Manufacturing and wholesaling of OEM products RMB'000	Brand business RMB'000	Forestry business RMB'000	Total RMB'000
Turnover	73,954	18,484	–	92,438
Segment (loss) profit	(12,315)	(3,016)	1,483	(13,848)
Bank interest income				139
Exchange gains				–
Sundry income				–
Gain on bargain purchase of subsidiaries				–
Gain on disposal of a subsidiary				850
Loss on change in fair value of derivative financial assets				(3,128)
Loss on re-measurement of promissory notes upon change in note terms				–
Loss on early repayment of promissory notes				–
Central administrative costs				(2,897)
Finance costs				(1,153)
Loss before tax				(20,037)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment loss/profit represent the loss/profit earned from each segment without allocation of central administrative costs including directors' emoluments and other corporate administrative costs, gain on bargain purchase of subsidiaries, gain on disposal of a subsidiary, bank interest income, loss on change in fair value of derivative financial assets, loss on re-measurement of promissory notes upon change in note terms, loss on early repayment of promissory notes and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment as at 31 December 2013 and 2012:

Segment assets	2013 RMB'000	2012 RMB'000
Manufacturing and wholesaling of OEM products	**35,022**	37,723
Brand business	**6,678**	5,606
Forestry business	**258,707**	20,679
Total segment assets	**300,407**	64,008
Unallocated	**24,270**	29,318
Consolidated assets	**324,677**	93,326

Segment liabilities	2013 RMB'000	2012 RMB'000
Manufacturing and wholesaling of OEM products	**785**	5,090
Brand business	**151**	141
Forestry business	**2,172**	35
Total segment liabilities	**3,108**	5,266
Unallocated	**239,825**	14,192
Consolidated liabilities	**242,933**	19,458

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

– all assets are allocated to operating segments other than derivative financial assets, current tax recoverable, bank balances and cash and other assets for corporate use including certain property, plant and equipment and other receivables.

– all liabilities are allocated to operating segments other than promissory notes payable, convertible bonds, tax liabilities, amount due to a former controlling shareholder and certain other payables.

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2013

	Manufacturing and wholesaling of OEM products RMB'000	Brand business RMB'000	Forestry business RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss/profit or segment assets						
Additions to non-current assets	–	–	234,407	234,407	886	235,293
Depreciation of property, plant and equipment	320	192	59	571	164	735
Amortisation of prepaid lease payments	34	10	122	166	–	166
Loss on disposal of property, plant and equipment	39	–	–	39	–	39
Gain on change in fair value less costs to sell of plantation forest assets	–	–	13,119	13,119	–	13,119
Impairment loss recognised in respect of trade receivables	2,490	–	–	2,490	–	2,490
Impairment loss recognised in respect of other receivables	1,357	–	–	1,357	–	1,357
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss/profit						
Bank interest income	–	–	–	–	17	17
Interest expenses	–	–	–	–	39,662	39,662
Loss on re-measurement of promissory notes upon change in note terms	–	–	–	–	9,050	9,050
Loss on early redemption of promissory notes	–	–	–	–	6,240	6,240
Gain on bargain purchase of subsidiaries	–	–	–	–	46,390	46,390
Gain on disposal of a subsidiary	–	–	–	–	–	–
Loss on change in fair value of derivative financial assets	–	–	–	–	2,141	2,141

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2012

	Manufacturing and wholesaling of OEM products RMB'000	Brand business RMB'000	Forestry business RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss/profit or segment assets						
Additions to non-current assets	–	–	18,885	18,885	23	18,908
Depreciation of property, plant and equipment	1,055	228	15	1,298	3	1,301
Amortisation of prepaid lease payments	151	10	–	161	–	161
Loss on disposal of property, plant and equipment	50	77	–	127	–	127
Gain on change in fair value less costs to sell of plantation forest assets	–	–	1,799	1,799	–	1,799
Impairment loss recognised in respect of trade receivables	11,122	–	–	11,122	–	11,122
Impairment loss recognised in respect of other receivables	–	–	–	–	–	–
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment loss/profit						
Bank interest income	–	–	–	–	139	139
Interest expenses	–	–	–	–	1,153	1,153
Loss on re-measurement of promissory notes upon change in note terms	–	–	–	–	–	–
Gain on bargain purchase of subsidiaries	–	–	–	–	–	–
Gain on disposal of a subsidiary	850	–	–	850	–	850
Loss on change in fair value of derivative financial assets	–	–	–	–	3,128	3,128

6. SEGMENT INFORMATION (Continued)

Geographical information

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

	2013 RMB'000	2012 RMB'000
PRC (excluding Hong Kong)	**63,135**	92,438
Others	**3,821**	–
	66,956	92,438

An analysis of segment assets and capital expenditure by geographical area in which the assets are located has not been presented as the Group's assets are substantially located in the PRC.

Information about major customers

Revenue from individual customers which contributed over 10% of the revenue of the Group are as follows:

	2013 RMB'000	2012 RMB'000
Customer A[2]	**28,928**	N/A[1]
Customer B[3]	**14,462**	29,753
Customer C[3]	**N/A[4]**	20,382
Customer D[3]	**10,736**	12,696
Customer E[3]	**N/A[4]**	11,122

1 The corresponding revenue did not contribute over 10% of the total sales for the year.
2 Revenue from forestry business.
3 Revenue from manufacturing and wholesaling of OEM products.
4 The revenue for the current year did not contribute over 10% of the total sales for the year.

7. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on secured bank borrowings wholly repayable within one year	–	318
Interest expense on promissory notes (Note 21)	38,719	–
Interest expense on convertible bonds (Note 22)	943	835
	39,662	1,153

8. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
PRC Enterprise Income Tax	–	–

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

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

8. 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:

	2013 RMB'000	2012 RMB'000
Loss before tax	**(19,632)**	(20,037)
Tax credit at applicable income tax rates	**(6,252)**	(3,353)
Tax effect of expenses not deductible for tax purpose	**11,727**	2,783
Tax effect of income not taxable for tax purpose	**(7,689)**	(594)
Tax effect of tax losses not recognised	**2,214**	1,164
Income tax expense for the year	**–**	–

As at 31 December 2013, the Group had unrecognised tax losses of approximately RMB12,270,000 (2012: RMB4,157,000), which can be carried forward to offset future taxable profit and will expire after five years. No deferred tax asset had been recognised in respect of the unrecognised tax loss of RMB14,756,000 (2012: RMB4,157,000) due to the unpredictability of future profit streams.

Under the EIT Law of PRC, 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 RMB27,164,000 (2012: RMB58,887,000) 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.

9. LOSS FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 10)	**491**	228
Other staff costs (Note below)	**14,364**	23,583
Total staff costs	**14,855**	23,811
Auditors' remuneration	**704**	717
Cost of inventories recognised and timber harvested	**66,817**	93,211
Depreciation of property, plant and equipment	**735**	1,301
Amortisation of prepaid lease payments	**166**	161
Bank interest income	**(17)**	(139)
Exchange (gains) losses	**(173)**	97
Loss on disposal of property, plant and equipment	**39**	127
Operating lease rentals in respect of rented premises	**1,267**	79
Research and development costs recognised	**131**	283

Note:

Included in other staff costs are contributions to retirement benefits schemes amounted to RMB3,048,000 (2012: RMB8,389,000).

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

(a) Directors

The emoluments paid or payable to the directors were as follows:

For the year ended 31 December 2013

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Cai SY	–	60	7	67
Mr. Cai SP[1]	–	15	–	15
Mr. Lei Zuliang[2]	219	–	–	219
Mr. Long Weihua[8]	45	–	–	45
Non-executive director:				
Professor Liu Zhikun[3]	36	–	–	36
Independent non-executive directors:				
Ms. Tian Guangmei[4]	61	–	–	61
Mr. Zhou Wei[4]	15	–	–	15
Mr. Liang Guoxin[9]	8	–	–	8
Mr. Liu Jianlin[5]	13	–	–	13
Ms. Chan Ling[6]	12	–	–	12
Total	409	75	7	491

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

(a) Directors (Continued)

For the year ended 31 December 2012

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Cai SY	–	60	7	67
Mr. Cai SP[1]	–	60	–	60
Mr. Lei Zuliang[2]	15	–	–	15
Non-executive director:				
Professor Liu Zhikun[3]	12	–	–	12
Independent non-executive directors:				
Mr. Liu Jianlin[5]	26	–	–	26
Mr. Shen Guoquan[7]	6	–	–	6
Ms. Chan Ling[6]	24	–	–	24
Mr. Long Weihua[8]	18	–	–	18
Total	101	120	7	228

1 Resigned on 14 February 2013
2 Appointed on 1 August 2012
3 Appointed on 5 September 2012
4 Appointed on 17 June 2013
5 Resigned on 19 June 2013
6 Resigned on 24 June 2013
7 Resigned on 19 March 2012
8 Appointed as an independent non-executive director on 19 March 2012, redesignated as executive director on 1 November 2013.
9 Appointed on 1 November 2013

Mr. Cai SY is also the chief executive officer of the Company up to 2 July 2013 and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

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

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company whose emoluments are included in the above disclosures. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other allowances	806	150
Retirement benefits scheme contributions	–	4
	806	154

The emolument of each of the above three employees is individually below RMB791,000 (equivalent to approximately HK$1,000,000) (2012: RMB815,000 (equivalent to approximately HK$1,000,000)).

During the years ended 31 December 2013 and 2012, 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 2013 and 2012.

11. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2013 (2012: Nil) nor had any dividend been proposed since the end of the reporting period (2012: Nil).

12. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is as follows:

	2013 **RMB'000**	2012 RMB'000
Loss		
Loss for the purpose of basic loss per share		
Loss for the year	**(19,632)**	(20,037)
Effect of dilutive potential ordinary shares:		
– Interest expense on convertible bonds	**943**	835
– Loss on change in fair value of derivative financial assets	**2,141**	3,128
– Interest expense on promissory notes	**7,724**	–
Loss for the purpose of diluted loss per share	**N/A**	N/A
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**382,176**	370,000
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**14,120**	26,296
– Warrants	**17,594**	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	**413,890**	396,296

As the Group sustained a loss for both of the years presented, diluted loss per share for these years are not presented as the potential shares issuable arising from the conversion of the convertible bonds and warrants would decrease the loss per share which is regarded anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2012	14,480	3,290	208	1,609	–	–	19,587
Acquired on acquisition of subsidiaries	–	–	29	–	–	–	29
Additions	–	–	23	–	150	–	173
Disposals	–	(220)	–	(132)	–	–	(352)
Derecognised on disposal of a subsidiary	(9,563)	(1,108)	(28)	(892)	–	–	(11,591)
At 31 December 2012 and 1 January 2013	4,917	1,962	232	585	150	–	7,846
Acquired on acquisition of subsidiaries	–	–	40	–	–	–	40
Additions	–	2,295	94	808	124	12	3,333
Disposals	–	(169)	–	–	–	–	(169)
Exchange realignment	–	–	(1)	(8)	–	–	(9)
At 31 December 2013	4,917	4,088	365	1,385	274	12	11,041
ACCUMULATED DEPRECIATION							
At 1 January 2012	2,178	1,428	127	504	–	–	4,237
Provided for the year	665	296	35	293	12	–	1,301
Eliminated on disposals	–	(140)	–	(60)	–	–	(200)
Eliminated on disposal of a subsidiary	(1,275)	(244)	(13)	(316)	–	–	(1,848)
At 31 December 2012 and 1 January 2013	1,568	1,340	149	421	12	–	3,490
Provided for the year	221	178	38	262	36	–	735
Eliminated on disposals	–	(122)	–	–	–	–	(122)
Exchange realignment	–	–	–	(2)	–	–	(2)
At 31 December 2013	1,789	1,396	187	681	48	–	4,101
CARRYING AMOUNTS							
At 31 December 2013	3,128	2,692	178	704	226	12	6,940
At 31 December 2012	3,349	622	83	164	138	–	4,356

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

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

As at 31 December 2012, the Group pledged its buildings with the carrying amount of approximately RMB1,403,000 to secure general banking facilities granted to the Group. The banking facilities expired and the pledge of assets was discharged during the current year.

14. PREPAID LEASE PAYMENTS

	Note	2013 RMB'000	2012 RMB'000
At 1 January		**3,211**	7,243
Acquired on acquisition of subsidiaries		**7,990**	1,310
Amortised for the year		**(166)**	(161)
Derecognised on disposal of a subsidiary		**–**	(5,181)
At 31 December		**11,035**	3,211
Analysed for reporting purposes as:			
Non-current asset		**10,768**	3,148
Current asset		**267**	63
		11,035	3,211
Prepaid lease payments in respect of land in the PRC:			
Medium-term lease in Jiangxi		**1,857**	1,901
Medium-term lease in Sichuan	(i)	**7,889**	–
		9,746	1,901
Long lease in Yunnan	(i)	**1,289**	1,310
		11,035	3,211

14. PREPAID LEASE PAYMENTS (Continued)

Notes:

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

(ii) The prepaid lease payments are amortised over the terms of relevant land lease ranging from 40 to 65 years.

(iii) At 31 December 2012, the Group pledged its leasehold land with the carrying amount of approximately RMB1,081,000 to secure general banking facilities granted to the Group. The banking facilities expired and the pledge of assets were discharged during the current year.

15. PLANTATION FOREST ASSETS

	Yunnan Forest	**Sichuan Forest**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2012	–	–	–
Acquired on acquisition of subsidiaries	17,396	–	17,396
Gain on change in fair value less costs to sell	1,799	–	1,799
At 31 December 2012 and 1 January 2013	19,195	–	19,195
Acquired on acquisition of subsidiaries	–	223,930	223,930
Harvested timber transferred to cost of inventories sold	–	(27,127)	(27,127)
Gain on change in fair value less costs to sell	788	12,331	13,119
At 31 December 2013	19,983	209,134	229,117

15. PLANTATION FOREST ASSETS (Continued)

Notes:

(a) Yunnan Forest

On 11 July 2012, the Group acquired the entire equity interests in Rongxuan Forestry Investment Holdings Limited ("Rongxuan") and its subsidiaries (collectively referred to as the "Rongxuan Group") which principally holds plantation forest assets in Dali, Yunnan Province, the PRC ("Yunnan Forest"). The Yunnan Forest had a total leasehold land base of approximately 3,530 Chinese Mu (equivalent to approximately 235 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Yunnan Forest. During the year under review, no timber logs in respect of the Yunnan Forest were harvested (2012: Nil). As at 31 December 2013, Yunnan Forest is estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 118 hectares of tree plantations aged 40 years or older.

(b) Sichuan Forest

On 28 May 2013, the Group acquired the entire equity interests in China Timbers Limited ("China Timbers") and its subsidiaries (collectively referred to as the "China Timbers Group") which are principally engaged in the operation and management of the forest land in Jiange County, Sichuan Province in the PRC ("Sichuan Forest"). The Sichuan Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Sichuan Forest. During the year under review, timber logs of approximately 25,000 cubic metres (2012: Nil) in respect of the Sichuan Forest were harvested and the fair value of the timber logs harvested amounted to approximately RMB27,127,000 (2012: Nil), which was estimated by reference to their sale prices less costs to sells, was transferred to cost of inventories sold. As at 31 December 2013, the Sichuan Forest is estimated to comprise approximately 1,393 hectares of Cypress with approximately 982 hectares of tree plantations aged 40 years or older.

(c) Valuation of plantation forest assets

The Group's plantation forest assets are regarded as biological assets and are carried at 31 December 2013 at fair value less costs to sell, which were valued by Ascent Partners Valuation Service Limited, independent professional valuers. In view of the non-availability of market value for tree plantations in the PRC, the net present value approach has been applied whereby projected future net cash flows, based on assessments of current timber log prices, were discounted at the pre-tax discount rate of 16.13% and 16.61% for the Yunnan Forest and Sichuan Forest respectively, to arrive at their fair value less costs to sell.

The principal valuation methodology and assumptions adopted are as follows:

Applicable to both of Yunnan Forest and Sichuan Forest

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

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

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

15. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(c) Valuation of plantation forest assets (Continued)

- The cash flows do not take into account income tax and finance costs.
- The cash flows have been prepared in real terms and have not therefore included inflationary effects.
- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forests is not taken into account.
- Costs have been derived from external sources and discussion with staff of the Group. The costs are current average costs. No allowance has been made for cost improvements in future operations.
- Prices have been derived from independent market information and not prices actually received by the Group.
- The discount rates used in the valuation of the plantation forest assets are determined based on Capital Asset Pricing Model (CAPM), with reference to applicable risk-free rates and expected rates of return.

Applicable to Yunnan Forest

- Cash flow projection is determined for a forecast period of 5 years up to 2018 with the first year of logging activities taken to be from April 2014. Management has assumed that the logging volume during the forecast period is 3,000 cubic meters in the first year, 5,000 cubic meters in the second year, 8,000 cubic meters in the third year, 10,000 cubic meters in the fourth year and 9,436 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2014 and onwards.
- The average increment in log sales prices is expected to be 6.66% per annum, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 2.99% per annum for the forecast period.
- The discount rate applied is 16.13%.
- The inflation rate on other operation costs is 2.99% per annum.
- The biological growth rates of pine and oak are 5.73% and 4.78% per annum respectively.
- The yielding rates for pine and oak are 55% and 52% respectively.

15. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(c) Valuation of plantation forest assets (Continued)

Applicable to Sichuan Forest

– Cash flow projection is determined for a forecast period of 5 years up to 2018 with the first year of logging activities taken to be from January 2014. Management has assumed that the logging volume during the forecast period is 40,000 cubic meters in the first year, 50,000 cubic meters in the second year, 60,000 cubic meters in the third year, 60,000 cubic meters in the fourth year and 49,651 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statement, the Group has not obtained logging permits for the harvest of timber logs in the year of 2014 and onwards.

– The average increment in log sales prices is expected to be 6.66% per annum, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 2.99% per annum for the forecast period.

– The discount rate applied is 16.61%.

– The inflation rate on other operation costs is 2.99% per annum.

– The biological growth rate of Cypress is 5.43% per annum.

– The yielding rate for Cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 31 December 2013 and 31 December 2012 have been determined 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 revenue generation in the forestry segment. During the year ended 31 December 2013, approval of the logging permit for Yunnan Forest was not obtained by the Group. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits which will be granted by the PRC government shortly after application. During the year ended 31 December 2013, the Group has obtained the logging permits for Sichuan Forest, under which the Group is allowed to harvest not more than 40,000 cubic metres of Cypress until 20 December 2013 of which 25,000 cubic metres were harvested during the year.

(d) Pledge of plantation forest assets

At 31 December 2013, the equity interests in the Company's subsidiaries which hold the plantation forest assets have been pledged to secure the promissory notes payable by the Company (Note 21a).

(e) Other risks associated with the plantation forest assets

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

(i) Regulatory and environmental risks

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

15. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(e) Other risks associated with the plantation forest assets (Continued)

(ii) 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 are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

(iii) Supply and demand risk

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

16. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**–**	780
Work-in-progress	**–**	66
Finished goods	**–**	2,115
	–	2,961

17. TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	**67,119**	25,470
Less: allowance for doubtful debts	**(13,712)**	(11,222)
	53,407	14,248
Prepayments	**746**	2,224
Deposits	**685**	–
Other receivables	**671**	18,517
	55,509	34,989

17. TRADE AND OTHER RECEIVABLES (Continued)

The Group generally allows an average credit period of 90 to 180 days to its trade customers, where payment in advance is normally required. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date:

	2013 RMB'000	2012 RMB'000
0 – 90 days	**17,778**	10,180
91 – 180 days	**22,951**	4,068
181 – 365 days	**12,678**	–
Total	**53,407**	14,248

No impairment loss is provided for the trade receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customers and the management considers that the default rate is low for such receivables based on historical information and past experience.

As at 31 December 2013, trade receivables that are past due but not impaired amounted to RMB12,678,000 (2012: Nil) that were aged between 181-365 days. Having considered the credit quality of the customers and the past experience of debts settlement, management is of the view that these receivables are fully recoverable and no impairment loss on trade receivables is not required in this respect.

Movements of allowance of trade receivables are as follows:

	2013 RMB'000	2012 RMB'000
At the beginning of the year	**11,222**	100
Impairment loss recognised	**2,490**	11,122
At the end of the year	**13,712**	11,222

The allowance for doubtful debts of RMB2,490,000 (2012: RMB11,122,000) recognised for the year was made against individually impaired trade receivables which have passed the credit period and are considered non-recoverable.

17. TRADE AND OTHER RECEIVABLES (Continued)

An analysis of other receivables is as follows:

	2013 RMB'000	2012 RMB'000
Other receivables	2,028	18,517
Less: allowance for doubtful debts	(1,357)	–
	671	18,517

Included in other receivables at 31 December 2012 are consideration receivable from disposal of a subsidiary amounting to approximately RMB13,800,000 and amount due to the Group by the disposed subsidiary amounting to approximately RMB2,650,000. Such consideration receivable and amount due by the disposed subsidiary were fully settled during the year.

Movements of allowance of other receivables are as follows:

	2013 RMB'000	2012 RMB'000
At beginning of the year	–	–
Impairment loss recognised	1,357	–
At end of the year	1,357	–

18. BANK BALANCES AND CASH

At 31 December 2013, the Group's bank balances and cash denominated in RMB amounted to approximately RMB7,059,000 (2012: RMB25,462,000). 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 and bank deposits carry average interest rate of 0.34% (2012: 0.34%) per annum.

19. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**10**	722
Other payables	**3,799**	3,052
Receipt in advance	**–**	27
Accruals	**2,108**	1,678
	5,917	5,479

The average credit period on purchase of goods ranges from 45 to 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 the invoice date at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0 – 30 days	**–**	257
31 – 90 days	**–**	465
Over 90 days	**10**	–
Total	**10**	722

20. AMOUNT DUE TO A FORMER CONTROLLING SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand.

21. PROMISSORY NOTES PAYABLE

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

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

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

Number of shares of the Company under the Warrant B	Exercise period
6,250,000	July 2013 to January 2015
6,250,000	January 2014 to January 2015
6,250,000	July 2014 to January 2015
6,250,000	January 2015 to January 2015
25,000,000	

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

During the year, no part of the Note A was redeemed and no part of the Warrant B was converted into shares of the Company. At the end of the reporting period, the Note A with the principal amount of HK$190,000,000 (2012: Nil) and the Warrant B convertible into 25,000,000 new shares of the Company (2012: Nil) remained outstanding.

21. PROMISSORY NOTES PAYABLE (Continued)

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

The fair value of the Note A at the date of issue was estimated to be HK$190,000,000 (equivalent to RMB151,765,000) based on the effective interest rate of 21.22% per annum. The fair values of the Note A and the Warrant B at the date of change in note terms were estimated to be HK$204,713,000 (equivalent to RMB163,545,000) and HK$15,208,000 (equivalent to RMB12,119,000) respectively, as valued by Ascent Partners Valuation Service Limited, independent professional valuers. The effective interest rate applied to arrive at the fair value of the Note A of HK$204,713,000 is 22.79% per annum. The fair value of the early redemption option of the Note A is considered insignificant by the directors and has not been recognised in the consolidated financial statements. The fair value of the Warrant B at the date of issue, which has been included in warrants reserve, was estimated using binomial option pricing model.

The inputs into the model were as follows:

	5 July 2013
Risk-free rate	0.2140%
Expected volatility	64.9662%
Credit spread	13.7892%
Dividend yield	Nil

The risk-free rate was determined with reference to the yield rate of Hong Kong Zero Coupon Sovereign Yield with duration similar to the contractual tenor of the Warrant B. The expected volatility was determined based on the historical volatility of the warrant prices of the Company.

The credit spread was determined with reference to the average yield spread of issuers with similar rating over the U.S. treasury.

(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 equity interests in China Timbers and its subsidiaries (Note 28). 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 its principal amount. The Company is also entitled to redeem the whole or part of the Note B at the principal amount at any time before the maturity date.

During the year, the Company redeemed part of the Note B with the principal amount of HK$25,000,000 at a cash consideration of HK$25,000,000. At the end of the reporting period, the Note B with the principal amount of HK$119,000,000 (2012: Nil) remained outstanding.

The fair value of the Note B at the date of issue was estimated to be RMB77,631,000 respectively, based on the effective interest rate of 14.86% per annum. The fair value of the early redemption option in respect of the Note B is considered insignificant by the directors and has not been recognised in the consolidated financial statements.

21. PROMISSORY NOTES PAYABLE (Continued)

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

	Note A RMB'000	Note B RMB'000	Total RMB'000
At 1 January 2012, 31 December 2012 and 1 January 2013	–	–	–
Issue of promissory notes, at fair value			
– cash	151,765	–	151,765
– for acquisition of subsidiaries (Note 28)	–	77,631	77,631
Transaction costs attributable to issue of notes	(696)	–	(696)
Imputed interest for the year (Note 7)	32,712	6,007	38,719
Issue of warrants upon change in note terms (Note 24)	(12,119)	–	(12,119)
Loss on re-measurement of promissory notes upon change in note terms (Note (i))	9,050	–	9,050
Interest on notes paid during the year	(11,382)	–	(11,382)
Promissory notes repaid during the year	–	(19,969)	(19,969)
Loss on early repayment of promissory notes (Note (ii))	–	6,240	6,240
Interest payable included in trade and other payables	–	(1,489)	(1,489)
Exchange realignment	(1,660)	(419)	(2,079)
At 31 December 2013	167,670	68,001	235,671

Notes:

(i) During the year, the terms of the Note A have been revised as detailed in paragraph (a) above. The loss on re-measurement of promissory notes upon change in note terms, which represents the excess of the aggregate of the fair value of the Note A and the Warrant B totalled RMB175,664,000 at the date of change in note terms over the carrying amount of the Note A of RMB166,614,000 at that date before change in note terms, amounted to RMB9,050,000 which has been recognised in profit or loss for the year.

(ii) During the year, part of the Note B with the principal amount of HK$25,000,000 was repaid by the Company. The loss on early repayment of the Note B, which represents the excess of the consideration paid of HK$25,000,000 over the carrying amount of the note repaid amounted to RMB13,729,000 at the date of repayment, amounted to RMB6,240,000 which has been recognised in profit or loss for the year.

22. CONVERTIBLE BONDS

During the year ended 31 December 2012, the Company issued HK$ unsecured zero coupon convertible bonds on 11 July 2012 with the principal amount of HK$21,300,000 (equivalent to approximately RMB17,330,000) and the maturity date of 11 July 2015 (the "Convertible Bonds") to a third party for the acquisition of the Rongxuan Group (Note 29).

The principal terms of the Convertible Bonds are as follows:

(i) Conversion rights

The holders of the Convertible Bonds are entitled to convert any part of the bonds into new ordinary shares of the Company at a conversion price of HK$0.81 each during the period from six months after the date of issue up to the maturity date.

(ii) Redemption at the option of the Company

The Company may, at any time before the maturity date by serving at least 10 days' prior written notice to the bondholders with total amount to be redeemed specified therein, redeem the Convertible Bonds at 103% of the principal amount of the bond to be redeemed. Any amount of the Convertible Bonds which is redeemed by the Company will forthwith be cancelled.

(iii) Redemption at maturity

Unless previously redeemed, converted, or purchased and cancelled, the outstanding Convertible Bonds will be redeemed on 11 July 2015 at 103% of the principal amount of the bonds.

On 16 July 2013, all the Convertible Bonds with principal amount of HK$21,300,000 were converted into 26,296,296 ordinary shares of the Company at the conversion price HK$0.81 per share.

The Convertible Bonds contain three components: liability component, equity component (conversion option) and derivative component (redemption option). The liability component is stated at amortised cost. The derivative component is presented as derivative financial assets and is stated at fair value. The equity component is presented as convertible bonds equity reserve and is included in equity.

22. CONVERTIBLE BONDS (Continued)

Movements of the liability, derivative and equity components of the Convertible Bonds during the years are set out below:

	Liability component RMB'000	Derivative component RMB'000	Equity component RMB'000	Total RMB'000
Issue of convertible bonds on 11 July 2012	11,751	(5,312)	10,891	17,330
Imputed interest charges (Note 7)	835	–	–	835
Loss on change in fair value of derivative financial assets	–	3,128	–	3,128
Fair value difference included in convertible bonds equity reserve	–	–	1,553	1,553
Exchange realignment	8	–	–	8
At 31 December 2012 and 1 January 2013	12,594	(2,184)	12,444	22,854
Imputed interest charges (Note 7)	943	–	–	943
Loss on change in fair value of derivative financial assets	–	2,141	–	2,141
Converted during the year	(13,257)	–	(12,444)	(25,701)
Exchange realignment	(280)	43	–	(237)
At 31 December 2013	–	–	–	–

The fair value of the early redemption option derivative component of the Convertible Bonds at 31 December 2012 is calculated using binomial option pricing model. Major parameters adopted in the calculation of fair value are set out below:

	31 December 2012
Stock price	HK$0.990
Exercise price	HK$0.810
Risk-free rate	0.118%
Expected life	2.53 years
Volatility	63.17%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

23. SHARE CAPITAL

	Par value HK$	Number of ordinary shares '000	Nominal amount of ordinary shares HK$'000
Authorised:			
At 1 January 2012, 31 December 2012 and 2013	0.01	1,000,000	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 2012 and 31 December 2012	0.01	370,000	3,700	3,256
Issue of shares on conversion of convertible bonds		26,296	263	210
At 31 December 2013	0.01	396,296	3,963	3,466

Note: As referred to in Note 22, on 16 July 2013, the Convertible Bonds with the principal amount of HK$21,300,000 were converted into 26,296,296 new ordinary shares of the Company at the conversion price of HK$0.81 per share.

24. WARRANTS RESERVE

	2013 RMB'000	2012 RMB'000
At beginning of the year	–	–
Proceeds from issue of warrants (Note b below)	178	–
Fair value of warrants issued upon change in note terms of the Note A (Note 21)	12,119	–
At end of the year	12,297	–

Notes:

(a) The warrants reserve will be transferred to share capital and share premium account upon exercise of the warrants.

(b) 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"). The holders of the warrants are entitled to convert each unit of the warrants into one new share of the Company at the subscription price of HK$0.99 per share during the period of three years commencing from the date of issue of the warrants. During the year, no warrants have been exercised and converted into new shares of the Company. At the end of the reporting period, 22,000,000 units (2012: Nil) of the Warrants A remained outstanding.

25. RETIREMENT BENEFIT SCHEMES

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in social insurance schemes operated by the relevant local government authorities. The insurance premium is borne by the Group on a specified proportion of the employee's salaries laid down under the relevant PRC laws and regulations.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of approximately RMB3,055,000 (2012: RMB8,396,000) represents contributions payable to these schemes by the Group at rates or amount specified in the rules of 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.

26. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises and plant and machinery under operating lease arrangements with leases negotiated for an average term of one to five 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:

2013

	Office premises RMB'000	**Plant and machinery RMB'000**	**Total RMB'000**
Within one year	**1,857**	**528**	**2,385**
In the second to fifth year inclusive	**2,505**	**1,472**	**3,977**
	4,362	**2,000**	**6,362**

2012

	Office premises RMB'000	Plant and machinery RMB'000	Total RMB'000
Within one year	68	144	212
In the second to fifth year inclusive	178	144	322
	246	288	534

The commitment disclosed above included the lease payments of approximately RMB33,000 (2012: RMB62,000) which are payable to Mr. Tsoi Kam On, the brother of Mr. Cai SY, under the operating leases which will expire in 2014.

27. CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2013.

As at 31 December 2012, capital expenditure in respect of the acquisition of subsidiaries authorised but not contracted for amounted to approximately RMB229,133,000. The acquisition of the subsidiaries was completed during the current year, details of which are set out in Note 28.

28. ACQUISITION OF SUBSIDIARIES

On 28 May 2013, the Group acquired 100% equity interests in China Timbers from a third party for an aggregate consideration of HK$280,000,000 which was satisfied by (i) cash of HK$136,000,000 (equivalent to approximately RMB108,293,000) and (ii) the Note B with the principal amount of HK$144,000,000 payable by the Company (Note 21(b)). China Timbers, through its subsidiaries established in the PRC (together with China Timbers referred to as "China Timbers Group"), is principally engaged in the operation and management of the forest land in Jiange County, Sichuan Province , the PRC.

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

Consideration transferred

	RMB'000
Cash	108,293
Fair value of Note B (Note 21(b))	77,631
	185,924

Acquisition-related costs amounting to approximately RMB880,000 have been excluded from the cost of acquisition and have been recognised directly as an expense for the year and is included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities of China Timbers Group recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	40
Plantation forest assets	223,930
Prepaid lease payments	7,990
Trade and other receivables	267
Bank balances and cash	100
Trade and other payables	(13)
Net assets acquired	232,314

28. ACQUISITION OF SUBSIDIARIES (Continued)

Consolidated assets and liabilities of China Timbers Group recognised at the date of acquisition are as follows:

The plantation forest assets and prepaid lease payments have been recognised at their fair value of approximately RMB223,930,000 and RMB7,990,000 respectively at the date of acquisition based on the valuation carried out by Ascent Partners.

Bargain purchase gain arising on acquisition are as follows:

	RMB'000
Fair value of identifiable net assets acquired	232,314
Consideration transferred	(185,924)
Gain on bargain purchase	46,390
Net cash outflow arising on the acquisition:	
Cash consideration paid	108,293
Bank balances and cash acquired	(100)
	108,193

Impact of acquisition on the results of the Group

Included in the turnover and loss for the year are turnover and profit of RMB28,928,000 and RMB10,648,000 respectively attributable to China Timbers Group.

Had the acquisition of China Timbers Group been effected at beginning of the year, the total amount of revenue of the Group for the year ended 31 December 2013 would have been RMB66,956,000, and the amount of the loss for the year would have been RMB20,713,000. 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, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had China Timbers Group been acquired at the beginning of the year, the directors calculated gain on change in fair value less costs to sell of plantation forest assets, depreciation of property, plant and equipment and amortisation of prepaid lease payments on the basis of the fair value arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

29. ACQUISITION OF ASSETS ON AN ACQUISITION OF SUBSIDIARIES

On 11 July 2012, the Group acquired 100% equity interests of Rongxuan Group from a third party for a consideration which was satisfied by the issue of convertible bonds at a face value of HK$21,300,000 (equivalent to approximately RMB17,330,000). The fair value of convertible bonds at the date of acquisition was estimated to be RMB18,883,000 with reference to the fair value of net assets acquired. The directors of the Company is of the opinion that the acquisition of Rongxuan Group is in substance an acquisition of assets, instead of an acquisition of business, as the principal assets included in Rongxuan Group was mainly the plantation forest assets in Yunnan without operation.

The plantation forest assets and prepaid lease payments have been recognised at their fair value of approximately RMB17,396,000 and RMB1,310,000 respectively based on the valuation carried out by Ascent Partners. The difference between the face value of the convertible bonds and the fair value of assets acquired were credited to the Company's convertible bonds equity reserve.

The effect of the acquisition is summarised as follows:

Consideration transferred

	RMB'000
Issue of convertible bonds	17,330
Fair value difference between net assets acquired and consideration paid included in convertible bonds equity reserve	1,553
	18,883

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	29
Plantation forest assets	17,396
Prepaid lease payments	1,310
Trade and other receivables	99
Bank balances and cash	111
Trade and other payables	(62)
Net assets acquired	18,883

Net cash inflow arising on the acquisition:

Bank balances and cash acquired	111

30. DISPOSAL OF A SUBSIDIARY

On 27 December 2012, the Group disposed of its entire 100% equity interests in Jiangxi Hongfeng Textile Company Limited, a wholly-owned subsidiary of the Company, to a third party for a total consideration of RMB13,800,000 receivable in cash. The net assets of the Company at the date of disposal were as follows:

	RMB'000
Consideration received:	
Deferred cash consideration	13,800

Analysis of assets and liabilities at 27 December 2012 over which control was lost:

	RMB'000
Property, plant and equipment	9,743
Prepaid lease payments	5,181
Trade and other receivables	2,095
Bank balances and cash	15
Trade and other payables	(3,522)
Tax liabilities	(562)
Net assets disposed of	12,950

Gain on disposal of a subsidiary:

	2012 RMB'000
Consideration receivable	13,800
Net assets disposed of	(12,950)
Gain on disposal	850

Net cash inflow (outflow) arising from disposal:

	2013 RMB'000	2012 RMB'000
Consideration for disposal received	**13,800**	–
Bank balances and cash disposed of	**–**	(15)
	13,800	(15)

The deferred consideration receivable of RMB13,800,000 at 31 December 2012 was settled during the current year.

31. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of certain of its buildings and leasehold lands pledged to secure banking facilities granted to the Group are as follows:

	2013 RMB'000	2012 RMB'000
Buildings	–	1,403
Prepaid lease payments	–	1,081
	–	2,484

As detailed in Note 21(a), the Note A issued by the Company was secured by certain assets of the Group at the end of the reporting period.

32. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") has been adopted pursuant to a written resolution passed on 15 September 2009 for the primary purpose of providing incentives and rewards to directors of the Company and eligible participants. No share options under the scheme were granted, exercised or cancelled during the year ended 31 December 2012 and 31 December 2013 and no share options were outstanding at the end of the reporting period (2012: Nil).

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the Group's major non-cash transactions are as follows:

(i) As referred to in Note 22, all the Convertible Bonds with principal amount of HK$21,300,000 were converted into 26,296,296 ordinary shares at the conversion price HK$0.81 per share.

(ii) As referred to in Note 28, the Company issued promissory notes with an aggregate principal amount of HK$144,000,000 as part of the consideration for the acquisition for China Timbers Group.

During the year ended 31 December 2012, the Group's major non-cash transactions are as follows:

(i) As referred in Note 30, the deferred consideration for the disposal of a subsidiary amounted to RMB13,800,000 was not received as at 31 December 2012.

(ii) As referred in Note 29, the Group acquired Rongxuan Group at a consideration of HK$21,300,000 which was satisfied by the issue of convertible bonds at a face value of HK$21,300,000 (equivalent to approximately RMB17,330,000).

34. RELATED PARTY TRANSACTIONS

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

(a) Rental expenses incurred

		2013 RMB'000	2012 RMB'000
Mr. Tsoi Kam On	Note	**29**	29

Note: Mr. Tsoi Kam On is the brother of Mr. Cai SY. In the opinion of the directors of the Company, the transactions were conducted on normal commercial terms and in the ordinary course of business.

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

	2013 RMB'000	2012 RMB'000
Salaries and other allowances	**859**	318
Retirement benefits scheme contributions	**35**	13
	894	331

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.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of net debt, which includes promissory notes payable and convertible bonds disclosed in Note 21 and Note 22 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.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**75,992**	58,963
Derivative financial assets at fair value through profit or loss	**–**	2,184
	75,992	61,147
Financial liabilities		
Financial liabilities at amortised cost	**242,933**	19,035

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, derivative financial assets, bank balances and cash, trade and other payables, amount due to a former controlling shareholder, promissory notes payable and convertible bonds. 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

One of the subsidiaries of the Company has foreign currency sales, which exposes the Group to foreign currency risk. Approximately 6% (2012: 12%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst all costs are denominated in the group entity's functional currency.

As 31 December 2013 and 31 December 2012, the Group had no significant monetary assets and liabilities which were denominated in foreign currencies.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Currency risk (Continued)

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.

Sensitivity analysis

As the Group had no material foreign currency denominated monetary assets and liabilities at 31 December 2013 and 31 December 2012, no significant impacts on the results of the Group would arise from the changes in foreign currency rates, accordingly sensitivity analysis in this respect is not presented.

(ii) Interest rate risk

As at 31 December 2013 and 2012, the Group is also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating interest 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 which carried interest at floating rates as at the end of 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 2013 and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2013 would decrease/increase by approximately RMB99,000 (2012: RMB131,000). This is mainly attributable to the Group's exposure to interest rates on its bank deposits which carried interest at floating rates.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk

As at 31 December 2013, 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 of 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 33% (2012: 41%) and 90% (2012: 87%) 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 derived from the PRC which accounted for 100% (2012: 100%) of the total trade receivables as at the end of reporting period.

The Group has no other significant concentration of credit risk, with exposure spreading over a number of counterparties.

(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 bank borrowings and other source of funding and considers the risk is minimal.

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has 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 table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is calculated by interest rate curve.

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

Liquidity tables (Continued)

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 the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The amounts included below for variable interest rate instruments for the non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

As at 31 December 2013

	On demand or within one year RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2013 RMB'000
Non-derivative financial assets				
Trade and other receivables	54,078	–	54,078	54,078
Bank balances and cash	21,844	–	21,844	21,844
	75,922	–	75,922	75,922
Non-derivative financial liabilities				
Trade and other payables	5,917	–	5,917	5,917
Amount due to a former controlling shareholder	1,345	–	1,345	1,345
Promissory notes payable	25,369	300,828	326,197	235,671
Convertible bonds	–	–	–	–
	32,631	300,828	333,459	242,933

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

Liquidity tables (Continued)

As at 31 December 2012

	On demand or within one year RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2012 RMB'000
Non-derivative financial assets				
Trade and other receivables	32,765	–	32,765	32,765
Bank balances and cash	26,198	–	26,198	26,198
	58,963	–	58,963	58,963
Non-derivative financial liabilities				
Trade and other payables	5,056	–	5,056	5,056
Amount due to a former controlling shareholder	1,385	–	1,385	1,385
Promissory notes payable	–	–	–	–
Convertible bonds	–	17,877	17,877	12,594
	6,441	17,877	24,318	19,035

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(v) Fair value measurements

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and input used).

Financial instruments	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2013 RMB'000	31/12/2012 RMB'000		
Derivative financial assets	–	2,184	Level 2	Binomial Option Pricing Model (Note 22)

There were no transfer of the financial assets 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 of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(iii) Reconciliation of Level 3 fair value measurements

The derivative financial assets at fair value through profit or loss are measured on Level 2 fair value measurement. Reconciliation of Level 3 fair value measurements is not presented.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Investments in subsidiaries		**205,133**	19,210
Property, plant and equipment		**714**	–
		205,847	19,210
Current assets			
Other receivables		**885**	55
Derivative financial assets		**–**	2,184
Amount due from a subsidiary	(a)	**1,487**	6,201
Bank balances and cash		**14,149**	585
		16,521	9,025
Current liabilities			
Other payables		**2,680**	2,436
Amount due to a subsidiary	(a)	**8,391**	469
		11,071	2,905
Net current assets		**5,450**	6,120
Total assets less current liabilities		**211,297**	25,330
Non-current liabilities			
Promissory notes payable		**235,671**	–
Convertible bonds		**–**	12,594
		235,671	12,594
Net (liabilities) assets		**(24,374)**	12,736
Capital and reserves			
Share capital		**3,465**	3,256
Reserves	(b)	**(27,839)**	9,480
Total equity		**(24,374)**	12,736

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Notes:

(a) The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

(b) Reserves

	Share premium RMB'000	Convertible bonds equity reserves RMB'000	Warrant reserves RMB'000	Translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	10,642	–	–	–	(6,878)	3,764
Loss for the year	–	–	–	–	(6,706)	(6,706)
Other comprehensive expense						
Exchange differences arising on translation	–	–	–	(22)	–	(22)
Total comprehensive expenses for the year	–	–	–	(22)	(6,706)	(6,728)
Recognition of equity component of convertible bonds	–	12,444	–	–	–	12,444
At 31 December 2012 and 1 January 2013	10,642	12,444	–	(22)	(13,584)	9,480
Loss for the year	–	–	–	–	(62,663)	(62,663)
Other comprehensive income						
Exchange differences arising on translation	–		–	–	–	–
Total comprehensive expenses for the year	–	–	–	–	(62,663)	(62,663)
Issue of warrants	–	–	12,297	–	–	12,297
Issue of shares upon conversion of convertible bonds	25,491	(12,444)	–	–	–	13,047
At 31 December 2013	36,133	–	12,297	(22)	(76,247)	(27,839)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2013

38. SUBSIDIARIES

Details of the subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	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				
				2013	2012	2013	2012	2013	2012	
Newshine International Limited 新光國際有限公司	BVI	Ordinary	US$1	100%	100%	–	–	100%	100%	Investment holding
Sino Prosper (Asia) Limited 華盛(亞洲)有限公司	Hong Kong	Ordinary	HK$1	–	–	100%	100%	100%	100%	Investment holding
Wannianxian Xiefeng Textiles and Garments Co., Ltd. 萬年縣協豐紡織服飾有限公司[1,3]	The PRC	Contributed capital	HK$3,200,000	–	–	100%	100%	100%	100%	Manufacturing and wholesaling of apparels
Wan Nian County Xiang Yun Fibers and Fabrics Co., Ltd. 萬年縣祥雲纖維紡織有限公司[1,3]	The PRC	Contributed capital	US$1,300,000	–	–	100%	100%	100%	100%	Manufacturing and wholesaling of apparels
Jiangxi Province Wan Nian Xing Textiles and Dress Co., Ltd. 江西省萬年興紡織服裝有限公司[1,3]	The PRC	Contributed capital	US$1,300,000	–	–	100%	100%	100%	100%	Manufacturing and wholesaling of apparels
Rongxuan Forestry Investment Holding Limited 榮軒林業投資控股有限公司[5]	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. 岳鵬達木業(深圳)有限公司[1,3]	The PRC	Contributed capital	RMB6,680,000	–	–	100%	100%	100%	100%	Investment holding

38. SUBSIDIARIES (Continued)

Name of subsidiary	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				
				2013	2012	2013	2012	2013	2012	
Dalinanhai Forestry Ltd. 大理藍海林業有限公司 [1,3]	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 [4]	BVI	Ordinary	US$1	100%	–	–	–	100%	–	Investment holding
China Timbers Limited 中國木業投資集團有限公司 [4]	Hong Kong	Ordinary	HK$1	–	–	100%	–	100%	–	Investment holding
Shenzhen Junlifa Timbers Limited. 深圳市君利發木業有限公司 [1,3,4]	The PRC	Contributed capital	RMB500,000	–	–	100%	–	100%	–	Investment holding
Qingchuan Boyuan Ecological Forestry Development Company Limited 青川縣博源生態林業開發有限公司 [2,3,4]	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Forestry management
Jiange Hengchang Low-Carbon Forestry Development Co., Ltd. 劍閣縣恒昌低碳林業開發有限公司 [2,3]	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Forestry management
Jiange Hengfa Biomass Energy Development Co., Ltd. 劍閣縣恒發生物質能源開發有限公司 [2,3]	The PRC	Contributed capital	RMB5,000,000	–	–	100%	–	100%	–	Dominant

1 These entities are registered as wholly-foreign owned enterprises in the PRC.
2 These entities are registered as limited liability enterprises under the PRC.
3 The English transliteration of the Chinese name is for identification purpose only and should not be regarded as the official English name.
4 The subsidiaries were acquired by the Group on 28 May 2013.

None of the subsidiaries had any debt securities outstanding as at 31 December 2013 and 31 December 2012 or at any time during each of the years ended on those dates.

39. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

In addition to those disclosed elsewhere in the consolidated financial statements, the following events took place subsequent to the end of the reporting period:

During the period from January 2013 to March 2013, the Company issued unlisted bonds with the aggregate principal amounts of HK$15,000,000. The unlisted bonds, which are unsecured and carry interest at 7% per annum, are repayable on the maturity dates of 7 years after their respective dates of issues.