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)

2014
Interim Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Lei Zuliang *(Chairman)*
Mr. Long Weihua
Mr. Cai Shuiyong *(Resigned on 4 July 2014)*

Non-executive Directors:

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

Independent Non-executive Directors:

Ms. Tian Guangmei
Mr. Liang Guoxin
Mr. Liu Zhaoxiang *(Appointed on 16 April 2014)*
Mr. Zhou Wei *(Resigned on 16 April 2014)*

AUDIT COMMITTEE

Ms. Tian Guangmei *(Appointed as chairman on 22 January 2014)*
Mr. Liang Guoxin
Mr. Liu Zhaoxiang *(Appointed on 16 April 2014)*
Mr. Zhou Wei *(Resigned as chairman and member on 22 January 2014 and 16 April 2014, respectively)*

REMUNERATION COMMITTEE

Mr. Liang Guoxin *(Appointed as chairman on 22 January 2014)*
Mr. Lei Zuliang *(Appointed on 4 July 2014)*
Mr. Liu Zhaoxiang *(Appointed on 16 April 2014)*
Mr. Zhou Wei *(Resigned as chairman and member on 22 January 2014 and 16 April 2014, respectively)*
Mr. Cai Shuiyong *(Resigned on 4 July 2014)*

NOMINATION COMMITTEE

Mr. Liu Zhaoxiang *(Appointed as chairman on 16 April 2014)*
Mr. Lei Zuliang *(Appointed on 4 July 2014)*
Mr. Liang Guoxin
Mr. Zhou Wei *(Resigned as chairman on 16 April 2014)*
Mr. Cai Shuiyong *(Resigned on 4 July 2014)*

JOINT COMPANY SECRETARIES

Mr. Ding Liang *CGA, ACCA*
Mr. Leung Man Kit *CPA* *(Appointed on 16 April 2014)*
Ms. Chan Ling *CPA, MSc* *(Resigned on 16 April 2014)*

AUTHORISED REPRESENTATIVES

Mr. Lei Zuliang *(Appointed on 4 July 2014)*
Mr. Leung Man Kit *CPA* *(Appointed on 24 April 2014)*
Mr. Ding Liang *CGA, ACCA* *(Resigned on 24 April 2014)*
Mr. Cai Shuiyong *(Resigned on 4 July 2014)*

CORPORATE INFORMATION

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")
Room 4009, 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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

- Turnover of China Agroforestry Low-Carbon Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") for the six months ended 30 June 2014 from continuing operations, which is entirely contributed from the newly commenced biomass fuel business of the Group, amounted to approximately Renminbi ("RMB") 10.2 million (For the six months ended 30 June 2013: nil).

- Loss attributable to the owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB27.4 million (Profit attributable to the owners of the Company for the six months ended 30 June 2013: approximately RMB18.7 million).

- Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB29.1 million (Total comprehensive income attributable to the owners of the Company for the six months ended 30 June 2013: approximately RMB22.5 million).

- Basic loss per share for the six months ended 30 June 2014 amounted to approximately RMB0.065 (Basic and diluted earnings per share for the six months ended 30 June 2013: RMB0.051 and RMB0.050 respectively).

- The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (For the six months ended 30 June 2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

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

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

Continuing Operations

Forestry business

As at 30 June 2014, 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.

As at 30 June 2014, the Group's application for logging and transportation permits for the plantation forest assets in the Jiange County and the Dali City for the year ending 31 December 2014 is still being processed. As a result, no harvesting works has been carried out on such assets for the six months ended 30 June 2014 (For the six months ended 30 June 2013: nil).

The said forest lands have been under various maintenance works, and harvesting will commence when the logging and transportation permits of the forest lands are approved.

Biomass fuel business

In early 2014, the Group has successfully commenced operation of its first biomass energy base in Jiange County of Sichuan Province, with an expected annual production capacity of 30,000 tons. For the six months ended 30 June 2014, the Group produced approximately 11,000 tons of biomass fuel. The entire turnover of the Group from continuing operations for the six months ended 30 June 2014 was contributed by such biomass energy base.

MANAGEMENT DISCUSSION AND ANALYSIS

Discontinued Operations

Garment business

During the six months ended 30 June 2014, 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. The Group considered its garment business was not profit making and have not carried out any production in its garment business in 2014.

As stated above, upon the completion of the disposal of Newshine and its subsidiaries on 30 June 2014, the Group has ceased its business on manufacturing and wholesaling of apparels. For the six months ended 30 June 2014, no revenue was generated from the Group's garment business (For the six months ended 30 June 2013: RMB25.1 million).

FINANCIAL REVIEW

Turnover

During the period under review, the Company recorded a turnover from continuing operations of RMB10.2 million for the six months ended 30 June 2014 (For the six months ended 30 June 2013: nil). The Group's turnover from continuing operations for the six months ended 30 June 2014 is entirely represented by the turnover from the biomass fuel business of the Group, which commenced operation at the beginning of 2014.

For the six months ended 30 June 2014, no turnover was recorded for the forestry management business.

Cost of Sales

The cost of sales of the Group for the six months ended 30 June 2014 was mainly attributable to labour costs and the cost of raw materials consumed in the biomass fuel business.

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

During the six months ended 30 June 2014, the Group recognised an increase of fair value less costs to sell of plantation forest assets of approximately RMB16.2 million, which was valued by Ascent Partners Valuation Service Limited ("Ascent Partners"), the independent qualified professional valuer appointed by the Company, who undertook the valuations of the plantation forest assets in Yunnan Province and Sichuan Province of the Group as at 30 June 2014.

Biological Assets

The biological assets of the Group included the forest lands situated in Dali City of Yunnan Province and Jiange County of Sichuan Province.

Ascent Partners has performed valuations update on the aforesaid forests assets to assist the Group in assessing the fair value of those biological assets (the "Valuations Update").

The net increase in value was mainly due to the changes in fair value less costs to sell of RMB16.2 million. The movements of biological assets were as follows:

	Yunnan Forest RMB'000	**Sichuan Forest** RMB'000	**Total** RMB'000
At 1 January 2013 (audited)	19,195	–	19,195
Acquisition of assets on an acquisition of subsidiaries	–	223,930	223,930
Change in fair value less costs to sell	(38)	–	(38)
At 30 June 2013 (unaudited)	19,157	233,930	243,087
Harvested timber transfer to cost of inventories sold	–	(27,127)	(27,127)
Gain on change in fair value less costs to sell	826	12,331	13,157
At 31 December 2013 and at 1 January 2014 (audited)	19,983	209,134	229,117
Changes in fair value less costs to sell	(3,525)	19,715	16,190
At 30 June 2014 (unaudited)	16,458	228,849	245,307

(a) Forest lands situated in Dali City of Yunnan Province

The forest lands situated in Dali City of Yunnan Province (the "Yunnan Forest") had a total leasehold land base of approximately 3,530 Chinese Mu (equivalent to approximately of 235 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Yunnan Forest. During the period under review, no timber logs in respect of the Yunnan Forest were harvested (For the six months ended 30 June 2013: nil). As at 30 June 2014, the Yunnan Forest was estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 118 hectares of tree plantations with aged 40 years or older.

(b) Forest lands situated in Jiange County of Sichuan Province

The forest lands situated in Jiange County of Sichuan Province (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 period under review, no timber logs in respect of the Sichuan Forest were harvested (For the six months ended 30 June 2013: nil). As at 30 June 2014, the Sichuan Forest was 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 30 June 2014 at fair value less costs to sell, which were valued by Assent Partners, an independent qualified professional valuer. In view of the non-availability of market value for tree plantations in the PRC, the net present value approach is considered the most appropriate and has been applied whereby projected future net cash flows, based on assessments of current timber log prices, were discounted at the pre-tax discount rate of 15.32% and 15.11% for the Yunnan Forest and Sichuan Forest respectively, to arrive at their fair value less costs to sell.

The principal valuation methodology and assumptions adopted are as follows:

Applicable to both the Yunnan Forest and Sichuan Forest

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

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

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

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

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

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

— Costs have been derived from external sources and discussion with staff of the Group. The costs are current average costs. No allowance has been made for cost improvements in future operations.

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

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

Applicable to the Yunnan Forest

— Cash flow projection is determined for a forecast period of 5 years up to 2019 with the first year of logging activities taken to be from January 2015. 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 9,759 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2015 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 15.32%.

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

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

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

Applicable to the 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 August 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 and the fourth year and 48,918 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2014 and onwards.

— The average increment in log sales prices is expected to be 6.66% per annum for the first year, which is in line with the long-term producer price index of forestry product, 3.33% for the second year, 1.66% for the third and fourth year, and 0.83% for the last year of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 2.99% per annum for the forecast period.

— The discount rate applied is 15.11%.

— 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 30 June 2014 and 31 December 2013 have been determined on level 3 fair value measurement. There has been no change from the valuation technique used in prior periods. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment. During the six months ended 30 June 2014, approval of the logging permit for the Yunnan Forest and Sichuan Forest were not obtained by the Group. In the opinion of the Directors, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits to the PRC government.

(d) Qualifications and independence of the valuer and forestry specialist consultant

Ascent Partners is an independent qualified professional valuer appointed by the Company for the purpose of performing the Valuations Update. Ascent Partners has extensive experience in performing valuation of businesses, tangible and intangible assets and financial instruments, and has served as an independent valuer for various forestry projects for listed companies on the Stock Exchange, including the valuation of the Yunnan Forest and Sichuan Forest as at 31 December 2013.

The Valuations Update was prepared by Mr. William SW Yuen and Mr. Paul Wu of Ascent Partners. Please refer to pages 9 to 10 of the 2013 annual report of the Company for their qualifications. The Valuations Update is based on the technical report of the Yunnan Forest and Sichuan Forest as at 31 December 2013 prepared by a forestry specialist consultant, Mr. Peng Tuming (彭土明) ("Mr. Peng"). Please refer to pages 10 to 12 of the 2013 annual report of the Company for his qualifications.

The Valuations Update have been prepared independently by Ascent Partners. Neither Ascent Partners nor any authors of the Valuations Update hold any interest in the Company or its related parties. The fee for providing the Valuations Update 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 Valuations Update.

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 that Ascent Partners and Mr. Peng are independent and competent for the purpose of determining the fair value of the Yunnan Forest and Sichuan Forest.

(e) Sensitivity analysis

(i) Sichuan Forest

Discount rate

Variance	Discount Rate	Fair Value	% Change
3%	18.11%	RMB217,532,000	-4.77%
2%	17.11%	RMB221,045,000	-3.23%
1%	16.11%	RMB224,672,000	-1.64%
0%	15.11%	RMB228,418,000	0.00%
-1%	14.11%	RMB232,289,000	1.69%
-2%	13.11%	RMB236,291,000	3.45%
-3%	12.11%	RMB240,429,000	5.26%

Cypress market price

Variance	Price	Fair Value	% Change
15%	2,105	RMB265,562,000	16.26%
10%	2,013	RMB253,181,000	10.84%
5%	1,922	RMB240,799,000	5.42%
0%	1,830	RMB228,418,000	0.00%
-5%	1,739	RMB216,037,000	-5.42%
-10%	1,647	RMB203,656,000	-10.84%
-15%	1,556	RMB191,275,000	-16.26%

Estimation of cypress volume

Variance	Volume	Fair Value	% Change
15%	289,458	RMB255,356,000	11.79%
10%	276,873	RMB246,684,000	8.00%
5%	264,288	RMB237,251,000	3.87%
0%	251,703	RMB228,418,000	0.00%
-5%	239,118	RMB219,405,000	-3.95%
-10%	226,533	RMB209,617,000	-8.23%
-15%	213,948	RMB199,056,000	-12.85%

Estimation of cypress growth rate

Variance	Growth Rate	Fair Value	% Change
3%	8.43%	RMB240,818,000	5.43%
2%	7.43%	RMB236,101,000	3.36%
1%	6.43%	RMB232,055,000	1.59%
0%	5.43%	RMB228,418,000	0.00%
-1%	4.43%	RMB224,808,000	-1.58%
-2%	3.43%	RMB221,239,000	-3.14%
-3%	2.43%	RMB217,723,000	-4.68%

Estimation of logging costs

Variance	Logging Cost	Fair Value	% Change
100%	132	RMB216,489,000	-5.22%
50%	99	RMB222,454,000	-2.61%
25%	83	RMB225,436,000	-1.31%
0%	66	RMB228,418,000	0.00%
-10%	59	RMB229,611,000	0.52%
-25%	50	RMB231,401,000	1.31%
-75%	17	RMB237,365,000	3.92%

Estimation of road construction costs

Variance	Road Construction	Fair Value	% Change
100%	120	RMB224,100,000	-1.89%
50%	90	RMB226,259,000	-0.95%
25%	75	RMB227,339,000	-0.47%
0%	60	RMB228,418,000	0.00%
-10%	54	RMB228,850,000	0.19%
-25%	45	RMB229,498,000	0.47%
-75%	15	RMB231,657,000	1.42%

Estimation of transport costs

Variance	Transportation	Fair Value	% Change
100%	116	RMB221,499,000	-3.03%
50%	87	RMB224,959,000	-1.51%
25%	73	RMB226,689,000	-0.76%
0%	58	RMB228,418,000	0.00%
-10%	52	RMB229,110,000	0.30%
-25%	44	RMB230,148,000	0.76%
-75%	15	RMB233,608,000	2.27%

Estimation of forest operation costs

Variance	Operation Costs	Fair Value	% Change
100%	120	RMB224,100,000	-1.89%
50%	90	RMB226,259,000	-0.95%
25%	75	RMB227,339,000	-0.47%
0%	60	RMB228,418,000	0.00%
-10%	54	RMB228,850,000	0.19%
-25%	45	RMB229,498,000	0.47%
-75%	15	RMB231,657,000	1.42%

(ii) *Yunnan Forest*

Discount rate

Variance	Discount Rate	Fair Value	% Change
3%	18.32%	RMB18,048,000	9.66%
2%	17.32%	RMB17,495,000	6.30%
1%	16.32%	RMB16,966,000	3.09%
0%	15.32%	RMB16,458,000	0.00%
-1%	14.32%	RMB15,972,000	-2.95%
-2%	13.32%	RMB15,505,000	-5.79%
-3%	12.32%	RMB15,057,000	-8.51%

Pine tree market price

Variance	Price	Fair Value	% Change
15%	1,501	RMB17,735,000	7.76%
10%	1,436	RMB17,309,000	5.17%
5%	1,370	RMB16,884,000	2.59%
0%	1,305	RMB16,458,000	0.00%
-5%	1,240	RMB16,033,000	-2.58%
-10%	1,175	RMB15,607,000	-5.17%
-15%	1,109	RMB15,182,000	-7.75%

Oak tree market price

Variance	Price	Fair Value	% Change
15%	1,974	RMB18,163,000	10.36%
10%	1,888	RMB17,595,000	6.91%
5%	1,803	RMB17,027,000	3.46%
0%	1,717	RMB16,458,000	0.00%
-5%	1,631	RMB15,890,000	-3.45%
-10%	1,545	RMB15,321,000	-6.91%
-15%	1,459	RMB14,753,000	-10.36%

Estimation of Pine tree volume

Variance	Volume	Fair Value	% Change
15%	16,283	RMB17,754,000	7.87%
10%	15,575	RMB17,326,000	5.27%
5%	14,867	RMB16,878,000	2.55%
0%	14,159	RMB16,458,000	0.00%
-5%	13,451	RMB16,156,000	-1.83%
-10%	12,743	RMB15,835,000	-3.79%
-15%	12,035	RMB15,495,000	-5.85%

Estimation of oak tree volume

Variance	Volume	Fair Value	% Change
15%	17,136	RMB17,991,000	9.31%
10%	16,391	RMB17,485,000	6.24%
5%	15,646	RMB16,958,000	3.04%
0%	14,901	RMB16,458,000	0.00%
-5%	14,156	RMB16,078,000	-2.31%
-10%	13,411	RMB15,677,000	-4.75%
-15%	12,666	RMB15,256,000	-7.30%

Estimation of pine tree growth rate

Variance	Growth Rate	Fair Value	% Change
3%	8.73%	RMB17,555,000	6.66%
2%	7.73%	RMB17,170,000	4.33%
1%	6.73%	RMB16,788,000	2.00%
0%	5.73%	RMB16,458,000	0.00%
-1%	4.73%	RMB16,255,000	-1.23%
-2%	3.73%	RMB16,046,000	-2.50%
-3%	2.73%	RMB15,833,000	-3.80%

Estimation of oak tree growth rate

Variance	Growth Rate	Fair Value	% Change
3%	7.78%	RMB17,250,000	4.81%
2%	6.78%	RMB16,965,000	3.08%
1%	5.78%	RMB16,685,000	1.38%
0%	4.78%	RMB16,458,000	0.00%
-1%	3.78%	RMB16,291,000	-1.02%
-2%	2.78%	RMB16,127,000	-2.01%
-3%	1.78%	RMB15,961,000	-3.02%

Estimation of logging costs

Variance	Logging Cost	Fair Value	% Change
100%	132	RMB14,864,000	-9.69%
50%	99	RMB15,661,000	-4.84%
25%	83	RMB16,059,000	-2.42%
0%	66	RMB16,458,000	0.00%
-10%	59	RMB16,617,000	0.97%
-25%	50	RMB16,856,000	2.42%
-75%	17	RMB17,653,000	7.26%

Estimation of road construction costs

Variance	Road Construction	Fair Value	% Change
100%	120	RMB15,645,000	-4.94%
50%	90	RMB16,052,000	-2.47%
25%	75	RMB16,255,000	-1.23%
0%	60	RMB16,458,000	0.00%
-10%	54	RMB16,539,000	0.49%
-25%	45	RMB16,661,000	1.23%
-75%	15	RMB17,068,000	3.71%

Estimation of transportation costs

Variance	Transportation	Fair Value	% Change
100%	116	RMB15,711,000	-4.54%
50%	87	RMB16,084,000	-2.27%
25%	73	RMB16,271,000	-1.14%
0%	58	RMB16,458,000	0.00%
-10%	52	RMB16,533,000	0.46%
-25%	44	RMB16,645,000	1.14%
-75%	15	RMB17,019,000	3.41%

Estimation of forest operation costs

Variance	Operation Costs	Fair Value	% Change
100%	120	RMB15,645,000	-4.94%
50%	90	RMB16,052,000	-2.47%
25%	75	RMB16,255,000	-1.23%
0%	60	RMB16,458,000	0.00%
-10%	54	RMB16,539,000	0.49%
-25%	45	RMB16,661,000	1.23%
-75%	15	RMB17,068,000	3.71%

Selling and Distribution Costs

The selling and distribution costs of the Group for the six months ended 30 June 2014 was approximately RMB0.2 million (For the six months ended 30 June 2013: nil). The increase in selling and distribution costs was mainly attributable to the increased amount of transportation costs incurred by the newly commenced biomass fuel business.

Administrative Expenses

The administrative expenses of the Group increased by approximately 198.6% from approximately RMB3.9 million for the six months ended 30 June 2013 to approximately RMB11.8 million for the six months ended 30 June 2014. The significant increase in administrative expenses was mainly attributable to the addition of staff and administrative costs associated with the forestry and biomass fuel business.

Finance Costs

During the period under review, the finance costs were related to the interests on (i) the 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; (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 corporate bonds issued by the Group for cash during the six months ended 30 June 2014.

The finance costs of the Group increased by approximately 28.6% from approximately RMB17.5 million for the six months ended 30 June 2013 to approximately RMB22.5 million for the six months ended 30 June 2014. The increase in finance cost was mainly attributable to the additional interest incurred by Note A and Note B issued in the first half of 2013 and the corporate bonds issued during the six months ended 30 June 2014, while partly offset by the decrease in finance costs incurred by the zero coupon convertible bonds for the acquisition of the Rongxuan Forestry Investment Holdings Limited ("Rongxuan") and its subsidiaries (collectively referred to as "Rongxuan Group") on 11 July 2012, which has been entirely converted into 29,296,296 ordinary shares of the Company in July 2013.

Income Tax Expense

The income tax expense of the Group for the six months ended 30 June 2014 was approximately RMB0.3 million (For the six months ended 30 June 2013: nil), despite there was loss before tax. The income tax expense incurred for the six months ended 30 June 2014 was attributable to the PRC Enterprise Income Tax imposed on accumulated profits of the PRC subsidiaries.

Loss and Total Comprehensive Expense Attributable to Owners of the Company

Loss for the period under review from continuing operations and discontinued operations were approximately RMB22.1 million (For the six months ended 30 June 2013: profit of RMB20.4 million) and RMB5.2 million (For the six months ended 30 June 2013: RMB1.7 million), respectively.

As a result of the above changes, the Company has recorded a loss of approximately RMB27.4 million for the six months ended 30 June 2014, compared to a profit of approximately RMB18.7 million for the six months ended 30 June 2013. The total comprehensive expenses attributable to owners of the Company was approximately RMB29.1 million for the six months ended 30 June 2014, when comparing to a total comprehensive income of approximately RMB22.5 million for the six months ended 30 June 2013.

The profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2013 were mainly attributable to the gain on bargain purchase from acquisition of subsidiaries. Without taking the gain on bargain purchase from acquisition of subsidiaries into consideration, the Company experienced total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2013.

Basic and Diluted Loss Per Share

Basic loss per share from continuing operations for the six months ended 30 June 2014 amounted to approximately RMB0.053 (Basic and diluted earnings per share from continuing operations for the six months ended 30 June 2013: RMB0.055 and RMB0.054, respectively).

Basic loss per share for the six months ended 30 June 2014 amounted to approximately RMB0.065 (The basic and diluted earnings per share for the six months ended 30 June 2013: RMB0.051 and RMB0.050, respectively).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed a total of 80 employees as compared to 766 employees as at 31 December 2013, including the Directors. Total staff costs for continuing operations for the period under review, including Directors' remuneration, amounted to approximately RMB2.0 million (For the six months ended 30 June 2013: RMB0.4 million). Total staff costs for discontinued operations for the period under review, including Directors' remuneration amounted to approximately RMB7.3 million (For the six months ended 30 June 2013: RMB7.2 million). The Group's remuneration policy is in line with the prevailing market standards and is determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and bank borrowings. As at 30 June 2014, the Group had total assets of approximately RMB372.2 million and net assets of approximately RMB127.9 million. The Group's cash and bank balances as at 30 June 2014 amounted to approximately RMB39.8 million. As at 30 June 2014, there was no unutilised banking facilities (As at 31 December 2013: nil).

During the six months ended 30 June 2014, the Company entered into separate subscription agreements with twelve independent private investors pursuant to which these investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK$83,000,000 at par value, bearing interest rates of not more than 7% per annum and maturity dates ranging from seven to eight years from the date of issue.

On 8 May 2014, an aggregate of 74,000,000 placing shares of the Company were placed by Emperor Securities Limited to not less than six placees at the placing price of HK$1.30 per placing share under the general mandate. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$94.70 million.

On 30 June 2014, the disposal of Newshine International Limited and its subsidiaries was completed in accordance with the terms and conditions of the sale and purchase agreement dated 13 May 2014 entered into among the Company and Pu Xing Group Limited. The consideration of RMB34,012,000 (equivalent to approximately HK$42,294,000) was payable by Pu Xing Group Limited to the Company upon the completion of the disposal. As at the date of this report, the consideration from the said disposable has been fully settled.

During the period under review, approximately HK$47.6 million of Note A was redeemed at a cash consideration of approximately HK$47.6 million and HK$40.0 million of Note B was redeemed at a cash consideration of HK$40.0 million. Accordingly, the principal amount of approximately HK$142.4 million of Note A and HK$79.0 million of Note B remain outstanding as at 30 June 2014.

On 7 August 2014, an aggregate of 47,504,000 placing shares were placed by the KGI Asia Limited to not less than six placees at the placing price of HK$1.65 per placing share under the general mandate. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$77.5 million.

During the period from 1 July 2014 to the date of this report, approximately HK$49.2 million of Note A was redeemed at a cash consideration of approximately HK$49.2 million and approximately HK$44.5 million of Note B was redeemed at a cash consideration of HK$44.5 million. Accordingly, the principal amount of approximately HK$93.2 million of Note A and HK$34.5 million of Note B remain outstanding as at the date of this report. The Company also entered into a subscription agreement in August 2014 with an independent private investor pursuant to which, the investor has agreed to subscribe and the Company has agreed to issue the corporate bonds in the principal amount of HK$6.7 million at par value, bearing an interest rate of 6% per annum and with a maturity date of five years from the date of issue.

Taking into account the cash reserves and the proceeds from the placing completed on 7 August 2014, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and seek other opportunities in order to achieve its business objectives.

PLEDGE OF ASSETS

As at 30 June 2014, the Company has pledged its entire equity interest of all subsidiaries under Rongxuan and China Timbers to Maple Reach Limited ("Maple Reach") as security for the pledged notes issued to Maple Reach.

MATERIAL LITIGATION

As at 30 June 2014, the Group was not involved in any material litigation or arbitration (As at 31 December 2013: nil).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities (As at 31 December 2013: nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the six months ended 30 June 2014, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 65.7% as at 30 June 2014 (As at 31 December 2013: 74.8%).

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

During the period under review, approximately HK$47.6 million of Note A was redeemed at a cash consideration of approximately HK$47.6 million and HK$40.0 million of Note B was redeemed at a cash consideration of HK$40.0 million. Accordingly, the principal amount of approximately HK$142.4 million of Note A and HK$79.0 million of Note B remain outstanding as at 30 June 2014.

During the period from 1 July 2014 to the date of this report, approximately HK$49.2 million of Note A was redeemed at a cash consideration of approximately HK$49.2 million and approximately HK$44.5 million of Note B was redeemed at a cash consideration of HK$44.5 million. Accordingly, the principal amount of approximately HK$93.2 million of Note A and HK$34.5 million of Note B remain outstanding as at the date of this report.

CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares. As at 30 June 2014, the total number of the ordinary shares of the Group in issue was 470,296,296 shares (As at 31 December 2013: 396,296,296 shares). The total equity attributable to the owners of the Company was approximately RMB127.9 million (As at 31 December 2013: approximately RMB81.7 million).

On 8 January 2013, the Company issued 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 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. 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 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 ("Warrant A"). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, approximately HK$47.6 million of Note A was redeemed at a cash consideration of approximately HK$47.6 million and no part of the Warrant A was converted into shares of the Company. As at 30 June 2014, Note A with the principal amount of approximately HK$142.4 million (As at 31 December 2013: HK$190,000,000) and Warrant A convertible into 25,000,000 new shares of the Company (As at 31 December 2013: 25,000,000) remained outstanding.

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

During the period under review, the Company redeemed part of Note B with the principal amount of HK$40,000,000 at a cash consideration of HK$40,000,000. As at 30 June 2014, Note B with the principal amount of HK$79,000,000 (31 December 2013: HK$119,000,000) remained outstanding.

During the six months ended 30 June 2014, the Company entered into separate subscription agreements with twelve independent private investors pursuant to which these investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK$83,000,000 at par value, bearing interest rates of not more than 7% per annum and maturity dates ranging from seven to eight years from the date of issue.

On 8 May 2014 and 7 August 2014, an aggregate of 74,000,000 and 47,504,000 placing shares of the Company were placed by Emperor Securities Limited and KGI Asia Limited at the placing price of HK$1.30 and HK$1.65 per placing share, respectively, under the general mandate. Accordingly, as at the date of this interim report, the total number of ordinary shares of the Group in issue was 517,800,296 shares.

During the period from 1 July 2014 to the date of this report, approximately HK$49.2 million of Note A was redeemed at a cash consideration of approximately HK$49.2 million and approximately HK$44.5 million of Note B was redeemed at a cash consideration of HK$44.5 million. Accordingly, the principal amount of approximately HK$93.2 million of Note A and HK$34.5 million of Note B remain outstanding as at the date of this report. The Company also entered into a subscription agreement in August 2014 with an independent private investor pursuant to which, the investor has agreed to subscribe and the Company has agreed to issue the corporate bonds in the principal amount of HK$6.7 million at par value, bearing an interest rate of 6% per annum and with a maturity date of five years from the date of issue.

CAPITAL COMMITMENT

Save as disclosed herein, as at 30 June 2014, the Group did not have any significant capital commitment (As at 31 December 2013: nil).

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL

On 13 May 2014, the Company and Pu Xing Group Limited ("Pu Xing") entered into the sale and purchase agreement, pursuant to which, the Company conditionally agreed to sell and Pu Xing conditionally agreed to purchase the entire issued share capital of Newshine at a consideration of cash. The disposal of Newshine was approved by the shareholders and completed on 30 June 2014 with a cash consideration of RMB34,012,000 (equivalent to approximately HK$42,294,000). Details of the disposal of Newshine was disclosed in the announcements of the Company dated 13 May 2014 and 4 June 2014 and the circular and the notice of the Company both dated 13 June 2014. As well as the poll results and completion of disposal announcements both dated 30 June 2014.

Save as disclosed above, there were no significant investments held, material acquisitions or disposals of subsidiaries for the six months ended 30 June 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The biomass fuel base located in the Jiange County of Sichuan Province, with the designed capacity of 30,000 to 40,000 tons per year, successfully commenced operation at the beginning of 2014 and its operation was on track, with an annual production capacity of 30,000 tons. The Group expected to use such biomass fuel base as the Group's standard model in building new factories in regions and provinces such as North Guangdong, Beijing and Tianjin, Hebei and Jiangsu where there is serious problem of air pollution, so as to further expand the Group's biomass fuel business. It is expected that the designed annual production capacity of each new factory will be 30,000 tons and the Group targets to increase the number of factories to approximately 100 in the next three years. It is also expected that there will be five to six new factories commencing their operation in the second half of 2014. For further details, please refer to the announcements of the Company dated 17 January 2014 and 23 July 2014.

Save as disclosed above, the Group had no future plans for material investments or capital assets as at 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

In the first half of 2014, the Group continually reviewed its existing businesses and opportunities, both in terms of acquisitions and divestments, which may improve its profitability and overall financial position.

The Group had recorded a gross loss for the apparel business for the financial year ended 31 December 2013 and a segment loss for the apparel business for the financial years ended 31 December 2012 and 2013 due to the fluctuation of the price of raw materials, the rise of the statutory minimum wages in the PRC and fierce competition in the garment industry. The outlook for margins of the apparel business shows no clear potential for material improvement and this will limit the ability of the Group to invest for future growth and provide adequate returns to the Shareholders.

On 30 June 2014, the Company completed the disposal of Newshine. With the disposal of Newshine, the Company has positioned development of biomass fuel business and forestry management business as its core business segment of the Group. The biomass fuel business generated a negligible stream of profit for the six months ended 30 June 2014. Following the policies implemented by the PRC Government categorizing biomass fuel as clean energy and the rapid development of the biomass fuel business by the Group, the Board holds the view that the earnings derived from the biomass fuel business will grow tremendously in the near future and the profitability of the Group will improve accordingly.

The Group targets to increase the number of factories to approximately 100 in the next three years, and annual production capacity will be increased to approximately 3 million tonnes. It is expected that five to six new factories will be completed and commence their operation in the second half of 2014. It is expected that the designed annual production capacity of each new factory will be 30,000 tonnes.

Additionally, the Group intends to expand the biomass fuel business to moderately developed areas where there is no natural gas supply and within 200 kilometres from factories, by securing large-scale industrial park projects, constructing energy equipment and boilers for customers, providing energy supply technology and services, and sharing the reduction of energy costs with customers. It is expected that one or two such projects will be completed by the end of the year, which will complete the whole supply chain of the biomass fuel business of the Group and maximise profitability.

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

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2014, none of the Directors or chief executives of the Company had any interests or short positions in the 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 30 June 2014, so far as is known to the Directors and taking no account of the shares to be issued pursuant to options which may be granted under the share option scheme (as defined below), the following persons (other than the Directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Long position in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
Central Huijin Investment Limited	Interested of controlled corporation	167,850,000 (1)	35.69%
China Construction Bank Corporation	Interest of controlled corporation	167,850,000 (1)	35.69%
Maple Reach	Beneficial owner and/or person having a security interest in shares	167,850,000 (1)	35.69%
Mr. Hu Kai	Interest of controlled corporation	73,900,000 (2)	15.71%
Victor Charm Investments Limited	Beneficial owner	73,900,000	15.71%
Mr. He Si Xing	Interest of controlled corporation	61,550,000 (3)	13.09%
Well Bright	Beneficial owner	61,550,000	13.09%
Zhang Xiaoli	Beneficial owner	29,768,000	6.33%

Notes:

1. These shares comprise of (i) 142,850,000 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. As at 30 June 2014, CCB is owned as to approximately 59.31% 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. 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.

3. Mr. He Si Xing beneficially owned 44% of Well Bright and is deemed to be interested in all the Shares held by Well Bright.

Save as disclosed above, as at 30 June 2014, the Directors of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short positions 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors for the six months ended 30 June 2014 and up to the date of this interim report are set out as below:

Name of Director	Details of changes
Mr. Zhou Xianyan	Appointed as a non-executive Director with effect 5 March 2014
Mr. Zhou Wei	Resigned as an independent non-executive Director with effect 16 April 2014
Mr. Liu Zhaoxiang	Appointed as an independent non-executive Director with effect 16 April 2014
Mr. Cai Shuiyong	Resigned as an executive Director with effect 4 July 2014

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (For the six months ended 30 June 2013: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the six months ended 30 June 2014.

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 the Group.

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 30 June 2014, 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.

DISCLOSURE OF ADDITIONAL INFORMATION

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 six months ended 30 June 2014 and there were no share options outstanding as at 30 June 2014.

DISCLOSURE OF ADDITIONAL INFORMATION

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the disposal of Newshine as discussed in the section of "Significant investments held and material acquisitions and disposals", the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted all the code provisions (the "Code Provisions") contained in the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 to the Listing Rules as the Company's code on corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the six months ended 30 June 2014, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8 and A.4.1 as addressed below:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this interim report, the Company has not arranged to purchase any Directors and Officers' Liability Insurance, which covers in respect of legal action against the Directors, as the Directors take the view that the Company shall support Directors in any events arising from corporate activities;

2. Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, none of the non-executive Directors has been appointed for a specific term. Notwithstanding the aforesaid deviation, one-third of the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at each of the Company's annual general meeting and every Director shall be subject to retirement by rotation at least once in every three years in compliance with the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line with the underlying intentions of Code Provision A.4.1 of the CG Code.

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

DISCLOSURE OF ADDITIONAL INFORMATION

CODE OF CONDUCT REGARDING 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 six months ended 30 June 2014.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2014 and is of the opinion that the preparation of such results complied with the applicable accounting standards, rules and requirements, and that adequate disclosure has been made.

On behalf of the Board
China Agroforestry Low-Carbon Holdings Limited
Lei Zuliang
Chairman

Shenzhen, the PRC, 29 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June **2014** **RMB'000** **(unaudited)**	 2013 RMB'000 (unaudited) (restated)
Continuing operations			
Turnover	4	**10,174**	–
Cost of sales		**(7,749)**	–
Gross profit		**2,425**	–
Gain (loss) on change in fair value less costs to sell of plantation forest assets	13	**16,190**	(38)
Gain on bargain purchase of subsidiaries		**–**	43,606
Sundry income		**12**	3
Loss on change in fair value of derivative financial assets		**–**	(861)
Loss on early repayment of promissory notes payable	17	**(5,124)**	–
Selling and distribution costs		**(170)**	–
Administrative expenses		**(11,781)**	(3,945)
Finance costs	6	**(23,361)**	(18,318)
(Loss) profit before tax	7	**(21,809)**	20,447
Income tax expense	8	**(330)**	–
(Loss) profit for the period from continuing operations		**(22,139)**	20,447
Discontinued operations			
Loss for the period from discontinued operations	9	**(5,232)**	(1,703)
(Loss) profit for the period		**(27,371)**	18,744
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		**(542)**	3,717
Reclassification adjustments relating to foreign operations disposed of		**(1,182)**	–
Total comprehensive (expense) income for the period		**(29,095)**	22,462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	**Six months ended 30 June** **2014** **RMB'000** **(unaudited)**	2013 RMB'000 (unaudited) (restated)
(Loss) profit for the period attributable to owners of the Company		**(27,371)**	18,744
Total comprehensive (expense) income for the period attributable to owners of the Company		**(29,095)**	22,462
(Loss) earnings per share	11		
From continuing and discontinued operations			
Basic		**RMB(6.54) cents**	RMB5.07 cents
Diluted		**N/A**	RMB5.02 cents
From continuing operations			
Basic		**RMB(5.29) cents**	RMB5.53 cents
Diluted		**N/A**	RMB5.44 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	**30 June 2014 RMB'000 (unaudited)**	31 December 2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	**9,298**	6,940
Prepaid lease payments		**8,894**	10,768
Plantation forest assets	13	**245,307**	229,117
		263,499	246,825
Current assets			
Inventories		**742**	–
Trade and other receivables	14	**67,950**	55,509
Prepaid lease payments		**223**	267
Current tax recoverable		**–**	232
Bank balances and cash		**39,824**	21,844
		108,739	77,852
Current liabilities			
Trade and other payables	15	**4,424**	5,917
Current tax payable		**330**	–
Amount due to a former controlling shareholder	16	**–**	1,345
Promissory notes payable	17	**132,247**	–
		137,001	7,262
Net current (liabilities) assets		**(28,262)**	70,590
Total assets less current liabilities		**235,237**	317,415
Non-current liabilities			
Promissory notes payable	17	**47,723**	235,671
Corporate bonds payable	19	**59,652**	–
		107,375	235,671
Net assets		**127,862**	81,744
Capital and reserves			
Share capital	20	**4,053**	3,466
Reserves		**123,809**	78,278
Total equity attributable to owners of the Company		**127,862**	81,744

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Convertible bonds equity reserve RMB'000 (note 18)	Warrants equity reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2013 (audited)	3,256	10,642	10	5,943	12,444	–	39	18,038	23,496	73,868
Profit for the period	–	–	–	–	–	–	–	–	18,744	18,744
Other comprehensive expense for the period	–	–	–	–	–	–	3,717	–	–	3,717
Total comprehensive income for the period	–	–	–	–	–	–	3,717	–	18,744	22,461
Issue of warrants	–	–	–	–	–	178	–	–	–	178
At 30 June 2013 (unaudited)	3,256	10,642	10	5,943	12,444	178	3,756	18,038	42,240	96,507
Loss for the period	–	–	–	–	–	–	–	–	(38,376)	(38,376)
Other comprehensive expense for the period	–	–	–	–	–	–	(1,763)	–	–	(1,763)
Total comprehensive expense for the period	–	–	–	–	–	–	(1,763)	–	(38,376)	(40,139)
Issue of warrants	–	–	–	–	–	12,119	–	–	–	12,119
Issue of shares upon conversion of convertible bonds	210	25,491	–	–	(12,444)	–	–	–	–	13,257
At 31 December 2013 and at 1 January 2014 (audited)	3,466	36,133	10	5,943	–	12,297	1,993	18,038	3,864	81,744
Loss for the period	–	–	–	–	–	–	–	–	(27,371)	(27,371)
Other comprehensive expense for the period	–	–	–	–	–	–	(1,724)	–	–	(1,724)
Total comprehensive expense for the period	–	–	–	–	–	–	(1,724)	–	(27,371)	(29,095)
Placing of shares	587	75,798	–	–	–	–	–	–	–	76,385
Share issue expenses	–	(1,172)	–	–	–	–	–	–	–	(1,172)
Transfer to retained earnings on disposal of subsidiaries	–	–	(10)	(5,943)	–	–	–	(18,038)	23,991	–
At 30 June 2014 (unaudited)	4,053	110,759	–	–	–	12,297	269	–	484	127,862

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Operating activities			
(Loss) profit for the period		**(27,371)**	18,744
Adjustments for:			
Income tax expense		**330**	–
Amortisation of prepaid lease payments		**83**	22
Depreciation of property, plant and equipment		**588**	284
Finance costs		**23,361**	18,318
(Gain) loss on change in fair value less costs to sell of plantation forest assets		**(16,190)**	38
Gain on bargain purchase of subsidiaries		**–**	(43,606)
Gain on disposal of subsidiaries		**(2,467)**	–
Bank interest income		**(11)**	(8)
Loss on change in fair value of derivative financial assets		**–**	861
Loss on redemption on promissory note payable		**5,124**	–
Exchange gains		**138**	–
Operating cash flows before movements in working capital		**(16,415)**	(5,347)
Increase in inventories		**(742)**	(6,234)
Increase in trade and other receivables		**(7,975)**	(28,407)
Decrease in trade and other payables		**(577)**	(982)
Cash used in operations		**(25,709)**	(40,970)
Tax refunded		**–**	226
Net cash used in operating activities		**(25,709)**	(40,744)
Investing activities			
Purchase of property, plant and equipment		**(6,387)**	(5)
Proceeds on disposal of property, plant and equipment		**32**	–
Acquisition of subsidiaries		**–**	(109,814)
Disposal of subsidiaries	21	**(74)**	–
Interest received		**11**	8
Net cash used in investing activities		**(6,418)**	(109,811)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Six months ended 30 June **2014** **RMB'000** **(unaudited)**	 2013 RMB'000 (unaudited)
Financing activities			
Interest paid		**(14,464)**	–
Proceeds from issue of shares, net of issue expenses		**75,213**	–
Proceeds from issue of warrants		**–**	178
Proceeds from issue of promissory notes, net of issue expenses		**–**	153,653
Proceeds from issue of corporate bonds, net of issue expenses		**58,572**	–
Advances from controlling shareholder		**–**	(32)
Repayment of promissory notes		**(69,312)**	–
Net cash from financing activities		**50,009**	153,799
Net increase in cash and cash equivalents		**17,882**	3,244
Cash and cash equivalents at beginning of the period		**21,844**	26,198
Effect of foreign exchange rate changes		**98**	(1,084)
Cash and cash equivalents at end of the period, represented by:			
Bank balances and cash		**39,824**	28,358

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

1. GENERAL INFORMATION

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

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

Restatement of comparative information

As referred to in Note 9, in the current period, the directors of the Company have determined to discontinue the business of manufacturing and sale of apparel products, accordingly the condensed consolidated statement of profit or loss and other comprehensive income is presented to reflect the discontinued operations. Comparative figures for the prior period have been restated to conform with the current period's presentation.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

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

4. TURNOVER

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

5. SEGMENT INFORMATION

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

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

Continuing operations

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

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

5. SEGMENT INFORMATION (CONTINUED)

Discontinued operations

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

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

Information regarding the above segments for the six months ended 30 June 2014 and 2013 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 six months ended 30 June 2014 and 2013:

Six months ended 30 June 2014

	Continuing Operations			Discontinued Operations			
	Forestry Business RMB'000 (unaudited)	Biomass Fuel Business RMB'000 (unaudited)	Sub-total RMB'000 (unaudited)	OEM Business RMB'000 (unaudited)	Brand Business RMB'000 (unaudited)	Sub-total RMB'000 (unaudited)	Total RMB'000 (unaudited)
Turnover	–	10,174	10,174	–	–	–	10,174
Segment profit (loss)	14,345	1,213	15,558	(5,967)	(1,735)	(7,702)	7,856
Bank interest income							11
Sundry income							1
Gain on disposal of a subsidiary							2,467
Gain on bargain purchase of subsidiaries							–
Loss on change in fair value of derivative financial assets							–
Loss on early repayment of promissory notes payable							(5,124)
Central administrative costs							(8,891)
Finance costs							(23,361)
Loss before tax							(27,041)
Income tax expense							(330)
Loss for the period							(27,371)

5. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2013

	Continuing Operations			Discontinued Operations			
	Forestry Business RMB'000 (unaudited)	Biomass fuel Business RMB'000 (unaudited)	Sub-total RMB'000 (unaudited)	OEM Business RMB'000 (unaudited)	Brand Business RMB'000 (unaudited)	Sub-total RMB'000 (unaudited)	Total RMB'000 (unaudited)
Turnover	–	–	–	22,910	2,169	25,079	25,079
Segment (loss)	(804)	–	(804)	(621)	(384)	(1,005)	(1,809)
Bank interest income							8
Sundry income							2
Gain on disposal of a subsidiary							–
Gain on bargain purchase of subsidiaries							43,606
Loss on change in fair value of derivative financial assets							(861)
Loss on early repayment of promissory notes payable							–
Central administrative costs							(3,884)
Finance costs							(18,318)
Profit before tax							18,744
Income tax expense							–
Profit for the period							18,744

5. SEGMENT INFORMATION (CONTINUED)

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

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Segment assets		
Forestry Business	**270,683**	258,707
Biomass Fuel Business	**22,155**	–
OEM Business	**–**	35,022
Brand Business	**–**	6,678
Total segment assets	**292,838**	300,407
Unallocated	**79,400**	24,270
Consolidated assets	**372,238**	324,677
Segment liabilities		
Forestry Business	**544**	2,172
Biomass Fuel Business	**677**	–
OEM Business	**–**	785
Brand Business	**–**	151
Total segment liabilities	**1,221**	3,108
Unallocated	**243,155**	239,825
Consolidated liabilities	**244,376**	242,933

6. FINANCE COSTS

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Continuing operations RMB'000 (unaudited)	**Discontinued operations RMB'000 (unaudited)**	**Total RMB'000 (unaudited)**	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)
Interest expenses on promissory notes payable (note 17)	**22,457**	**–**	**22,457**	17,456	–	17,456
Interest expenses on convertible bonds payable (note 18)	**–**	**–**	**–**	862	–	862
Interest expenses on corporate bonds payable (note 19)	**904**	**–**	**904**	–	–	–
	23,361	**–**	**23,361**	18,318	–	18,318

7. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Continuing operations RMB'000 (unaudited)	**Discontinued operations RMB'000 (unaudited)**	**Total RMB'000 (unaudited)**	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)
(Loss) profit before tax has been arrived at after charging:						
Directors' emoluments	**380**	**34**	**414**	63	38	101
Other staff costs	**1,563**	**4,696**	**6,259**	350	5,095	5,445
Retirement benefits scheme contributions, excluding directors	**54**	**2,613**	**2,667**	30	2,044	2,074
Total staff costs	**1,997**	**7,343**	**9,340**	443	7,177	7,620
Amortisation of prepaid lease payments	**61**	**22**	**83**	–	22	22
Cost of inventories recognised	**7,749**	**–**	**7,749**	–	25,647	25,647
Depreciation of property, plant and equipment	**384**	**204**	**588**	26	258	284
Net exchange loss	**280**	**–**	**280**	–	282	282
Operating lease rental paid in respect of rented premises	**1,076**	**116**	**1,192**	398	78	476
Research and development costs recognised as an expense (included in the administrative expenses) (Note)	**–**	**–**	**–**	–	99	99

Note: During the six months ended 30 June 2013, research and development costs included staff costs of approximately RMB93,000 for the Group's employees engaged in research and development activities, which are also included in staff costs. No such staff costs was recorded for the six months ended 30 June 2014.

8. INCOME TAX EXPENSE

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Continuing operations RMB'000 (unaudited)	**Discontinued operations RMB'000 (unaudited)**	**Total RMB'000 (unaudited)**	Continuing operations RMB'000 (unaudited)	Discontinued operations RMB'000 (unaudited)	Total RMB'000 (unaudited)
Current tax						
— PRC Enterprise Income Tax	**330**	**–**	**330**	–	–	–

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

As at 30 June 2014, the Group had unrecognised tax losses of approximately RMB522,000 (31 December 2013: RMB12,270,000), 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 RMB522,000 (31 December 2013: RMB12,270,000) 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 condensed consolidated interim financial information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB1,214,000 (31 December 2013: RMB27,164,000) 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. DISCONTINUED OPERATIONS

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period from discontinued businesses (Note below)	**(7,699)**	(1,703)
Gain on disposal of the Disposed Group *(Note 21)*	**2,467**	–
Loss for the period from discontinued operations	**(5,232)**	(1,703)

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

	OEM Business		Brand Business		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Turnover	**–**	22,910	**–**	2,169	**–**	25,079
Cost of sales	**–**	(23,632)	**–**	(2,015)	**–**	(25,647)
Gross (loss) profit	**–**	(722)	**–**	154	**–**	(568)
Sundry income	**37**	6	**–**	2	**37**	8
Selling and distribution expenses	**–**	–	**–**	(258)	**–**	(258)
Administrative expenses	**(5,968)**	(368)	**(1,768)**	(517)	**(7,736)**	(885)
Finance costs	**–**	–	**–**	–	**–**	–
Loss before tax	**(5,931)**	(1,084)	**(1,768)**	(619)	**(7,699)**	(1,703)
Income tax expense	**–**	–	**–**	–	**–**	–
Loss for the period attributable to owners of the Company	**(5,931)**	(1,084)	**(1,768)**	(619)	**(7,699)**	(1,703)

10. DIVIDEND

No dividends were paid or declared during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

11. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) earnings		
(i) From continuing and discontinued operations		
(Loss) earnings for the purpose of basic loss/earnings per share		
(Loss) profit for the period attributable to the owners of the Company	**(27,371)**	18,744
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	**–**	862
Loss on change in fair value of derivative financial assets	**–**	861
Interest expense on promissory notes	**10,740**	–
(Loss) earnings for the purpose of diluted loss/earnings per share	**N/A**	20,467
(ii) From continuing operations		
(Loss) earnings for the purpose of basic loss/earnings per share		
(Loss) profit for the period attributable to the owners of the Company	**(22,139)**	20,447
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	**–**	862
Loss on change in fair value of derivative financial assets	**–**	861
Interest expense on promissory notes	**10,740**	–
(Loss) earnings for the purpose of diluted loss/earnings per share	**N/A**	22,170

11. (LOSS) EARNINGS PER SHARE (CONTINUED)

	For the six months ended 30 June	
	2014	2013
	'000	'000
Number of shares		
From continuing and discontinued operations and from continuing operations		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	**418,374**	370,000
Effect of dilutive potential ordinary shares:		
Warrants	**47,000**	11,489
Convertible bonds	**–**	26,296
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share	**465,374**	407,785

Notes:

(a) Diluted loss per share from continuing and discontinued operations and from continuing operations for the six months ended 30 June 2014 are not presented because the Group suffered a loss for the period and the impact of conversion of warrants, if any, is regarded anti-dilutive.

(b) The computation of diluted earnings per share for the six months ended 30 June 2013 assumes the exercise/conversion of the Company's outstanding warrants and convertible bonds set out in Note 18 since their exercise/conversion would result in an dilutive effect on the basic earnings per share for the six months ended 30 June 2013.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group spent approximately RMB 6,387,000 (six months ended 30 June 2013: RMB5,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2014, the Group disposed of property, plant and equipment with the carrying amount of approximately RMB3,409,000 resulting from disposal of subsidiaries.

13. PLANTATION FOREST ASSETS

	Yunnan Forest RMB'000	Sichuan Forest RMB'000	Total RMB'000
At 1 January 2013 (audited)	19,195	–	19,195
Acquisition of assets on an acquisition of subsidiaries	–	223,930	223,930
Loss on change in fair value less cost to sell	(38)	–	(38)
At 30 June 2013 (unaudited)	19,157	223,930	243,087
Harvested timber transferred to cost of inventories sold	–	(27,127)	(27,127)
Gain on change in fair value less costs to sell	826	12,331	13,157
At 31 December 2013 and at 1 January 2014 (audited)	19,983	209,134	229,117
(Loss) gain on change in fair value less costs to sell	(3,525)	19,715	16,190
At 30 June 2014 (unaudited)	16,458	228,849	245,307

(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 of 235 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Yunnan Forest. During the period under review, no timber logs in respect of the Yunnan Forest were harvested (six months ended 30 June 2013: nil). As at 30 June 2014, the 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 with aged 40 years or older.

13. PLANTATION FOREST ASSETS (CONTINUED)

(b) Sichuan Forest

On 28 May 2013, the Group acquired the entire equity 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 period under review, no timber logs in respect of the Sichuan Forest were harvested (six months ended 30 June 2013: nil). As at 30 June 2014, 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 30 June 2014 at fair value less costs to sell, which were valued by Assent 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 the Yunnan Forest and Sichuan Forest

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

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

13. PLANTATION FOREST ASSETS (CONTINUED)

(c) Valuation of plantation forest assets (Continued)

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

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

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

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

— Costs have been derived from external sources and discussion with staff of the Group. The costs are current average costs. No allowance has been made for cost improvements in future operations.

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

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

Applicable to the Yunnan Forest

— Cash flow projection is determined for a forecast period of 5 years up to 2019 with the first year of logging activities taken to be from January 2015. 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, 9,950 cubic meters in the fourth year and 9,759 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2015 and onwards.

13. PLANTATION FOREST ASSETS (CONTINUED)

(c) Valuation of plantation forest assets (Continued)

Applicable to the Yunnan Forest (Continued)

— 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 15.32%.

— 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.

Applicable to the 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 August 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 48,918 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 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 15.11%.

— 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%.

13. PLANTATION FOREST ASSETS (CONTINUED)

(c) Valuation of plantation forest assets (Continued)

The fair value less costs to sell of the plantation forest assets at 30 June 2014 and 31 December 2013 have been determined on Level 3 fair value measurement. There has been no change from the valuation technique used in prior periods. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment. During the six months ended 30 June 2014, approval of the logging permit for the Yunnan Forest and Sichuan Forest were not obtained by the Group. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits to the PRC government.

(d) Pledge of plantation forest assets

At 30 June 2014 and 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 17).

(e) Other risks associated with the plantation assets

(i) Regulatory and environmental risks

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

13. PLANTATION FOREST ASSETS (CONTINUED)

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

(ii) Climate and other risks

The State Council of the PRC manages the country's harvesting by imposing annuals logging quotas which are determined by the local forestry authorities. Other than the above-mentioned quotas, the Group's revenue also depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood and the growth of the trees in the forests may be affected by unfavourable local weather conditions and 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.

14. TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade receivables	**8,782**	67,119
Impairment loss recognised	**–**	(13,712)
	8,782	53,407
Consideration receivable from disposal of subsidiaries *(Note 21)*	**34,012**	–
Other receivables	**4,105**	671
Prepayments	**661**	746
Deposits paid	**20,390**	685
	67,950	55,509

The Group generally allows an average credit period of 30 to 180 days to its trade customers, where payment in advance is normally required. The Group does not hold any collateral over these balances.

Subsequent to the reporting period, consideration receivable from disposal of subsidiaries was fully settled.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0–90 days	**7,023**	17,778
91–180 days	**1,759**	22,951
181–365 days	**–**	12,678
	8,782	53,407

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements of allowance of trade receivables are as follows:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
At the beginning of the period	**13,712**	11,222
Impairment loss recognised	**–**	2,490
Derecognised on disposal of subsidiary	**(13,712)**	–
At the end of the period	**–**	13,712

15. TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade payables	**–**	10
Other payables	**3,819**	3,799
Accruals	**605**	2,108
	4,424	5,917

The average credit period on purchase of goods ranged 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 analysis of the trade payables by age, presented based on the invoice date at the end of the reporting period.

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Over 90 days	**–**	10

16. AMOUNT DUE TO A FORMER CONTROLLING SHAREHOLDER

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

17. 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 61,550,000 shares (31 December 2013: 105,550,000 shares) of the Company owned by Well Bright, the former controlling shareholder of the Company, 73,900,000 shares (31 December 2013: 73,900,000 shares) of the Company owned by Victor Charm Investment Limited, an additional 7,400,000 shares (31 December 2013: 7,400,000 shares) of the Company owned by the other shareholders and is secured by the entire equity interests held by the Group of all the companies comprising the Rongxuan Group (Note 13) and the China Timbers Group (Note 13) (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 A") 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 A	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 A to shares of the Company will be satisfied by applying the Redemption Premium of the Note A.

17. PROMISSORY NOTES PAYABLE (CONTINUED)

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

During the current period, the Company redeemed part of the Note A with the principal amount of HK$47,581,285 at a cash consideration of HK$47,581,285. At the end of the reporting period, the Note A with the principal amount of HK$142,418,715 (31 December 2013: HK$190,000,000) and the Warrant A convertible into 25,000,000 new shares of the Company (31 December 2013: 25,000,000) remained outstanding. Subsequent to the end of the reporting period, the Company redeemed part of the Note A with the principal amount of approximately HK$49,200,000 at a cash consideration of approximately HK$49,200,000.

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 A 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 by the Company. The fair value of the Warrant A at the date of issue, which has been included in warrants reserve, was estimated using binomial option pricing model.

	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 A. 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.

17. PROMISSORY NOTES PAYABLE (CONTINUED)

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

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

The Note B, which is unsecured, bears interest at 3% per annum for the first two years from the date of issue and 8% per annum thereafter, and is payable on the maturity date of 28 May 2018 at 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 six months ended 31 December 2013, 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 31 December 2013, the Note B with the principal amount of HK$119,000,000 remains outstanding.

During the current period, the Company redeemed part of the Note B with the principal amount of HK$40,000,000 at a cash consideration of HK$40,000,000. At the end of the reporting period, the Note B with the principal amount of HK$79,000,000 (31 December 2013: HK$119,000,000) remained outstanding. Subsequent to the end of the reporting period, the Company redeemed part of the Note B with the principal amount of HK$44,500,000 at a cash consideration of HK$44,500,000.

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 by the Company.

17. PROMISSORY NOTES PAYABLE (CONTINUED)

The movements of the Group's promissory notes payable for the six months ended 30 June 2014 and the year ended 31 December 2013 are set out below:

	Promissory Note A RMB'000	Promissory Note B RMB'000	Total RMB'000
At 1 January 2013 (audited)	–	–	–
Issue of promissory notes at fair value			
— cash	151,765	–	151,765
— for acquisition of subsidiaries	–	77,631	77,631
Transaction costs attributable to issue of notes	(696)	–	(696)
Imputed interest for the period	15,335	2,121	17,456
Exchange realignment	(727)	(67)	(794)
At 30 June 2013 and 1 July 2013 (unaudited)	165,677	79,685	245,362
Imputed interest for the period	17,377	3,886	21,263
Issue of warrants upon change in note terms	(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 period	(11,382)	–	(11,382)
Promissory notes repaid during the period	–	(19,969)	(19,969)
Loss on early repayment of promissory notes	–	6,240	6,240
Interest payable included in trade and other payables	–	(1,489)	(1,489)
Exchange realignment	(933)	(352)	(1,285)

17. PROMISSORY NOTES PAYABLE (CONTINUED)

	Promissory Note A RMB'000	Promissory Note B RMB'000	Total RMB'000
At 31 December 2013 and 1 January 2014 (audited)	167,670	68,001	235,671
Imputed interest for the period	17,720	4,737	22,457
Interest on notes paid during the period	(13,192)	–	(13,192)
Promissory notes repaid during the period	(37,656)	(31,656)	(69,312)
(Gain) loss on early repayment of promissory notes *(Note (ii) and (iii))*	(2,760)	7,884	5,124
Interest payable included in trade and other payables	–	(1,413)	(1,413)
Exchange realignment	465	170	635
At 30 June 2014 (unaudited)	132,247	47,723	179,970
Less: Amount due within one year show under current liabilities	(132,247)	–	(132,247)
Amounts shown under non-current liabilities	–	47,723	47,723

Note:

(i) On 5 July 2013, 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 A 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 current period, part of the Note A with the principal amount of HK$50,000,000 was repaid by the Company. The gain on early repayment of the Note A, which represents the excess of the carrying amount of the note repaid amounted to RMB42,330,000 over the consideration paid of HK$50,000,000 at the date of repayment, amounted to RMB2,760,000 which has been recognised in profit or loss for the period.

17. PROMISSORY NOTES PAYABLE (CONTINUED)

Note: (Continued)

(iii) During the current period, part of the Note B with the principal amount of HK$40,000,000 was repaid by the Company. The loss on early repayment of the Note B, which represents the excess of the consideration paid of HK$40,000,000 over the carrying amount of the note repaid amounted to RMB23,772,000 at the date of repayment, amounted to RMB7,884,000 which has been recognised in profit or loss for the period.

18. CONVERTIBLE BONDS PAYABLE

On 11 July 2012, the Company issued HK$ unsecured zero coupon convertible bonds 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 Rongxuan Group.

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% to 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 Convertible Bonds will be redeemed on 11 July 2015 at 103% to the principal amount of the CB to be redeemed.

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.

18. CONVERTIBLE BONDS PAYABLE (CONTINUED)

The movements of the liability and derivative components of the Convertible Bonds are set out below:

	Liability component RMB'000	Derivative component RMB'000	Equity component RMB'000	Total RMB'000
At 1 January 2013 (audited)	12,594	(2,184)	12,444	22,854
Imputed interest charges	862	–	–	862
Loss on change in fair value of derivative financial assets	–	861	–	861
Exchange realignment	(303)	42	–	(261)
At 30 June 2013 and 1 July 2013 (unaudited)	13,153	(1,281)	12,444	24,316
Imputed interest charges	81	–	–	81
Loss on change in fair value of derivative financial assets	–	1,280	–	1,280
Converted during the year	(13,257)	–	(12,444)	(25,701)
Exchange realignment	23	1	–	24
At 31 December 2013 (audited) and 30 June 2014 (unaudited)	–	–	–	–

19. CORPORATE BONDS PAYABLE

Movements in the corporate bonds payable during the period are as follows:

	RMB'000
At 1 January 2013 (audited), 30 June 2013 (unaudited), 31 December 2013 and 1 January 2014 (audited)	–
Issue of corporate bonds, at cash	65,687
Transaction costs attributable to issue of bonds	(7,115)
Interest charges for the period	904
Exchange realignment	176
At 30 June 2014 (unaudited)	59,652

19. CORPORATE BONDS PAYABLE (CONTINUED)

During the current period, the Company issued corporate bonds with the aggregate principal amounts of HK$83,000,000 giving rise to a total proceed of HK$83,000,000 (before expenses). The corporate bonds, which are unsecured and carry interest at ranged from 4% to 7 % per annum, are wholly payable by the Company on the maturity date within the period of 7 to 8 years from the date of issue. At 30 June 2014, the corporate bonds with the principal amount of HK$83,000,000 (31 December 2013: Nil) remained outstanding. The effective interest rate of the corporate bonds ranged from 4.106% to 11.633% per annum.

20. SHARE CAPITAL

	Par value	Number of ordinary shares	Nominal value of ordinary shares
	HK$	'000	HK$'000
Authorised:			
At 1 January 2013 (audited), 30 June 2013 (unaudited), 31 December 2013 (audited) and 30 June 2014 (unaudited)	0.01	1,000,000	10,000

	Par value	Number of ordinary shares	Nominal value of ordinary shares	
	HK$	'000	HK$'000	RMB'000
Issued and fully paid:				
At 1 January 2013 (audited) and 30 June 2013 (unaudited)	0.01	370,000	3,700	3,256
Issue of shares on conversion of convertible bonds		26,296	263	210
At 31 December 2013 and 1 January 2014 (audited)		396,296	3,963	3,466
Placing of shares *(Note)*		74,000	740	587
At 30 June 2014 (unaudited)	0.01	470,296	4,703	4,053

Note: On 7 May 2014, the Company entered into a placing agreement with a financial institution under which 74,000,000 new ordinary shares of the Company were issued at a price of HK$1.3 per share, giving rise to a gross proceed of HK$96,200,000 (before expense).

21. DISPOSAL OF SUBSIDIARIES

As referred to in Note 9, the Group disposed of the Disposal Group on 30 June 2014 for a cash consideration of RMB34,012,000.

	RMB'000
Consideration receivable	
Consideration receivable in cash	34,012

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

	RMB'000
Property, plant and equipment	3,409
Prepaid lease payments	1,835
Trade and other receivables	29,589
Current tax recoverable	233
Bank balances and cash	74
Trade and other payables	(2,413)
Net assets disposed of	32,727

Gain on disposal of subsidiaries

	RMB'000
Consideration receivable	34,012
Net assets disposed of	(32,727)
Cumulative exchange gains in respect of the net assets of the subsidiaries	1,182
Gain on disposal of a subsidiary	2,467

Net cash outflow on disposal of subsidiaries

	RMB'000
Consideration for disposal	34,012
Less: Cash consideration receivable	(34,012)
Bank balances and cash disposed of	(74)
	(74)

22. PLEDGE OF ASSETS

As at 30 June 2014, the Note A is secured by 61,550,000 shares (31 December 2013: 105,550,000 shares) of the Company owned by Well Bright, the former controlling shareholder of the Company, 73,900,000 shares (31 december 2013: 73,900,000 shares) of the Company owned by Victor Charm Investment Limited, an additional 7,400,000 shares (31 December 2013: 7,400,000 shares) of the Company owned by the other shareholders and is secured by the entire equity interests held by the Group of all the companies comprising the Rongxuan Group (Note 13) and the China Timbers Group (Note 13).

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 15 September 2009 for the primary purpose of providing incentives and rewards to directors and eligible participants. Since the Scheme has been adopted, no share option has been granted, exercised or cancelled by the Company. As at 30 June 2014, there were no outstanding share options under the Scheme (31 December 2013: nil).

24. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises and production plants under operating lease arrangements with leases negotiated for an average term of 1 to 5 years (31 December 2013: 1 to 5 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:

30 June 2014

	Office premises RMB'000 (unaudited)	Plant and machinery RMB'000 (unaudited)	Total RMB'000 (unaudited)
Within one year	**1,774**	**636**	**2,410**
In the second to fifth year inclusive	**1,626**	**1,658**	**3,284**
	3,400	**2,294**	**5,694**

24. OPERATING LEASE COMMITMENTS (CONTINUED)
31 December 2013

	Office premises RMB'000 (audited)	Plant and machinery RMB'000 (audited)	Total RMB'000 (audited)
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

As at 30 June 2014, included in the above is commitment under non-cancellable operating leases of approximately RMB Nil (31 December 2013: RMB66,000) which will expire in 2014 payable to Mr. Tsoi Kam On, the brother of Mr. Cai Shuiyong.

25. RELATED PARTY TRANSACTIONS

In additions to the disclosed elsewhere in the condensed consolidated interim financial information, the Group entered into the following related party transaction during the period.

(a) Rental expenses incurred

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mr. Tsoi Kam On *(Note)*	**14**	14

Note: Mr. Tsoi Kam On is the brother of Mr. Cai Shuiyong. In the opinion of the directors of the Company, the transactions were conducted on normal commercial terms and in the ordinary course of business. Subsequent to the reporting period, Mr. Cai Shuiyong resigned as the director of the Company.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other allowances	**825**	153
Retirement benefits scheme contributions	**25**	7
	850	160

26. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

(a) On 16 July 2014, the Company entered into a placing agreement with a placing agent, KGI Asia Limited, pursuant to which the placing agent has conditionally agreed to procure placements, on a best effort basis, of up to 94,059,259 new shares of the Company at the placing price of HK$1.65 per share. The placing was completed on 7 August 2014 and 47,504,000 new shares of HK$1.65 per share was issued by the Company giving rise to a net proceed of HK$77,500,000.

(b) In August 2014, the Company entered into a subscription agreement to issue corporate bond with the principal amount of HK$6,700,000. The corporate bond, which is unsecured and carry interest at 6% per annum, is repayable on the maturity date of 5 years after the date of issue.