



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)



2015

Interim Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Lei Zuliang (*Chairman*)
Mr. Wang Yue (*Appointed on 1 July 2015*)
Mr. Long Weihua
Professor Fei Phillip
(*Appointed on 24 July 2015*)

Non-executive Directors:

Professor Liu Zhikun
Mr. Zhou Xianyan

Independent Non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Ding Liang *CGA, ACCA*
Mr. Leung Man Kit *CPA*

AUTHORISED REPRESENTATIVES

Mr. Lei Zuliang
Mr. Leung Man Kit *CPA*

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

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Hong Kong

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("CHINA" OR THE "PRC")

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Guangdong Province
The PRC

CORPORATE INFORMATION

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

China Construction Bank (Asia)
Corporation Limited
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LEGAL ADVISERS AS TO HONG KONG LAW

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COMPANY WEBSITE

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STOCK CODE

01069

FINANCIAL HIGHLIGHTS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

- Revenue of China Agroforestry Low-Carbon Holdings Limited (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) for the six months ended 30 June 2015 from continuing operations, which is entirely contributed from the biomass fuel business of the Group, amounted to approximately Renminbi (“RMB”) 2.03 million (For the six months ended 30 June 2014: RMB10.2 million). It has taken into account for the sales return and discount recorded as approximately RMB3.3 million during the reporting period. The said sales return was made in connection with the products previously supplied by the Group during the period ended 31 December 2014. Excluding the impact of the sales return and discount, the total revenue of the Group for the six months ended 30 June 2015 would be approximately RMB5.4 million.
- Loss attributable to the owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB22.6 million (Loss attributable to the owners of the Company for the six months ended 30 June 2014: approximately RMB27.4 million).
- Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB22.4 million (Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2014: approximately RMB29.1 million).
- Basic loss per share for the six months ended 30 June 2015 amounted to approximately RMB0.0085 (Basic loss per share for the six months ended 30 June 2014: RMB0.0131).
- 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 2015 (For the six months ended 30 June 2014: 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 business.

Continuing Operations

Forestry business

As at 30 June 2015, the long-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 2015, no harvesting works has been carried out on such assets for the six months ended 30 June 2015 (For the six months ended 30 June 2014: nil). The Sichuan Forest is estimated to comprise of approximately 1,389 hectares of Cypress with approximately 13 hectares of tree plantations aged 40 years or older.

The Yunnan Forest have been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, nil revenue has been contributed from the Yunnan Forest to the Group for the period ended 30 June 2015. As at 30 June 2015, the Yunnan Forest is estimated to comprise of approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 118 hectares of tree plantations with age 40 years or older.

MANAGEMENT DISCUSSION AND ANALYSIS

Biomass fuel business

Pursuant to a capital injection agreement dated 21 October 2014 and a supplemental agreement dated 15 May 2015, the Group agreed to inject a total amount of RMB10,154,500 by way of capital contribution to Xinyu Bio Energy (Anhui) Company Limited (“**Anhui Xinyu**”) in exchange for 52% of its equity interests. As at the date of this Announcement, RMB10,154,500 has been fully paid by the Group as capital contribution to Anhui Xinyu. Anhui Xinyu is principally engaged in the manufacture and sale of biomass fuel products.

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. During the period ended 30 June 2015, the Group produced approximately 5,700 tons of biomass fuel (For the six months ended 30 June 2014: 11,000 tons). The entire turnover of the Group from continuing operations for the six months ended 30 June 2015 was contributed by such biomass energy base.

In 2015, the biomass fuel business of the Group achieved a revenue of RMB2.03 million (2014: RMB10.2 million), which accounted for 100% of the total revenue.

FINANCIAL REVIEW

Revenue

During the period under review, the Company recorded a revenue from continuing operations of RMB5.4 million for the six months ended 30 June 2015 (For the six months ended 30 June 2014: RMB10.2 million). According to Note 4 to the consolidated statement of profit or loss and other comprehensive income, the revenue of the period ended 30 June 2015 has taken into account for the sales return and discount recorded as approximately RMB3.3 million during the reporting period. The said sales return was made in connection with the products previously supplied by the Group during the period ended 31 December 2014. Excluding the impact of sales return and discount, the total revenue of the Group for the six months ended 30 June 2015 would be approximately RMB5.4 million. The Group’s revenue from continuing operations for the six months ended 30 June 2015 is entirely represented by the revenue from the biomass fuel business of the Group.

For the six months ended 30 June 2015, no turnover was recorded for the forestry business.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The cost of sales of the Group for the six months ended 30 June 2015 was mainly attributable to labour costs and the cost of raw materials consumed in the biomass fuel business.

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

During the six months ended 30 June 2015, the Group recognised a decrease of fair value less costs to sell of plantation forest assets of approximately RMB1.1 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 2015.

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 decrease in value was mainly due to the changes in fair value less costs to sell of RMB1.1 million. The movements of biological assets were as follows:

| | Yunnan Forest RMB'000 | Sichuan Forest RMB'000 | Total RMB'000 |
|---|-----------------------------|------------------------------|------------------|
| At 1 January 2014 (audited) | 19,983 | 209,134 | 229,117 |
| 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 |
| Harvested timber transferred to cost of inventories sold | – | (8,873) | (8,873) |
| Change in fair value less costs to sell | 1,818 | (10,844) | (9,026) |
| At 31 December 2014 and at 1 January 2015 (audited) | 18,276 | 209,132 | 227,408 |
| Changes in fair value less costs to sell | 2,771 | (3,916) | (1,145) |
| At 30 June 2015 (unaudited) | 21,047 | 205,216 | 226,263 |

MANAGEMENT DISCUSSION AND ANALYSIS

(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 2014: nil). As at 30 June 2015, 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 2014: nil). As at 30 June 2015, the Sichuan Forest was estimated to comprise approximately 1,389 hectares of cypress with approximately 13 hectares of tree plantations aged 40 years or older.

(c) *Valuation of plantation forest assets*

The Group’s plantation forest assets are regarded as biological assets and are carried at 30 June 2015 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 14.36% and 13.82% for the Yunnan Forest and Sichuan Forest respectively, to arrive at their fair value less costs to sell.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Additionally applicable to the Yunnan Forest

- Cash flow projection is determined for a forecast period of 4.5 years up to 2019 with the first year of logging activities taken to be from August 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 9,426 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 6.26% per annum for the first and second year, which is in line with the long-term producer price index of forestry product, 3.13% for the third, fourth and last years of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.
- The discount rate applied is 14.36%.
- The inflation rate on other operation costs is 3.16% per annum.
- The biological growth rates of pine trees and oak trees are 5.73% and 4.78% per annum respectively.
- The yielding rates for pine trees and oak trees are 55% and 52% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Additionally applicable to the Sichuan Forest

- Cash flow projection is determined for a forecast period of 5.5 years up to 2020 with the first year of logging activities taken to be from August 2015. Management has assumed that the logging volume during the forecast period is 30,000 cubic meters in the first year, 40,000 cubic meters in the second year, 50,000 cubic meters in the third year, 60,000 cubic meters in the fourth and fifth year and 35,661 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 6.26% per annum for the first year, which is in line with the long-term producer price index of forestry product, 3.13% for the second year, 1.57% for the third year, 0.78% for the fourth year, 0.39% for the fifth and 0.20% for the last year of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.
- The discount rate applied is 13.82%.
- The inflation rate on other operation costs is 3.16% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate for cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 30 June 2015 and 31 December 2014 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 2015, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 2014.

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 2014 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 2014 prepared by a forestry specialist consultant, Mr. Peng Tuming (彭土明) (“Mr. Peng”). Please refer to pages 10 to 12 of the 2014 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(e) Sensitivity analysis

(i) Sichuan Forest

Discount rate

| Variance | Discount Rate | Enterprise Value | % Change |
|----------|---------------|------------------|----------|
| 3% | 16.82% | RMB191,791,000 | -6.54% |
| 2% | 15.82% | RMB196,098,000 | -4.44% |
| 1% | 14.82% | RMB200,570,000 | -2.26% |
| 0% | 13.82% | RMB205,216,000 | 0.00% |
| -1% | 12.82% | RMB210,045,000 | 2.35% |
| -2% | 11.82% | RMB215,065,000 | 4.80% |
| -3% | 10.82% | RMB220,288,000 | 7.34% |

Cypress market price

| Variance | Market Price per m ³ | Enterprise Value | % Change |
|----------|------------------------------------|------------------|----------|
| 15% | 2,070 | RMB239,682,000 | 16.79% |
| 10% | 1,980 | RMB228,193,000 | 11.20% |
| 5% | 1,890 | RMB216,705,000 | 5.60% |
| 0% | 1,800 | RMB205,216,000 | 0.00% |
| -5% | 1,710 | RMB193,727,000 | -5.60% |
| -10% | 1,620 | RMB182,239,000 | -11.20% |
| -15% | 1,530 | RMB170,750,000 | -16.79% |

Estimation of cypress volume

| Variance | Volume (m ³) | Enterprise Value | % Change |
|----------|--------------------------|------------------|----------|
| 15% | 269,145 | RMB228,198,000 | 11.20% |
| 10% | 257,443 | RMB220,184,000 | 7.29% |
| 5% | 245,741 | RMB212,605,000 | 3.60% |
| 0% | 234,039 | RMB205,216,000 | 0.00% |
| -5% | 222,337 | RMB197,086,000 | -3.96% |
| -10% | 210,635 | RMB188,218,000 | -8.28% |
| -15% | 198,933 | RMB180,185,000 | -12.20% |

MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of cypress growth rate

| Variance | Growth Rate | Enterprise Value | % Change |
|----------|-------------|------------------|----------|
| 3% | 8.43% | RMB219,333,000 | 6.88% |
| 2% | 7.43% | RMB214,162,000 | 4.36% |
| 1% | 6.43% | RMB209,698,000 | 2.18% |
| 0% | 5.43% | RMB205,216,000 | 0.00% |
| -1% | 4.43% | RMB200,752,000 | -2.18% |
| -2% | 3.43% | RMB196,339,000 | -4.33% |
| -3% | 2.43% | RMB192,005,000 | -6.44% |

Estimation of logging costs

| Variance | Logging Cost per m ³ | Enterprise Value | % Change |
|----------|---------------------------------|------------------|----------|
| 100% | 143 | RMB191,656,000 | -6.61% |
| 50% | 107 | RMB198,436,000 | -3.30% |
| 25% | 89 | RMB201,826,000 | -1.65% |
| 0% | 71 | RMB205,216,000 | 0.00% |
| -10% | 64 | RMB206,572,000 | 0.66% |
| -25% | 54 | RMB208,606,000 | 1.65% |
| -75% | 18 | RMB215,386,000 | 4.96% |

Estimation of road construction costs

| Variance | Road Construction Cost per Chinese Mu | Enterprise Value | % Change |
|----------|---------------------------------------|------------------|----------|
| 100% | 130 | RMB199,759,000 | -2.66% |
| 50% | 97 | RMB202,487,000 | -1.33% |
| 25% | 81 | RMB203,852,000 | -0.66% |
| 0% | 65 | RMB205,216,000 | 0.00% |
| -10% | 58 | RMB205,762,000 | 0.27% |
| -25% | 49 | RMB206,580,000 | 0.66% |
| -75% | 16 | RMB209,309,000 | 1.99% |

MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of transport costs

| Variance | Transportation Cost per m ³ | Enterprise Value | % Change |
|----------|---|------------------|----------|
| 100% | 125 | RMB197,351,000 | -3.83% |
| 50% | 94 | RMB201,284,000 | -1.92% |
| 25% | 78 | RMB203,250,000 | -0.96% |
| 0% | 63 | RMB205,216,000 | 0.00% |
| -10% | 56 | RMB206,003,000 | 0.38% |
| -25% | 47 | RMB207,182,000 | 0.96% |
| -75% | 16 | RMB211,115,000 | 2.87% |

Estimation of forest operation fees

| Variance | Operation Fee per Chinese Mu | Enterprise Value | % Change |
|----------|---------------------------------|------------------|----------|
| 100% | 130 | RMB199,759,000 | -2.66% |
| 50% | 97 | RMB202,487,000 | -1.33% |
| 25% | 81 | RMB203,852,000 | -0.66% |
| 0% | 65 | RMB205,216,000 | 0.00% |
| -10% | 58 | RMB205,762,000 | 0.27% |
| -25% | 49 | RMB206,580,000 | 0.66% |
| -75% | 16 | RMB209,309,000 | 1.99% |

(ii) *Yunnan Forest*

Discount rate

| Variance | Discount Rate | Enterprise Value | % Change |
|----------|---------------|------------------|----------|
| 3% | 17.36% | RMB19,728,000 | -6.27% |
| 2% | 16.36% | RMB20,153,000 | -4.25% |
| 1% | 15.36% | RMB20,592,000 | -2.16% |
| 0% | 14.36% | RMB21,048,000 | 0.00% |
| -1% | 13.36% | RMB21,519,000 | 2.24% |
| -2% | 12.36% | RMB22,008,000 | 4.56% |
| -3% | 11.36% | RMB22,514,000 | 6.97% |

MANAGEMENT DISCUSSION AND ANALYSIS

Pine tree market price

| Variance | Market Price per m ³ | Enterprise Value | % Change |
|----------|------------------------------------|------------------|----------|
| 15% | 1,727 | RMB22,649,000 | 7.61% |
| 10% | 1,652 | RMB22,115,000 | 5.07% |
| 5% | 1,577 | RMB21,581,000 | 2.54% |
| 0% | 1,502 | RMB21,047,000 | 0.00% |
| -5% | 1,427 | RMB20,514,000 | -2.54% |
| -10% | 1,352 | RMB19,980,000 | -5.07% |
| -15% | 1,276 | RMB19,446,000 | -7.61% |

Oak tree market price

| Variance | Market Price per m ³ | Enterprise Value | % Change |
|----------|------------------------------------|------------------|----------|
| 15% | 2,223 | RMB22,915,000 | 8.87% |
| 10% | 2,127 | RMB22,292,000 | 5.92% |
| 5% | 2,030 | RMB21,670,000 | 2.96% |
| 0% | 1,933 | RMB21,047,000 | 0.00% |
| -5% | 1,837 | RMB20,425,000 | -2.96% |
| -10% | 1,740 | RMB19,803,000 | -5.92% |
| -15% | 1,643 | RMB19,180,000 | -8.87% |

Estimation of Pine tree volume

| Variance | Volume (m ³) | Enterprise Value | % Change |
|----------|--------------------------|------------------|----------|
| 15% | 17,216 | RMB21,282,000 | 1.11% |
| 10% | 16,467 | RMB21,282,000 | 1.11% |
| 5% | 15,719 | RMB21,282,000 | 1.11% |
| 0% | 14,970 | RMB21,047,000 | 0.00% |
| -5% | 14,222 | RMB20,640,000 | -1.94% |
| -10% | 13,473 | RMB20,208,000 | -3.99% |
| -15% | 12,725 | RMB19,753,000 | -6.15% |

MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of oak tree volume

| Variance | Volume (m ³) | Enterprise Value | % Change |
|----------|--------------------------|------------------|----------|
| 15% | 17,956 | RMB21,521,000 | 2.25% |
| 10% | 17,175 | RMB21,441,000 | 1.87% |
| 5% | 16,395 | RMB21,362,000 | 1.49% |
| 0% | 15,614 | RMB21,047,000 | 0.00% |
| -5% | 14,833 | RMB20,555,000 | -2.34% |
| -10% | 14,053 | RMB20,036,000 | -4.81% |
| -15% | 13,272 | RMB19,493,000 | -7.39% |

Estimation of pine tree growth rate

| Variance | Growth Rate | Enterprise Value | % Change |
|----------|-------------|------------------|----------|
| 3% | 8.73% | RMB21,064,000 | 0.08% |
| 2% | 7.73% | RMB21,133,000 | 0.41% |
| 1% | 6.73% | RMB21,206,000 | 0.75% |
| 0% | 5.73% | RMB21,047,000 | 0.00% |
| -1% | 4.73% | RMB20,836,000 | -1.01% |
| -2% | 3.73% | RMB20,621,000 | -2.03% |
| -3% | 2.73% | RMB20,403,000 | -3.06% |

Estimation of oak tree growth rate

| Variance | Growth Rate | Enterprise Value | % Change |
|----------|-------------|------------------|----------|
| 3% | 7.78% | RMB21,282,000 | 1.11% |
| 2% | 6.78% | RMB21,282,000 | 1.11% |
| 1% | 5.78% | RMB21,178,000 | 0.62% |
| 0% | 4.78% | RMB21,047,000 | 0.00% |
| -1% | 3.78% | RMB20,919,000 | -0.61% |
| -2% | 2.78% | RMB20,793,000 | -1.21% |
| -3% | 1.78% | RMB20,669,000 | -1.80% |

MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of logging costs

| Variance | Logging Cost per m ³ | Enterprise Value | % Change |
|----------|------------------------------------|------------------|----------|
| 100% | 143 | RMB19,214,000 | -8.71% |
| 50% | 107 | RMB20,131,000 | -4.36% |
| 25% | 89 | RMB20,589,000 | -2.18% |
| 0% | 71 | RMB21,047,000 | 0.00% |
| -10% | 64 | RMB21,231,000 | 0.87% |
| -25% | 54 | RMB21,506,000 | 2.18% |
| -75% | 18 | RMB22,423,000 | 6.53% |

Estimation of road construction costs

| Variance | Road Construction Cost per Chinese Mu | Enterprise Value | % Change |
|----------|--|------------------|----------|
| 100% | 130 | RMB20,232,000 | -3.87% |
| 50% | 97 | RMB20,640,000 | -1.94% |
| 25% | 81 | RMB20,844,000 | -0.97% |
| 0% | 65 | RMB21,047,000 | 0.00% |
| -10% | 58 | RMB21,129,000 | 0.39% |
| -25% | 49 | RMB21,251,000 | 0.97% |
| -75% | 16 | RMB21,659,000 | 2.91% |

Estimation of transportation costs

| Variance | Transportation Cost per m ³ | Enterprise Value | % Change |
|----------|---|------------------|----------|
| 100% | 125 | RMB20,186,000 | -4.09% |
| 50% | 94 | RMB20,617,000 | -2.05% |
| 25% | 78 | RMB20,832,000 | -1.02% |
| 0% | 63 | RMB21,047,000 | 0.00% |
| -10% | 56 | RMB21,134,000 | 0.41% |
| -25% | 47 | RMB21,263,000 | 1.02% |
| -75% | 16 | RMB21,694,000 | 3.07% |

MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of forest operation fees

| Variance | Operation Fee per Chinese Mu | Enterprise Value | % Change |
|----------|---------------------------------|------------------|----------|
| 100% | 130 | RMB20,232,000 | -3.87% |
| 50% | 97 | RMB20,640,000 | -1.94% |
| 25% | 81 | RMB20,844,000 | -0.97% |
| 0% | 65 | RMB21,047,000 | 0.00% |
| -10% | 58 | RMB21,129,000 | 0.39% |
| -25% | 49 | RMB21,251,000 | 0.97% |
| -75% | 16 | RMB21,659,000 | 2.91% |

Selling and Distribution Costs

The selling and distribution costs of the Group for the six months ended 30 June 2015 was approximately RMB0.2 million (For the six months ended 30 June 2014: approximately RMB0.2 million). The increase in selling and distribution costs was mainly attributable to the increased amount of transportation costs incurred by the biomass fuel business.

Administrative Expenses

The administrative expenses of the Group increased by approximately 9.7% from approximately RMB11.5 million for the six months ended 30 June 2014 to approximately RMB12.6 million for the six months ended 30 June 2015. The increase in administrative expenses was mainly attributable to the addition of staff and administrative costs associated with the forestry and biomass fuel business.

Finance Costs

During the period under review, the finance costs were related to the interests on (i) the 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; (iii) the corporate bonds issued by the Group for cash during the six months ended 30 June 2015.

The finance costs of the Group decreased by approximately 69.1% from approximately RMB23.4 million for the six months ended 30 June 2014 to approximately RMB7.2 million for the six months ended 30 June 2015. The decrease in finance cost was mainly due to the Note A was fully redeemed on 9 April 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

The income tax expense of the Group for the six months ended 30 June 2015 was nil (For the six months ended 30 June 2014: RMB0.3 million).

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 RMB23.4 million (For the six months ended 30 June 2014: RMB22.1 million) and nil (For the six months ended 30 June 2014: RMB5.2 million), respectively.

As a result of the above changes, the Company has recorded a loss of approximately RMB23.4 million for the six months ended 30 June 2015, compared to a loss of approximately RMB27.4 million for the six months ended 30 June 2014. The total comprehensive expenses attributable to owners of the Company was approximately RMB22.4 million for the six months ended 30 June 2015, when comparing to a total comprehensive income of approximately RMB29.1 million for the six months ended 30 June 2014.

Basic and Diluted Loss Per Share

Basic loss per share from continuing operations for the six months ended 30 June 2015 amounted to approximately RMB0.0085 (Basic loss per share from continuing operations for the six months ended 30 June 2014: RMB0.0106).

Basic loss per share for the six months ended 30 June 2015 amounted to approximately RMB0.0085 (The basic loss per share for the six months ended 30 June 2014: RMB0.0131).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed a total of 135 employees as compared to 150 employees as at 31 December 2014, including the Directors. Total staff costs for continuing operations for the period under review, including Directors' remuneration, amounted to approximately RMB4.7 million (For the six months ended 30 June 2014: RMB2 million). No staff costs for discontinued operations for the period under review, including Directors' remuneration (For the six months ended 30 June 2014: RMB7.3 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2015, the Group had total assets of approximately RMB338.3 million and net assets of approximately RMB201.9 million. The Group's cash and bank balances as at 30 June 2015 amounted to approximately RMB24.6 million. As at 30 June 2015, there was no unutilised banking facilities (As at 31 December 2014: nil).

During the six months ended 30 June 2015, the Company entered into separate subscription agreements with 4 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\$41,000,000 at par value, bearing interest rates of not more than 7% per annum and maturity dates ranging from 3 months to 8 years from the date of issue.

During the six months ended 30 June 2015, part of the corporate bonds with aggregate principal amount of HK\$31,000,000 were repaid by the Company. The loss on early repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK\$31,000,000 (equivalent to RMB24,503,000) over the aggregate of carrying amounts of the corporate bonds repaid amounted to RMB24,452,000 at the dates of repayments, amounted to RMB51,000 which has been recognized in profit or loss for the period (Further information in Note 7 to the condensed consolidated statement of financial position). At 30 June 2015, the corporate bonds with the principal amount of HK\$124,100,000 (31 December 2014: HK\$114,100,000) remained outstanding.

On 14 May 2015, an aggregate of 34,792,000 placing shares of the Company were placed by Glory Sky Global Markets Limited to not less than six independent third parties places at the placing price of HK\$1.53 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\$52.54 million. The actual use of proceeds as to (i) approximately HK\$21 million for investment in biomass fuel project(s); (ii) approximately HK\$26 million for repayment of liabilities; and (iii) approximately HK\$6 million for general working capital, such as staff salaries and occupancy cost.

MANAGEMENT DISCUSSION AND ANALYSIS

In January 2015, the Company entered into a loan agreement with Victor Charm Investment Limited (“**Victor Charm**”), a shareholder of the Company, under which Victor Charm made a loan to the Company amounted to HK\$11,000,000. The loan, which is unsecured and carries interest at 8% per annum, was repaid in May 2015. The actual use of proceeds as to repay the liabilities.

In March 2015, the Company entered into the subscription agreement with an independent third party, pursuant to which the said third party has agreed to subscribe the corporate bonds with the aggregate principal amount of RMB70,000,000 to be issued by the Company. The corporate bonds, which are unsecured and carry interest at 8% per annum, are repayable on the maturity dates after 2 years from the dates of issues. Up to the date of this interim report, such corporate bonds have not yet been issued by the Company.

On 24 March 2015, the Company and the Vendor entered into the deed of termination to terminate the acquisition agreement. Pursuant to the deed of termination, the vendor shall return the refundable deposit of RMB3,000,000 to the Company.

During the period under review, the Company repaid the remaining part of the Note A with the principal amount of HK\$59,024,000 for an aggregate cash consideration of HK\$67,256,000 comprising cash paid by the Company amounted to HK\$59,024,000 and Redemption Premium payable to noteholder amounted to HK\$8,232,000 (equivalent to RMB6,492,000). At the end of the reporting period, the Note A was fully repaid by the Company.

During the period under review, the Company redeemed part of the Note B with the principal amount of HK\$1,000,000 at a cash consideration of HK\$1,000,000. At the end of the reporting period, the Note B with the principal amount of HK\$27,503,000 (31 December 2014: HK\$28,503,000) remained outstanding. Subsequent to the end of the period, no other part of the Note B was redeemed.

On 29 May 2015, 8 June 2015 and 25 June 2015, 6,360,000, 6,384,000 and 1,968,000 share options respectively has been exercised at exercise price of HK\$2.76 per share giving rise to a gross proceed at HK\$40,605,000.

On 15 July 2015, the Company entered into the placing agreement with a placing agent, pursuant to which the placing agent has agreed to act as the placing agent, on a best effort basis, for the purpose of arranging places to subscribe for bonds up to an aggregate principal amount of HK\$50,000,000. On 21 August 2015, the Company issue 6 corporate bonds with principal amount of HK\$500,000. The corporate bonds carry interest at 7% per annum, is repayable on the maturity date after 4 years from the date of issue.

MANAGEMENT DISCUSSION AND ANALYSIS

On 15 July 2015, the Company entered into the Subscription and Settlement Agreement and the issue of Shares under General Mandate with Maple Reach Limited (“**Maple Reach**”) which is granted to the Directors at the annual general meeting of the Company held on 28 May 2015. Pursuant that an aggregate of 69,762,915 Subscription Shares (new Subdivided Shares) were allotted and issued to Maple Reach at the Subscription Price of HK\$0.32004 per Subdivided Shares on 11 August 2015. Upon completion of the Subscription Maple Reach agreed to release and discharge the Company from all claims, damages, liabilities, causes of action and demands whatsoever which it now has or may consider it has against the Company in relation to the Redemption Premium payable pursuant to the Subscription Agreement and the Supplemental Deed with Maple Reach.

Taking into account the cash reserves and the proceeds from the placing completed on 14 May 2015, 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 2015, the Company has released its entire equity interest of all subsidiaries under Rongxuan and China Timbers to Maple Reach Limited (“**Maple Reach**”) as security for the pledged notes issued to Maple Reach.

MATERIAL LITIGATION

As at 30 June 2015, the Group was not involved in any material litigation or arbitration (As at 31 December 2014: nil).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities (As at 31 December 2014: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 40.3% as at 30 June 2015 (As at 31 December 2014: 54.3%).

The decrease in the gearing ratio of the Group is primarily attributable to the repayment of Note A, part of Note B and part of the corporate bonds.

During the period under review, approximately HK\$59.02 million of Note A was redeemed at a cash consideration of approximately HK\$59.02 million and HK\$1 million of Note B was redeemed at a cash consideration of HK\$1 million. Accordingly, on 9 April 2015, the Company fully redeemed HK\$190 million of Note A at a cash consideration of HK\$13.067 million and HK\$27.5 million of Note B remain outstanding as at 30 June 2015.

CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares. As at 30 June 2015, the total number of the ordinary shares of the Group in issue was 567,304,296 shares (As at 31 December 2014: 517,800,296 shares). The total equity attributable to the owners of the Company was approximately RMB191.2 million (As at 31 December 2014: approximately RMB151.6 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

During the year ended 31 December 2014, the Company repaid part of the Note A with the principal amount of HK\$130,976,000 for an aggregate consideration of HK\$144,890,000, comprising cash consideration paid of HK\$130,976,000 and redemption premium payable of HK\$13,914,000, and Warrant A convertible into 4,194,000 shares lapsed upon repayment of the Note A. On 9 April 2015, the Company fully redeemed Note A with the principal amount of HK\$59,024,000 for an aggregate consideration of HK\$67,256,000 (comprising cash consideration of HK\$59,024,000 and redemption premium payable to noteholder amounted to HK\$8,232,000 (equivalent to RMB6,492,000) and Warrant A convertible into 20,806,000 shares was lapsed.

Further, the 61,500,000 shares of the Company (the "**Shares**") held by Well Bright Group Limited, a company incorporated in the BVI with limited liability and the former controlling Shareholder, and the entire equity interests held by the Group of all companies comprising Rongxuan Forestry Investment Holdings Limited and its subsidiaries and China Timbers Limited and its subsidiaries were released as security for the Note A at completion of the redemption of Note A.

On 15 July 2015, the Company entered into the Subscription and Settlement Agreement and the issue of Shares under General Mandate with Maple Reach Limited ("**Maple Reach**") which is granted to the Directors at the annual general meeting of the Company held on 28 May 2015. Pursuant that an aggregate of 69,762,915 Subscription Shares (new Subdivided Shares) were allotted and issued to Maple Reach at the Subscription Price of HK\$0.32004 per Subdivided Shares on 11 August 2015. Upon completion of the Subscription Maple Reach agreed to release and discharge the Company from all claims, damages, liabilities, causes of action and demands whatsoever which it now has or may consider it has against the Company in relation to the Redemption Premium payable pursuant to the Subscription Agreement and the Supplemental Deed with Maple Reach.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

For the year ended 31 December 2014, the Company repaid part of the Note B with the principal amount of HK\$90,497,000 for cash consideration of HK\$90,497,000.

During the period under review, the Company redeemed part of Note B with the principal amount of HK\$1,000,000 at a cash consideration of HK\$1,000,000. As at 30 June 2015, Note B with the principal amount of HK\$27,503,000 (31 December 2014: HK\$28,503,000) remained outstanding.

During the six months ended 30 June 2015, the Company entered into separate subscription agreements with 4 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\$41,000,000 at par value, bearing interest rates of not more than 7% per annum and maturity dates ranging from 3 months to eight years from the date of issue.

During the six months ended 30 June 2015, part of the corporate bonds with aggregate principal amount of HK\$31,000,000 were repaid by the Company. The loss on early repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK\$31,000,000 (equivalent to RMB24,503,000). At 30 June 2015, the corporate bonds with the principal amount of HK\$124,100,000 (31 December 2014: HK\$114,100,000) remained outstanding.

On 14 May 2015, an aggregate of 34,792,000 placing shares of the Company were placed by Glory Sky Global Market Limited at the placing price of HK\$1.53 per placing share, 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 567,304,296 shares. The actual use of proceeds as to (i) approximately HK\$21 million for investment in biomass fuel project(s); (ii) approximately HK\$26 million for repayment of liabilities; and (iii) approximately HK\$6 million for general working capital, such as staff salaries and occupancy cost.

On 29 May 2015, 8 June 2015 and 25 June 2015, 6,360,000, 6,384,000 and 1,968,000 share options respectively has been exercised at exercise price of HK\$2.76 per share, giving rise to a gross proceed at HK\$40,605,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the resolutions passed at the Company's extraordinary general meeting held on 8 July 2015, the Company effected a share capital subdivision that every one issued and unissued shares of HK\$0.01 each in the Company were subdivided into five subdivided share of HK\$0.002 each.

CAPITAL COMMITMENT

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

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|----------------------------------|---|---|
| Contracted but not provided for: | | |
| — Acquisition of subsidiaries | — | 115,331 |
| — Plant and machinery | 2,743 | 2,796 |
| | 2,743 | 118,127 |

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL

There were no significant investments held, material acquisitions or disposals of subsidiaries for the six months ended 30 June 2015.

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. In the context of reducing smog, together with the introduction of the policies implemented by the PRC Government for express categorization of biomass fuel as clean energy, the Group will continue to expand the biomass fuel business actively, and in particularly, penetrating 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.

Save as disclosed above, the Group had no future plans for material investments or capital assets as at 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT AND OUTLOOK

Given that the PRC's economy is no longer developing at double-digit rates of growth and has entered a mature stage featuring more robust but slower growth, the Group is cautiously optimistic about the future of the forestry and biomass fuel industry.

In the first half of 2015, the Group continuously reviewed its existing businesses and opportunities, both in terms of acquisitions and divestments, which may improve its profitability and overall financial position. Following the disposal of the Group's Garment business on 30 June 2014, the Company has positioned development of biomass fuel business and forestry business as its core business segment of the Group.

As a result of 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 in the near future and the profitability of the Group will improve accordingly.

The Group will continue to increase its investment on research and development. The Group is co-operating with forestry research universities in China to establish a biomass fuel academy in the PRC, which aims to research biomass materials liquefaction, specialization 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.

Maintenance works of the Sichuan Forest and the Yunnan Forest have been ongoing and the logging and transportation permits for the Yunnan Forest have been applied for. Harvesting of forest stock in the Yunnan Forest will commence when the said permits are obtained, with production capacity expected to grow gradually in 2015.

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 2015, 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 2015, 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 |
|--------------|------------------|---------------------------|------------------------------------|
| Mr. Wang Yue | Beneficial owner | 307,750,000 | 10.58% |

Notes:

1. Mr. Wang Yue is an executive Director and the Chief Executive Officer of the Company with effect from 1 July 2015.

DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 2015, 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 2015 and up to the date of this announcement are set out as below:

| Name of Director | Details of changes |
|-------------------------|---|
| Mr. Wang Yue | Appointed an executive Director with effect 1 July 2015 |
| Professor Fei Phillip | Appointed as an executive Director with effect 24 July 2015 |

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (For the six months ended 30 June 2014: 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 2015.

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.

DISCLOSURE OF ADDITIONAL INFORMATION

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.

On 28 May 2015, the shareholders of the Company resolved to refresh the 10% limit of the Scheme in the extraordinary general meeting.

As of 30 June 2015, 276,296,145 Shares were issued under the Scheme, which represented 10% of the then issued share capital (adjusted in accordance with the share subdivision of the Company). The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules and obtaining the approval of the Shareholders in general meeting, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme does not exceed the 30% of the Shares in issue from time to time.

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

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

DISCLOSURE OF ADDITIONAL INFORMATION

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.

DISCLOSURE OF ADDITIONAL INFORMATION

The table below shows the details of the outstanding share options granted to all grantees under the Scheme as at 30 June 2015. There were no share options granted being cancelled or lapsed during the reporting period. 276,296,145 options were granted between 30 June 2015 and the date of this interim report, for further information please refer to the Company's announcement dated 30 July 2015. For further details on the movement of the options during the reporting period.

| Name or category of grantee | Date of grant | Exercise price per share (HK\$) (adjusted) | Closing price immediately before the date of grant (adjusted) | Vesting date (%) | Exercisable period | Number of options granted | Number of shares underlying share options granted (adjusted) | Number of options exercised during the reporting period | outstanding share options as at 30 June 2015 |
|-----------------------------|------------------|--|---|------------------|-------------------------------------|---------------------------|--|---|--|
| Directors | | | | | | | | | |
| Mr. Lei Zulian | 10 November 2014 | 0.552 | 0.55 | None | 10 November 2014 to 9 November 2015 | 1,000,000 | 5,000,000 | 5,000,000 | - |
| Mr. Long Weihua | 10 November 2014 | 0.552 | 0.55 | None | 10 November 2014 to 9 November 2015 | 800,000 | 4,000,000 | - | 4,000,000 |
| Professor Liu Zhikun | 10 November 2014 | 0.552 | 0.55 | None | 10 November 2014 to 9 November 2015 | 150,000 | 750,000 | - | 750,000 |
| Mr. Zhou Xianyan | 10 November 2014 | 0.552 | 0.55 | None | 10 November 2014 to 9 November 2015 | 150,000 | 750,000 | - | 750,000 |
| Ms. Tian Guangmei | 10 November 2014 | 0.552 | 0.55 | None | 10 November 2014 to 9 November 2015 | 150,000 | 750,000 | 750,000 | - |
| Mr. Liang Guoxin | 10 November 2014 | 0.552 | 0.55 | None | 10 November 2014 to 9 November 2015 | 150,000 | 750,000 | 750,000 | - |
| Mr. Liu Zhaoxiang | 10 November 2014 | 0.552 | 0.55 | None | 10 November 2014 to 9 November 2015 | 150,000 | 750,000 | 750,000 | - |
| Other employees | | | | | | | | | |
| 14 employees | 10 November 2014 | 0.552 | 0.55 | None | 10 November 2014 to 9 November 2015 | 34,450,000 | 172,250,000 | 66,310,000 | 105,940,000 |

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 2015.

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 2015, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8 and A.4.1 as addressed below:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this announcement, the Company has not arranged to purchase any Directors and Officers’ Liability Insurance, which covers in respect of legal action against the Directors, as the Directors take the view that the Company shall support Directors in any events arising from corporate activities;
2. Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, none of the non-executive Directors has been appointed for a specific term. Notwithstanding the aforesaid deviation, one-third of the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at each of the Company’s annual general meeting and every Director shall be subject to retirement by rotation at least once in every three years in compliance with the Company’s articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are in line with the underlying intentions of Code Provision A.4.1 of the CG Code.

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

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 2015.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2015 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, 31 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Continuing operations | | | |
| Revenue | 4 | 2,030 | 10,174 |
| Cost of sales | | (4,197) | (7,749) |
| Gross (loss)/profit | | (2,167) | 2,425 |
| Investment and other income | 6 | 60 | 12 |
| Other gains and losses | 7 | (1,197) | 10,786 |
| Selling and distribution costs | | (221) | (170) |
| Administrative expenses | | (12,618) | (11,501) |
| Finance costs | 8 | (7,220) | (23,361) |
| Loss before tax | 9 | (23,363) | (21,809) |
| Income tax expense | 10 | – | (330) |
| Loss for the period from continuing operations | | (23,363) | (22,139) |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | 11 | – | (5,232) |
| Loss for the period | | (23,363) | (27,371) |
| Other comprehensive income (expense) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference on translation of financial statements of foreign operations | | | |
| Exchange differences arising during the period | | 148 | (2,906) |
| Reclassification adjustments relating to foreign operations disposed of during the period | | – | 1,182 |
| Other comprehensive income (expense) for the period | | 148 | (1,724) |
| Total comprehensive expense for the period | | (23,215) | (29,095) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Loss for the period from continuing operations attributable to: | | | |
| Owners of the Company | | (22,578) | (22,139) |
| Non-controlling interests | | (785) | – |
| | | (23,363) | (22,139) |
| Loss for the period from continuing and discontinued operations attributable to: | | | |
| Owners of the Company | | (22,578) | (27,371) |
| Non-controlling interests | | (785) | – |
| | | (23,363) | (27,371) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | (22,430) | (29,095) |
| Non-controlling interests | | (785) | – |
| | | (23,215) | (29,095) |

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------|-----------------------------------|
| | | 2015 (unaudited) | 2014 (unaudited) (restated) |
| Loss per share: | 13 | | |
| From continuing and discontinued operations | | | |
| Basic | | RMB(0.85) cents | RMB(1.31) cents |
| Diluted | | N/A | N/A |
| From continuing operations | | | |
| Basic | | RMB(0.85) cents | RMB(1.06) cents |
| Diluted | | N/A | N/A |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

| | Notes | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|--|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 14 | 20,885 | 21,965 |
| Prepaid lease payments | | 9,154 | 9,298 |
| Plantation forest assets | 15 | 226,263 | 227,408 |
| Deposit paid for acquisition of subsidiaries | | – | 3,000 |
| Deposit paid for acquisition of property, plant and equipment | | 1,535 | 3,005 |
| | | 257,837 | 264,676 |
| Current assets | | | |
| Inventories | | 4,607 | 3,104 |
| Trade and other receivables | 16 | 36,595 | 24,975 |
| Deposits and prepayments | 17 | 14,316 | 21,718 |
| Prepaid lease payments | | 287 | 287 |
| Bank balances and cash | | 24,624 | 17,050 |
| | | 80,429 | 67,134 |
| Current liabilities | | | |
| Trade and other payables | 18 | 25,868 | 20,868 |
| Current tax payable | | 124 | 124 |
| Promissory notes payable | 19 | – | 56,322 |
| | | 25,992 | 77,314 |
| Net current assets (liabilities) | | 54,437 | (10,180) |
| Total assets less current liabilities | | 312,274 | 254,496 |
| Non-current liabilities | | | |
| Promissory notes payable | 19 | 18,390 | 18,067 |
| Corporate bonds payable | 20 | 91,998 | 84,843 |
| | | 110,388 | 102,910 |
| Net assets | | 201,886 | 151,586 |
| Capital and reserves | | | |
| Share capital | 21 | 4,822 | 4,431 |
| Reserves | | 186,384 | 135,690 |
| Total equity attributable to owners of the Company | | 191,206 | 140,121 |
| Non-controlling interests | | 10,680 | 11,465 |
| Total equity | | 201,886 | 151,586 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Attributable to owners of the Company

| | Share capital | Share premium | Capital reserve | Statutory reserve | Warrants equity reserve | Share option reserve | Translation reserve | Other reserve | Retained profits (accumulated losses) | Total | Non-controlling interests | Total |
|--|---------------|---------------|-----------------|-------------------|-------------------------|----------------------|---------------------|---------------|---------------------------------------|----------|---------------------------|----------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2014 (audited) | 3,466 | 36,133 | 10 | 5,943 | 12,297 | - | 1,993 | 18,038 | 3,864 | 81,744 | - | 81,744 |
| Loss for the period | - | - | - | - | - | - | - | - | (27,371) | (27,371) | - | (27,371) |
| Other comprehensive expense for the period | - | - | - | - | - | - | (1,724) | - | - | (1,724) | - | (1,724) |
| Total comprehensive expense for the period | - | - | - | - | - | - | (1,724) | - | (27,371) | (29,095) | - | (29,095) |
| Issue of shares | 587 | 75,798 | - | - | - | - | - | - | - | 76,385 | - | 76,385 |
| Share issue expenses | - | (1,172) | - | - | - | - | - | - | - | (1,172) | - | (1,172) |
| Transfer to retained earnings on disposal of subsidiaries | - | - | (10) | (5,943) | - | - | - | - | 5,953 | - | - | - |
| At 30 June 2014 (unaudited) | 4,053 | 110,759 | - | - | 12,297 | - | 269 | 18,038 | (17,554) | 127,862 | - | 127,862 |
| Loss for the period | - | - | - | - | - | - | - | - | (62,951) | (62,951) | (235) | (63,186) |
| Other comprehensive income for the period | - | - | - | - | - | - | 556 | - | - | 556 | - | 556 |
| Total comprehensive income (expense) for the period | - | - | - | - | - | - | 556 | - | (62,951) | (62,395) | (235) | (62,630) |
| Non-controlling interests arising on acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | 11,700 | 11,700 |
| Issue of shares | 378 | 62,024 | - | - | - | - | - | - | - | 62,402 | - | 62,402 |
| Share issue expenses | - | (625) | - | - | - | - | - | - | - | (625) | - | (625) |
| Recognition of equity-settled share-based payments | - | - | - | - | - | 12,877 | - | - | - | 12,877 | - | 12,877 |
| Warrants lapsed during the period | - | - | - | - | (2,033) | - | - | - | 2,033 | - | - | - |
| At 31 December 2014 and at 1 January 2015 (audited) | 4,431 | 172,158 | - | - | 10,264 | 12,877 | 825 | 18,038 | (78,472) | 140,121 | 11,465 | 151,586 |
| Loss for the period | - | - | - | - | - | - | - | - | (22,578) | (22,578) | (785) | (23,363) |
| Other comprehensive income for the period | - | - | - | - | - | - | 148 | - | - | 148 | - | 148 |
| Total comprehensive income (expense) for the period | - | - | - | - | - | - | 148 | - | (22,578) | (22,430) | (785) | (23,215) |
| Issue of shares | 275 | 41,679 | - | - | - | - | - | - | - | 41,954 | - | 41,954 |
| Share issue expenses | - | (507) | - | - | - | - | - | - | - | (507) | - | (507) |
| Issue of shares upon exercise of share options | 116 | 37,055 | - | - | - | (5,103) | - | - | - | 32,068 | - | 32,068 |
| At 30 June 2015 (unaudited) | 4,822 | 250,385 | - | - | 10,264 | 7,774 | 973 | 18,038 | (101,050) | 191,206 | 10,680 | 201,886 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Note | (unaudited) | (unaudited) |
| Net cash used in operating activities | (16,008) | (25,709) |
| Net cash used in investing activities | (1,146) | (6,418) |
| Net cash from financing activities | 24,746 | 50,009 |
| Net increase in cash and cash equivalents | 7,592 | 17,882 |
| Cash and cash equivalents at 1 January | 17,050 | 21,844 |
| Effect of foreign exchange rate changes | (18) | 98 |
| Cash and cash equivalents at 30 June | | |
| Bank balances and cash | 24,624 | 39,824 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

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 a number of HKFRSs | Annual improvements to HKFRSs 2010–2012 Cycle |
| Amendments to a number of HKFRSs | Annual improvements to HKFRSs 2011–2013 Cycle |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contribution |

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

4. REVENUE

Revenue represents the net amounts received and receivable for goods sold in the normal course of business, net of returns and discounts.

| | 30 June 2015 RMB'000 (unaudited) | 30 June 2014 RMB'000 (unaudited) |
|----------------------------|---|---|
| Sales | 5,398 | 10,174 |
| Sale returns and discounts | (3,368) | – |
| | 2,030 | 10,174 |

5. SEGMENT INFORMATION

Information reported to the chairman of the board (being the chief executive decision maker) for the purposes of resources allocation and assessment of segment performance focuses on the type of goods delivered.

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.

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 2015 and 2014 is presented below.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

5. SEGMENT INFORMATION (CONTINUED)

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 2015 and 2014:

Six months ended 30 June 2015

| | Continuing Operations | | | Discontinued Operations | | | Total RMB'000 (unaudited) |
|--|--|--|-------------------------------------|---|---|-------------------------------------|---------------------------------|
| | Biomass | | | OEM Business RMB'000 (unaudited) | Brand Business RMB'000 (unaudited) | Sub-total RMB'000 (unaudited) | |
| | Forestry Business RMB'000 (unaudited) | Fuel Business RMB'000 (unaudited) | Sub-total RMB'000 (unaudited) | | | | |
| Revenue | 67 | 1,963 | 2,030 | - | - | - | 2,030 |
| Segment loss | (1,079) | (2,234) | (3,313) | - | - | - | (3,313) |
| Bank interest income | | | | | | | 6 |
| Other unallocated income | | | | | | | 180 |
| Loss on early repayment of promissory notes payable | | | | | | | (86) |
| Loss on early repayment of corporate bonds | | | | | | | (51) |
| Other unallocated expenses | | | | | | | (12,879) |
| Finance costs | | | | | | | (7,220) |
| Loss before tax | | | | | | | (23,363) |
| Income tax expense | | | | | | | - |
| Loss for the period | | | | | | | (23,363) |

Six months ended 30 June 2014

| | Continuing Operations | | | Discontinued Operations | | | Total RMB'000 (unaudited) |
|--|--|--|-------------------------------------|---|---|-------------------------------------|---------------------------------|
| | Biomass | | | OEM Business RMB'000 (unaudited) | Brand Business RMB'000 (unaudited) | Sub-total RMB'000 (unaudited) | |
| | Forestry Business RMB'000 (unaudited) | Fuel Business RMB'000 (unaudited) | Sub-total RMB'000 (unaudited) | | | | |
| Revenue | - | 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 |
| Other unallocated income | | | | | | | 1 |
| Gain on disposal of a subsidiary | | | | | | | 2,467 |
| Loss on early repayment of promissory notes payable | | | | | | | (5,124) |
| Other unallocated expenses | | | | | | | (8,891) |
| Finance costs | | | | | | | (23,361) |
| Loss before tax | | | | | | | (27,041) |
| Income tax expense | | | | | | | (330) |
| Loss for the period | | | | | | | (27,371) |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

5. SEGMENT INFORMATION (CONTINUED)

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

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|---------------------------|---|---|
| Segment assets | | |
| Forestry Business | 241,146 | 248,990 |
| Biomass Fuel Business | 44,840 | 47,912 |
| Total segment assets | 285,986 | 296,902 |
| Unallocated | 52,280 | 34,908 |
| Consolidated assets | 338,266 | 331,810 |
| Segment liabilities | | |
| Forestry Business | 2,960 | 2,968 |
| Biomass Fuel Business | 3,962 | 5,748 |
| Total segment liabilities | 6,922 | 8,716 |
| Unallocated | 129,458 | 171,508 |
| Consolidated liabilities | 136,380 | 180,224 |

6. INVESTMENT AND OTHER INCOME

| | Continuing operations | | Discontinued operations | | Total | |
|-----------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) | 2015 RMB'000 (unaudited) | 2014 RMB'000 (unaudited) |
| Interest income | 6 | 11 | - | 1 | 6 | 12 |
| Sundry income | 54 | 1 | - | - | 54 | 1 |
| | 60 | 12 | - | 1 | 60 | 13 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

7. OTHER GAINS OR LOSSES

| | Continuing operations | | Discontinued operations | | Total | |
|--|-----------------------|-------------|-------------------------|-------------|-------------|-------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Other gains (losses) | | | | | | |
| Exchange (losses) gains | (41) | (280) | - | 36 | (41) | (244) |
| (Loss) gain on change in fair value less costs to sell of plantation forest assets (Note 15) | (1,145) | 16,190 | - | - | (1,145) | 16,190 |
| Gain on disposal of property, plant and equipment | 126 | - | - | - | 126 | - |
| Loss on early repayment of promissory notes (Note 19) | (86) | (5,124) | - | - | (86) | (5,124) |
| Loss on early repayment of corporate bond (Note 20) | (51) | - | - | - | (51) | - |
| | (1,197) | 10,786 | - | 36 | (1,197) | 10,822 |

8. FINANCE COSTS

| | Six months ended 30 June 2015 | | | Six months ended 30 June 2014 | | |
|---|-------------------------------|-------------------------|-------------|-------------------------------|-------------------------|-------------|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Interest expenses on promissory notes payable (Note 19) | 2,399 | - | 2,399 | 22,457 | - | 22,457 |
| Interest expenses on corporate bonds payable (Note 20) | 4,683 | - | 4,683 | 904 | - | 904 |
| Interest on other borrowings | 138 | - | 138 | - | - | - |
| | 7,220 | - | 7,220 | 23,361 | - | 23,361 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

9. LOSS BEFORE TAX

| | Six months ended 30 June 2015 | | | Six months ended 30 June 2014 | | |
|---|---|---|---------------------------------|---|---|---------------------------------|
| | 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 before tax has been arrived at after charging: | | | | | | |
| Directors' emoluments | 443 | - | 443 | 380 | 34 | 414 |
| Other staff costs | 4,134 | - | 4,134 | 1,563 | 4,696 | 6,259 |
| Retirement benefits scheme contributions, excluding directors | 129 | - | 129 | 54 | 2,613 | 2,667 |
| Total staff costs | 4,706 | - | 4,706 | 1,997 | 7,343 | 9,340 |
| Amortisation of prepaid lease payments | 144 | - | 144 | 61 | 22 | 83 |
| Cost of inventories recognised | 3,729 | - | 3,729 | 7,749 | - | 7,749 |
| Impairment loss on inventories | 468 | - | 468 | - | - | - |
| Depreciation of property, plant and equipment | 1,402 | - | 1,402 | 384 | 204 | 588 |
| Operating lease rental paid in respect of rented premises | 1,761 | - | 1,761 | 1,076 | 116 | 1,192 |

10. INCOME TAX EXPENSE

| | Six months ended 30 June 2015 | | | Six months ended 30 June 2014 | | |
|-----------------------------|---|---|---------------------------------|---|---|---------------------------------|
| | 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%.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

11. 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 a 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 | |
|---|---|----------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Loss for the period from discontinued businesses (Note below) | – | (7,699) |
| Gain on disposal of the Disposed Group | – | 2,467 |
| Loss for the period from discontinued operations | – | (5,232) |

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

| | OEM Business | | Brand Business | | Total | |
|--|---------------------|----------------|-----------------------|----------------|--------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | – | – | – | – | – | – |
| Cost of sales | – | – | – | – | – | – |
| Gross profit | – | – | – | – | – | – |
| Investment and other income | – | 1 | – | – | – | 1 |
| Other gains or losses | – | 36 | – | – | – | 36 |
| Administrative expenses | – | (5,968) | – | (1,768) | – | (7,736) |
| Loss before tax | – | (5,931) | – | (1,768) | – | (7,699) |
| Income tax expense | – | – | – | – | – | – |
| Loss for the period attributable to owners of the Company | – | (5,931) | – | (1,768) | – | (7,699) |

12. 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 2015 (six months ended 30 June 2014: nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

13. LOSS PER SHARE

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

| | For the six months ended | |
|---|--------------------------|-------------|
| | 30 June | |
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Loss | | |
| (i) <i>From continuing and discontinued operations</i> | | |
| Loss for the purpose of basic loss per share | | |
| Loss for the period attributable to the owners of the Company | (22,578) | (27,371) |
| Effect of dilutive potential ordinary shares: | | |
| — Loss on early redemption of promissory note | 3 | — |
| — Interest expense on promissory notes | 116 | 10,740 |
| Loss for the purpose of diluted earnings/loss per share | N/A | N/A |
| (ii) <i>From continuing operations</i> | | |
| Loss for the purpose of basic loss per share | | |
| Loss for the period attributable to the owners of the Company | (22,578) | (22,139) |
| Effect of dilutive potential ordinary shares: | | |
| — Loss on early redemption of promissory note | 3 | — |
| — Interest expense on promissory notes | 116 | 10,740 |
| Loss for the purpose of diluted earnings/loss per share | N/A | N/A |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

13. LOSS PER SHARE (CONTINUED)

| | For the six months ended | |
|---|--------------------------|------------|
| | 30 June | |
| | 2015 | 2014 |
| | '000 | '000 |
| | | (restated) |
| Number of shares | | |
| <i>From continuing and discontinued operations and from continuing operations</i> | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 2,645,315 | 2,091,868 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 174,644 | – |
| Warrants | 162,559 | 235,000 |
| Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share | 2,982,518 | 2,326,868 |

Notes:

- Diluted loss per share from continuing and discontinued operations and from continuing operations for the six months ended 30 June 2015 and 30 June 2014 are not presented because the Group suffered a loss for the period and the impact of conversion of share options and warrants, if any, is regarded anti-dilutive.
- The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both of the periods presented above have been adjusted for the subdivision of the Company's shares on the basis of every one share held into five subdivided shares made subsequent to the end of the reporting period. The number of shares for the six months ended 30 June 2014 has been restated accordingly.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group incurred approximately RMB 2,622,000 (six months ended 30 June 2014: RMB6,387,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2015, the Group disposed of property, plant and equipment with the carrying amount of approximately RMB2,299,000 (six months ended 30 June 2014: RMB3,409,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

15. PLANTATION FOREST ASSETS

| | Yunnan Forest RMB'000 | Sichuan Forest RMB'000 | Total RMB'000 |
|---|-----------------------------|------------------------------|------------------|
| At 1 January 2014 (audited) | 19,983 | 209,134 | 229,117 |
| Change in fair value less cost to sell | (3,525) | 19,715 | 16,190 |
| At 30 June 2014 (unaudited) | 16,458 | 228,849 | 245,307 |
| Harvested timber transferred to cost of inventories sold | – | (8,873) | (8,873) |
| Change in fair value less costs to sell | 1,818 | (10,844) | (9,026) |
| At 31 December 2014 and at 1 January 2015 (audited) | 18,276 | 209,132 | 227,408 |
| Change in fair value less costs to sell | 2,771 | (3,916) | (1,145) |
| At 30 June 2015 (unaudited) | 21,047 | 205,216 | 226,263 |

(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 2014: nil). As at 30 June 2015, 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

15. 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 2014: nil). As at 30 June 2015, the Sichuan Forest is estimated to comprise approximately 1,389 hectares of Cypress with approximately 13 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 2015 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 14.36% and 13.82% 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

15. PLANTATION FOREST ASSETS (CONTINUED)

(c) Valuation of plantation forest assets (Continued)

Applicable to both the Yunnan Forest and Sichuan Forest (Continued)

- The cash flows do not take into account income tax and finance costs.
- The cash flows have been prepared in real terms and have not therefore included inflationary effects.
- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forests is not taken into account.
- Costs have been derived from external sources and discussion with staff of the Group. The costs are current average costs. No allowance has been made for cost improvements in future operations.
- Prices have been derived from independent market information and not prices 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 4.5 years up to 2019 with the first year of logging activities taken to be from August 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 9,426 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 6.26% per annum for the first and second year, which is in line with the long-term producer price index of forestry product, 3.13% for the third, fourth and last year of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

15. PLANTATION FOREST ASSETS (CONTINUED)

(c) Valuation of plantation forest assets (Continued)

Applicable to the Yunnan Forest (Continued)

- The discount rate applied is 14.36%.
- The inflation rate on other operation costs is 3.16% 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 5.5 years up to 2020 with the first year of logging activities taken to be from August 2015. Management has assumed that the logging volume during the forecast period is 30,000 cubic meters in the first year, 40,000 cubic meters in the second year, 50,000 cubic meters in the third year, 60,000 cubic meters in the fourth and fifth year and 35,661 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 6.26% per annum for the first year, which is in line with the long-term producer price index of forestry product, 3.13% for the second year, 1.57% for the third year, 0.78% for the fourth year, 0.39% for the fifth year and 0.20% for the last year of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.
- The discount rate applied is 13.82%.
- The inflation rate on other operation costs is 3.16% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate for cypress is 66%.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

15. 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 2015 and 31 December 2014 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 2015, approval of the logging permit for the Yunnan Forest and Sichuan Forest were not obtained by the Group. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits to the PRC government shortly after application.

(d) Pledge of plantation forest assets

At 30 June 2015 and 31 December 2014, 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 and was released during the period (Note 19).

(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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

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

(iii) Supply and demand risk

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

16. TRADE AND OTHER RECEIVABLES

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|-------------------|---|---|
| Trade receivables | 7,564 | 12,481 |
| Other receivables | 29,031 | 12,494 |
| | 36,595 | 24,975 |

The Group generally allows an average credit period of 90 days to its trade customers, where payment in advance is normally required. The Group does not hold any collateral over these balances.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|--------------|---|---|
| 0-90 days | 1,005 | 12,438 |
| 91-180 days | 4,618 | 43 |
| 181-365 days | 1,941 | - |
| | 7,564 | 12,481 |

17. DEPOSITS AND PREPAYMENTS

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|--|---|---|
| Deposits paid for acquisition of raw materials | 4,705 | 11,368 |
| Other deposits paid | 6,199 | 5,083 |
| Prepayments | 3,412 | 5,267 |
| | 14,316 | 21,718 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

18. TRADE AND OTHER PAYABLES

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|----------------------------|---|---|
| Trade payables | 856 | 1,637 |
| Other payables | 6,728 | 6,593 |
| Redemption premium payable | 17,468 | 10,976 |
| Accrued charges | 816 | 1,662 |
| | 25,868 | 20,868 |

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

The following is an analysis of the trade payables by age, presented based on the invoice date:

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|--------------|---|---|
| 0–30 days | 521 | 1,584 |
| 31–90 days | 46 | 93 |
| Over 90 days | 289 | – |
| | 856 | 1,637 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

19. 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 was secured by 179,450,000 shares of the Company owned by Well Bright Group Limited ("Well Bright"), the former controlling shareholder of the Company, an additional 7,400,000 shares of the Company owned by the other shareholders and the entire equity interests held by the Group of the companies comprising the Rongxuan Group (Note 15) and the China Timbers Group (Note 15), (collectively the "Relevant Securities").

On 16 May 2013, the parties to the Note A reached an agreement for the revision of 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. The revision of the terms of the Note A was effective from 5 July 2013.

| Number of shares of the Company under the Warrant A | Exercise period |
|---|-----------------------------------|
| 6,250,000 | 8 July 2013 to 31 January 2015 |
| 6,250,000 | 8 January 2014 to 31 January 2015 |
| 6,250,000 | 8 July 2014 to 31 January 2015 |
| 6,250,000 | 8 January 2015 to 31 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

19. PROMISSORY NOTES PAYABLE (CONTINUED)

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

During the year ended 31 December 2014, the Company repaid part of the Note A with the principal amount of HK\$130,976,000 for an aggregate consideration of HK\$144,890,000, comprising cash paid by the Company amounted to HK\$130,976,000 and Redemption Premium payable to the noteholder amounted to HK\$13,914,000 (equivalent to RMB10,976,000 (Note 18)), and Warrant B convertible into 4,194,000 shares lapsed upon repayment of the Note A. At 31 December 2014, the Note A with the principal amount of HK\$59,024,000 remained outstanding which was secured by the pledge of 61,550,000 shares of the Company owned by Well Bright. As at that date, the Warrant A convertible into 20,806,000 new shares of the Company remained outstanding.

During the current period, the Company repaid the remaining part of the Note A with the principal amount of HK\$59,024,000 for an aggregate cash consideration of HK\$67,256,000, comprising cash paid by the Company amounted to HK\$59,024,000 and Redemption Premium payable to noteholder amounted to HK\$8,232,000 (equivalent to RMB6,492,000 (Note 18)). At the end of the reporting period, the Note A was fully repaid by the Company, and the Warrant A convertible into 20,806,000 new shares was lapsed.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

19. PROMISSORY NOTES PAYABLE (CONTINUED)

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

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

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 on 28 May 2018 at its principal amount. The Company is also entitled to redeem the whole or part of the Note B at the principal amount at any time before the maturity date.

During the years, ended 31 December 2013 and 31 December 2014, the Company redeemed part of the Note B with the principal amount of HK\$25,000,000 and HK\$90,497,000 respectively for cash consideration of HK\$25,000,000 and HK\$90,497,000 respectively. At 31 December 2014, the Note B with the principal amount of HK\$28,503,000 remained outstanding.

During the current period, the Company redeemed part of the Note B with the principal amount of HK\$1,000,000 at cash consideration of HK\$1,000,000. At the end of the reporting period, the Note B with the principal amount of HK\$27,503,000 (31 December 2014: HK\$28,503,000) remained outstanding. Subsequent to the end of the reporting period, no part of the Note B was redeemed.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

19. PROMISSORY NOTES PAYABLE (CONTINUED)

The movements of the Group's promissory notes payable for the six months ended 30 June 2015 and the year ended 31 December 2014 are set out below:

| | Promissory Note A RMB'000 | Promissory Note B RMB'000 | Total RMB'000 |
|---|---------------------------------|---------------------------------|------------------|
| At 1 January 2014 (audited) | 167,670 | 68,001 | 235,671 |
| Imputed interest for the period (Note 8) | 17,720 | 4,737 | 22,457 |
| Interest 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 (i)) | (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 | 132,247 | 47,723 | 179,970 |
| Imputed interest for the period | 7,160 | 1,771 | 8,931 |
| Interest paid during the period | (9,744) | (1,711) | (11,455) |
| Promissory notes repaid during the period | (77,114) | (40,028) | (117,142) |
| Loss on early repayment of promissory notes (Note (ii)) | 4,245 | 9,420 | 13,665 |
| Adjustment to interest payable included in trade and other payables | – | 1,046 | 1,046 |
| Exchange realignment | (472) | (154) | (626) |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

19. PROMISSORY NOTES PAYABLE (CONTINUED)

| | Promissory Note A RMB'000 | Promissory Note B RMB'000 | Total RMB'000 |
|---|---------------------------------|---------------------------------|------------------|
| At 31 December 2014 and 1 January 2015 (audited) | 56,322 | 18,067 | 74,389 |
| Imputed interest for the period (Note 8) | 1,069 | 1,330 | 2,399 |
| Interest paid during the period | (4,370) | (445) | (4,815) |
| Promissory notes repaid during the period | (53,161) | (719) | (53,880) |
| Loss on early repayment of promissory notes (Note (iii)) | 30 | 56 | 86 |
| Interest payable included in trade and other payables | – | 107 | 107 |
| Exchange realignment | 110 | (6) | 104 |
| At 30 June 2015 (unaudited) | – | 18,390 | 18,390 |

Note:

- (i) During the six months ended 30 June 2014, part of the Note A and Note B with aggregate principal amount of HK\$90,000,000 were repaid by the Company. The loss on early repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK\$90,000,000 (equivalent to RMB69,312,000) over the aggregate of carrying amounts of the notes repaid amounted to RMB64,188,000 at the dates of repayments, amounted to RMB5,124,000 has been recognised in profit or loss for the period (Note 7).
- (ii) During the six months ended 31 December 2014, part of the Note A and Note B with aggregate principal amount of HK\$131,473,000 were repaid by the Company. The loss on early repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK\$131,473,000 (equivalent to RMB106,166,000) and the premium payable amounted to HK\$13,914,000 (equivalent to RMB10,976,000) upon repayment of the Note A over the aggregate of carrying amounts of the notes repaid amounted to RMB103,477,000 at the dates of repayments, amounted to RMB13,665,000 has been recognised in profit or loss for the period.
- (iii) During the six months ended 30 June 2015, part of the Note A and Note B with aggregate principal amount of HK\$60,024,000 were repaid by the Company. The loss on early repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK\$60,024,000 (equivalent to RMB47,388,000) and the premium payable amounted to HK\$8,232,000 (equivalent to RMB6,492,000) upon repayment of the Note A over the aggregate of carrying amounts of the notes repaid amounted to RMB53,794,000 at the dates of repayments, amounted to RMB86,000 has been recognised in profit or loss for the period (Note 7).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

20. CORPORATE BONDS PAYABLE

Movements in the corporate bonds payable are as follows:

| | RMB'000 |
|---|----------|
| At 1 January 2014 (audited) | – |
| Issue of corporate bonds, at cash | 65,687 |
| Transaction costs incurred for issue of bonds | (7,115) |
| Interest charges for the period (Note 8) | 904 |
| Exchange realignment | 176 |
| At 30 June 2014 (unaudited) | 59,652 |
| Issue of corporate bonds, at cash | 24,693 |
| Transaction costs incurred for issue of bonds | (1,764) |
| Imputed interest for the period | 2,787 |
| Exchange realignment | (525) |
| At 31 December 2014 and 1 January 2015 (audited) | 84,843 |
| Issue of corporate bonds, at cash | 32,408 |
| Transaction costs incurred for issue of bonds | (119) |
| Imputed interest for the period (Note 8) | 4,683 |
| Repayment of corporate bonds | (24,503) |
| Loss on early redemption of corporate bonds | 51 |
| Interest paid during the period | (4,213) |
| Interest payable included in trade and other payables | (1,107) |
| Exchange realignment | (45) |
| At 30 June 2015 (unaudited) | 91,998 |

During the six months ended 30 June 2015, the Company issued corporate bonds with the aggregate principal amounts of HK\$41,000,000 giving rise to a total proceed of HK\$41,000,000 (before expenses). The corporate bonds, which are unsecured and carry interest at interest rates ranged from 0% to 8% per annum, are wholly payable by the Company on the maturity date within the period of 3 months to 8 years from the date of issue.

During the six months ended 30 June 2015, part of the corporate bonds with aggregate principal amount of HK\$31,000,000 were repaid by the Company. The loss on early repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK\$31,000,000 (equivalent to RMB24,503,000) over the aggregate of carrying amounts of the corporate bonds repaid amounted to RMB24,452,000 at the dates of repayments, amounted to RMB51,000 which has been recognised in profit or loss for the period (Note 7).

At 30 June 2015, the corporate bonds with the principal amount of HK\$124,100,000 (31 December 2014: HK\$114,100,000) remained outstanding. The effective interest rate of corporate bonds with principal amount HK\$21,000,000 were 38.922% and were issued and repaid during the period. The effective interest rate of other corporate bonds ranged from 4.154% to 11.858% per annum.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

21. SHARE CAPITAL

| | Par value HK\$ | Number of ordinary shares '000 | Nominal amount HK\$'000 |
|---|-------------------|---|-------------------------------|
| <i>Authorised:</i> | | | |
| At 1 January 2014 (audited), 30 June 2014 (unaudited), 31 December 2014 (audited) and 30 June 2015 (unaudited) | 0.01 | 1,000,000 | 10,000 |

| | Par value HK\$ | Number of ordinary shares '000 | Nominal amount HK\$'000 | Carrying amount RMB'000 |
|---|-------------------|---|-------------------------------|-------------------------------|
| <i>Issued and fully paid:</i> | | | | |
| At 1 January 2014 (audited) | 0.01 | 396,296 | 3,963 | 3,466 |
| Issue of shares on placement of shares (Note (i)) | 0.01 | 74,000 | 740 | 587 |
| At 30 June 2014 (unaudited) | 0.01 | 470,296 | 4,703 | 4,053 |
| Issue of shares on placement of shares (Note (ii)) | 0.01 | 47,504 | 475 | 378 |
| At 31 December 2014 and 1 January 2015 (audited) | 0.01 | 517,800 | 5,178 | 4,431 |
| Issue of shares on placement of shares (Note (iii)) | 0.01 | 34,792 | 348 | 275 |
| Issue of shares on exercise of share options (Note (iv)) | 0.01 | 14,712 | 147 | 116 |
| At 30 June 2015 (unaudited) | 0.01 | 567,304 | 5,673 | 4,822 |

Notes:

- (i) On 24 April 2014, the Company entered into a placing agreement with a financial institution, pursuant to which 74,000,000 new ordinary shares of the Company were issued at a price of HK\$1.3 per share on 8 May 2014, giving rise to a gross proceed of HK\$96,200,000 (before expense).
- (ii) On 16 July 2014, the Company entered into a placement agreement with a financial institution, pursuant to which 47,504,000 new ordinary shares of the Company were issued at a price of HK\$1.65 per share on 7 August 2014, giving rise to a gross proceed at HK\$78,382,000 (before expense).
- (iii) On 22 April 2015, the Company entered into the placing agreement with a financial institution, pursuant to which 34,792,000 new ordinary shares of the Company were issued at a price of HK\$1.53 per share on 14 May 2015, giving rise to a gross proceed at HK\$53,232,000 (before expense).
- (iv) On 29 May 2015, 8 June 2015 and 25 June 2015, 6,360,000, 6,384,000 and 1,968,000 shares were issued by the Company upon the exercise of share options granted at the exercise price of HK\$2.76 per share, giving rise to a gross proceed at HK\$40,605,000.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

22. PLEDGE OF ASSETS

As at 30 June 2015, there was no pledge of assets for the Group. As referred to Note 15 and Note 19, as at 31 December 2014, the Note A issued by the Company was secured by certain assets of the Group.

23. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 15 September 2009 for the primary purpose of providing incentives to selected participants, including directors and eligible employees. Under the Scheme, the board of directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 30 June 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 22,280,000 (31 December 2014: 37,000,000), representing 3.93% (31 December 2014: 7.15%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK\$1 is payable on the grant of an option. 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. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

23. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

During the year ended 31 December 2014, share options were granted by the Company to its directors and employees, details of which are as follows:

| | Number of share options granted | Date of grant | Exercise period | Exercise price per share HK\$ | Fair value per option at grant date HK\$ |
|-----------|---------------------------------------|------------------|-------------------------|--|---|
| Directors | 2,550,000 | 10/11/2014 | 10/11/2014 to 9/11/2015 | 2.76 | 0.4433 |
| Employees | 34,450,000 | 10/11/2014 | 10/11/2014 to 9/11/2015 | 2.76 | 0.4391 |
| | <u>37,000,000</u> | | | | |

In accordance with the terms of the Scheme, the options granted vested at the date of grant.

The fair value of the share options was estimated to be RMB12,877,000, which was determined using the binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past one year.

The variances and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

| | Share options granted on 10 November 2014 |
|-------------------------|---|
| Grant date share price | HK\$2.76 |
| Exercise price | HK\$2.76 |
| Expected volatility | 40.54% |
| Option life | 1 year |
| Dividend yield | – |
| Risk-free interest rate | 0.09% |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

23. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED) Inputs into the model (Continued)

Movements during the six months ended 30 June 2015 of the share options granted before share subdivision are as follows:

| | Exercise price per share HK\$ | Date of grant | Number of shares under options granted | | | | | Outstanding at 30 June 2015 |
|--------------------------------------|----------------------------------|---------------|--|-----------------------------|--------------|-----------|---------|-----------------------------|
| | | | Outstanding at 1 January 2015 | Movements during the period | | | | |
| | | | | Granted | Exercised | Forfeited | Expired | |
| Directors | 2.76 | 10/11/2014 | 2,550,000 | - | (1,450,000) | - | - | 1,100,000 |
| Employees | 2.76 | 10/11/2014 | 34,450,000 | - | (13,262,000) | - | - | 21,180,000 |
| | | | 37,000,000 | - | (14,712,000) | - | - | 22,280,000 |
| Exercisable at the end of the period | | | | | | | | 22,280,000 |
| Weighted average exercise price | | | HK\$2.76 | - | - | - | - | HK\$2.76 |

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK\$2.76 (31 December 2014: HK\$2.76) per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 0.36 years (31 December 2014: 0.86 years).

The number of shares under options granted remained outstanding at the end of the reporting period and the exercise price per share have been adjusted to 111,400,000 shares and HK\$0.552 per share following the subdivision of every one issued shares of HK\$0.01 each into five subdivided shares of HK\$0.002 each made on 9 July 2015.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

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 2014: 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 2015

| | Office premises RMB'000 (unaudited) | Plant and machinery RMB'000 (unaudited) | Total RMB'000 (unaudited) |
|--|--|--|---------------------------------|
| Within one year | 1,803 | 1,319 | 3,122 |
| In the second to fifth years inclusive | 551 | 1,116 | 1,667 |
| More than five years | – | 37 | 37 |
| | 2,354 | 2,472 | 4,826 |

31 December 2014

| | Office premises RMB'000 (audited) | Plant and machinery RMB'000 (audited) | Total RMB'000 (audited) |
|--|--|--|-------------------------------|
| Within one year | 1,951 | 1,325 | 3,276 |
| In the second to fifth years inclusive | 1,479 | 1,690 | 3,169 |
| More than five years | – | 428 | 428 |
| | 3,430 | 3,443 | 6,873 |

25. CAPITAL COMMITMENTS

| | 30 June 2015 RMB'000 (unaudited) | 31 December 2014 RMB'000 (audited) |
|-----------------------------------|---|---|
| Contracted, but not provided for: | | |
| — Acquisition of subsidiaries | – | 115,331 |
| — Plant and machinery | 2,743 | 2,796 |
| | 2,743 | 118,127 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

26. 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 | |
|---------------------------------|--------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Mr. Tsoi Kam On (<i>Note</i>) | – | 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.

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

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Salaries and other allowances | 1,082 | 825 |
| Retirement benefits scheme contributions | 7 | 25 |
| | 1,089 | 850 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2015

27. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- (i) Pursuant to the resolutions passed at the Company's extraordinary general meeting held on 8 July 2015, each of the issued and unissued shares of the Company of HK\$0.01 each was subdivided into five subdivided shares of HK\$0.002 each.
- (ii) On 15 July 2015, the Company entered into the placing agreement with a placing agent, pursuant to which the placing agent has agreed to act as the placing agent, on a best effort basis, for the purpose of arranging places to subscribe for corporate bonds up to an aggregate principal amount of HK\$50,000,000 to be issued by the Company. On 21 August 2015, the Company issued 6 corporate bonds principal amount of HK\$500,000. The corporate bonds carry interest at 7% per annum, are repayable on the maturity date after 4 years from the date of issue.
- (iii) On 15 July 2015, the Company and Maple Reach Limited ("Maple Reach") entered into the subscription and settlement agreement whereby the parties agreed to a full and final settlement of the Redemption Premium in the amount of HK\$22,327,000 (equivalent to RMB17,614,000) in consideration of the allotment and issue by the Company to Maple Reach of 13,952,583 new shares (before subdivision) or 69,762,915 new shares (after subdivision) at the subscription price of HK\$1.60 per share or HK\$0.32 per share respectively. Completion of the settlement of the Redemption Premium took place on 11 August 2015, under which 69,762,915 new shares were issued by the Company to Maple Reach at the subscription price of HK\$0.32004.
- (iv) On 30 July 2015, the Company issued 276,296,000 share options to certain eligible participants under the share option scheme of the Company at the exercise price of HK\$0.331 per share for the exercisable period of one year commencing from 30 July 2015.
- (v) On 25 August 2015, the registered capital of the Company's subsidiary, Xinyu Bio Energy (Anhui) Company Limited, contributed by its equity owners was reduced by RMB19,500,000 to RMB19,500,000, which resulted in the equity interests in this subsidiary held by the Company reduced from 70% to 52.07%.