

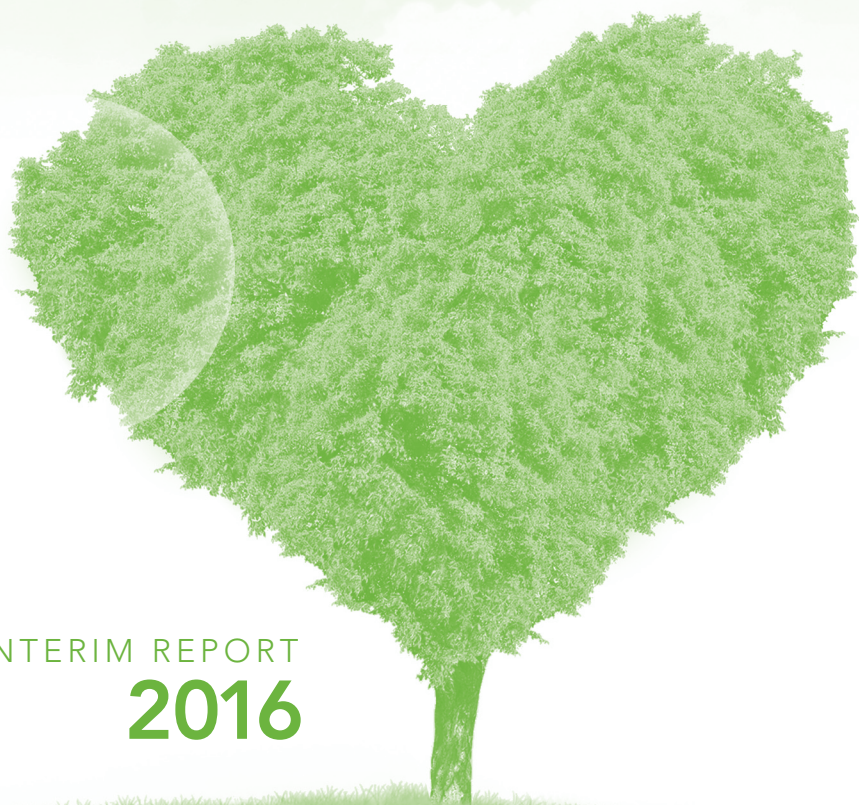


中國農林低碳控股有限公司

**China Agroforestry Low-Carbon Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

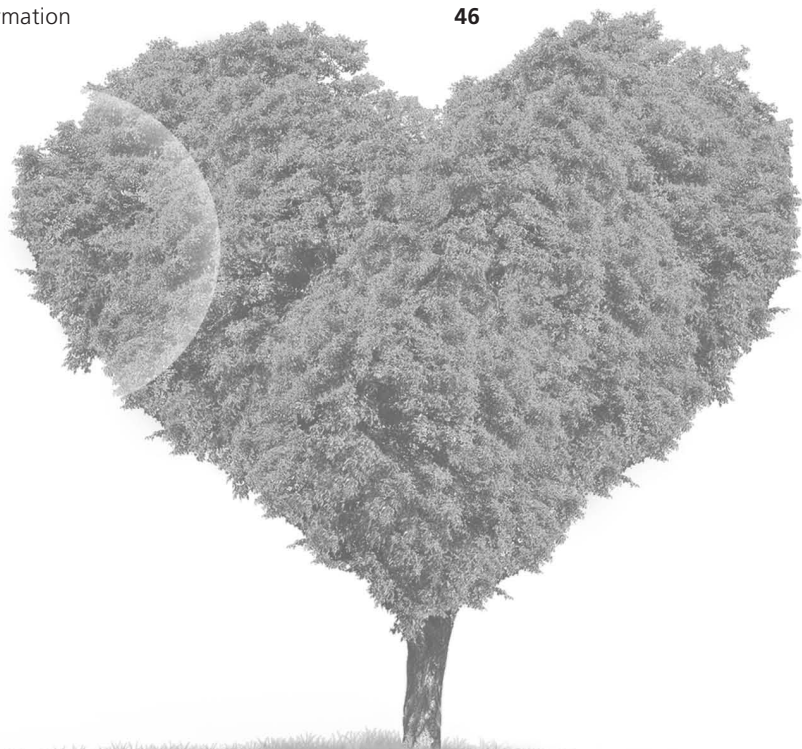
*(Stock Code: 01069)*



INTERIM REPORT  
**2016**

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors:

Mr. Lei Zuliang (*Chairman*)  
Mr. Wang Yue  
Mr. Long Weihua  
Professor Fei Phillip

### Non-executive Directors:

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

### Independent Non-executive Directors:

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. Liang Guoxin (*Chairman*)  
Mr. 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 *FCPA*

## AUTHORISED REPRESENTATIVES

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

## INDEPENDENT AUDITORS

CCTH CPA Limited  
Certified Public Accountants

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

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

# CORPORATE INFORMATION

## **CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE**

Estera Trust (Cayman) Ltd.  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

## **PRINCIPAL BANKER**

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

## **LEGAL ADVISERS AS TO HONG KONG LAW**

Tsun & Partners  
1002-03, 10/F  
China Building  
29 Queen's Road Central  
Hong Kong

## **COMPANY WEBSITE**

[www.chinacaflc.com](http://www.chinacaflc.com)

## **STOCK CODE**

01069

# FINANCIAL HIGHLIGHTS

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

- Revenue of China Agroforestry Low-Carbon Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter referred to as the “**Group**”) for the six months ended 30 June 2016, which is contributed from the biomass fuel business and money lending business of the Group, amounted to approximately Renminbi (“**RMB**”) 3.69 million (six months ended 30 June 2015: RMB2.03 million).
- Loss attributable to the owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB28.5 million (six months ended 30 June 2015: approximately RMB22.6 million).
- Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB29.3 million (six months ended 30 June 2015: approximately RMB22.4 million).
- Basic loss per share for the six months ended 30 June 2016 amounted to approximately RMB0.87 cents (six months ended 30 June 2015: RMB0.85 cents).
- The board (the “**Board**”) of directors (the “**Directors**”) of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 the “**China Timbers Group**”) in late May 2013 and the disposal of the entire issued share capital of Newshine International Limited (“**Newshine**”) and its subsidiaries on 30 June 2014, the Group has ceased its engagement in manufacturing and wholesaling of apparels, and focused on its business of (a) forestry management, (b) sale, research and development of biomass fuel produced by biomass materials such as timber processing and forestry waste, and (c) money lending.

### Continuing Operations

#### *Forestry management business*

As at 30 June 2016, the long-lease forest lands in the PRC owned by the Group are approximately 3,530 Chinese Mu, 21,045 Chinese Mu and 9,623 Chinese Mu in Yunnan Forest, Sichuan Forest and Kunlin Forest, respectively.

No harvesting work has been carried out on such assets for the six months ended 30 June 2016 (six months ended 30 June 2015: nil). The Sichuan Forest is estimated to comprise approximately 1,389 hectares of cypress trees with approximately 13 hectares of tree plantations aged 40 years or older.

The Yunnan Forest has been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, nil revenue has been contributed from the Yunnan Forest to the Group for the six months ended 30 June 2016. As at 30 June 2016, the Yunnan Forest is estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations with age 40 years or older.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## *Biomass fuel business*

Pursuant to a capital injection agreement dated 21 October 2014 and supplemental agreements dated 15 May 2015 and 31 July 2015, the Group agreed to inject a total amount of RMB10,155,000 by way of capital contribution to Xinyu Bio Energy (Anhui) Company Limited (“**Anhui Xinyu**”) in exchange for 52% of its equity interests, subject to a profit guarantee in favour of the Group in relation to the profit of Anhui Xinyu for the periods (1) between August 2015 and December 2015; and (2) two years ending December 2017 subject to review every six months. On 12 July 2016, a subsidiary of the Company entered into a supplemental agreement with the other Shareholders of Anhui Xinyu to increase the ownership of Anhui Xinyu, under which the equity interest in Anhui Xinyu held by the Group was increased from 52.07% to 63.74% for nil consideration.

During the current period, the Group produced approximately 1,900 tons of biomass fuel (six months ended 30 June 2015: 5,700 tons) which accounted for 47.7% of the total revenue.

## *Money Lending Business*

The Company’s wholly-owned subsidiary, namely Forever Biosource (Credit) Limited, is engaged in money lending business and recorded approximately RMB1.9 million (six months ended 30 June 2015: nil) as interest income for the six months ended 30 June 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

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

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

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

### Cost of Sales

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

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Biological Assets

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

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

Movements of biological assets are as follows:

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

### (a) Yunnan Forest

Yunnan Forest has 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 2015: nil). As at 30 June 2016, the Yunnan Forest was estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations with aged 40 years or older.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **(b) Sichuan Forest**

Sichuan Forest has 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 2015: nil). As at 30 June 2016, the Sichuan Forest was estimated to comprise approximately 1,389 hectares of cypress with approximately 13 hectares of tree plantations aged 40 years or older.

## **(c) Kunlin Forest**

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

Kunlin Forest has a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 641.5 hectares). The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the period under review, no timber logs in respect of the Kunlin Forest were harvested. As at 30 June 2016, the Kunlin Forest was estimated to comprise approximately 641.5 hectares of cypress with approximately 641.5 hectares of tree plantations aged 20–40 years.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (d) *Valuation of plantation forest assets*

Ascent Partners carried out the valuation updates of Yunnan Forest and Sichuan Forest as at 30 June 2016 at fair value less costs to sell. In view of the non-availability of market value for tree plantations in the PRC, the net present value approach is considered the most appropriate and has been applied whereby projected future net cash flows, based on assessments of current timber log prices, were discounted at the pre-tax discount rate of 16.17% and 16.17% for the Yunnan Forest and Sichuan Forest respectively, to arrive at their fair value less costs to sell.

No valuation of the Kunlin Forest as at 30 June 2016 was conducted as the management is of the view that there has been no significant change in fair value of this forest since the acquisition by the Group during the reporting period.

The principal valuation methodology and assumptions adopted for Yunnan Forest and Sichuan Forest 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 6.5 years up to 2022 with the first year of logging activities taken to be from 2017. Management has assumed that the logging volume during the forecast period is 3,000 cubic meters in the first year, 5,000 cubic meters in the second year, 8,000 cubic meters in the third to fifth year, and 8,464 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2016 and onwards.
- The average increment in log sales prices is expected to be 5.97% per annum for the first year, which is in line with the long-term producer price index of forestry product, 2.98% for the second year, 1.49% for the third year, 0.75% for the fourth year, 0.37% for the fifth year, 0.19% for the sixth year and 0.09% for the last year of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.
- The discount rate applied is 16.17%.
- The inflation rate on other operation costs is 3.16% per annum.
- The biological growth rates of pine trees and oak trees are 5.73% and 4.78% per annum respectively.
- The yielding rates for pine trees and oak trees are 55% and 52% respectively.

## *Additionally applicable to the Sichuan Forest*

- Cash flow projection is determined for a forecast period of 5.5 years up to 2021 with the first year of logging activities taken to be from October 2016. Management has assumed that the logging volume during the forecast period is 30,000 cubic meters in the first year, 40,000 cubic meters in the second year, 50,000 cubic meters in the third year, 60,000 cubic meters in the fourth and fifth year and 34,271 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2016 and onwards.

# MANAGEMENT DISCUSSION AND ANALYSIS

- The average increment in log sales prices is expected to be 5.97% per annum for the first year, which is in line with the long-term producer price index of forestry product, 2.98% for the second year, 1.49% for the third year, 0.75% for the fourth year, 0.37% for the fifth and 0.19% for the last year of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.
- The discount rate applied is 16.17%.
- The inflation rate on other operation costs is 3.16% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate for cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 30 June 2016 and 31 December 2015 have been determined on level 3 fair value measurement. There has been no change from the valuation technique used in prior periods. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment. During the six months ended 30 June 2016, approval of the logging permit for the Yunnan Forest and Sichuan Forest were not obtained by the Group. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits to the PRC government shortly after application.

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

The pledge of the equity interests of all subsidiaries under Rongxuan Forestry Investment Holdings Limited (“**Rongxuan**”) and China Timbers to secure the promissory notes payable by the Company was released during the year ended 31 December 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

### *(i) Regulatory and environmental risks*

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

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

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

## **(g) 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 of listed companies on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including the previous valuation of the Yunnan Forest and Sichuan Forest as at 31 December 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 2015 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 2015 prepared by a forestry specialist consultant, Mr. Peng Tuming (彭土明) (“**Mr. Peng**”). Please refer to pages 10 to 12 of the 2015 annual report of the Company for his qualifications.

The valuations update has 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%	19.17%	RMB180,700,000	-6.30%
2%	18.17%	RMB184,601,000	-4.27%
1%	17.17%	RMB188,647,000	-2.18%
0%	16.17%	RMB192,845,000	0.00%
-1%	15.17%	RMB197,203,000	2.26%
-2%	14.17%	RMB201,729,000	4.61%
-3%	13.17%	RMB206,433,000	7.05%

Cypress market price

Variance	Market Price per m <sup>3</sup>	Enterprise Value	% Change
15%	2,070	RMB225,334,000	16.85%
10%	1,980	RMB214,504,000	11.23%
5%	1,890	RMB203,675,000	5.62%
0%	1,800	RMB192,845,000	0.00%
-5%	1,710	RMB182,015,000	-5.62%
-10%	1,620	RMB171,185,000	-11.23%
-15%	1,530	RMB160,355,000	-16.85%

Estimation of cypress volume

Variance	Volume (m <sup>3</sup> )	Enterprise Value	% Change
15%	267,802	RMB212,899,000	10.40%
10%	256,158	RMB205,899,000	6.77%
5%	244,515	RMB199,401,000	3.40%
0%	232,871	RMB192,845,000	0.00%
-5%	221,227	RMB185,616,000	-3.75%
-10%	209,584	RMB177,718,000	-7.84%
-15%	197,940	RMB170,641,000	-11.51%



# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of cypress growth rate

Variance	Growth Rate	Enterprise Value	% Change
3%	8.43%	RMB205,171,000	6.39%
2%	7.43%	RMB200,802,000	4.13%
1%	6.43%	RMB196,833,000	2.07%
0%	5.43%	RMB192,845,000	0.00%
-1%	4.43%	RMB188,870,000	-2.06%
-2%	3.43%	RMB184,938,000	-4.10%
-3%	2.43%	RMB181,076,000	-6.10%

Estimation of logging costs

Variance	Logging Cost per m <sup>3</sup>	Enterprise Value	% Change
100%	147	RMB179,624,000	-6.86%
50%	110	RMB186,234,000	-3.43%
25%	92	RMB189,539,000	-1.71%
0%	74	RMB192,845,000	0.00%
-10%	66	RMB194,167,000	0.69%
-25%	55	RMB196,150,000	1.71%
-75%	18	RMB202,761,000	5.14%

Estimation of road construction costs

Variance	Road Construction Cost per Chinese Mu	Enterprise Value	% Change
100%	134	RMB187,495,000	-2.77%
50%	100	RMB190,170,000	-1.39%
25%	84	RMB191,507,000	-0.69%
0%	67	RMB192,845,000	0.00%
-10%	60	RMB193,380,000	0.28%
-25%	50	RMB194,182,000	0.69%
-75%	17	RMB196,857,000	2.08%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of transport costs

Variance	Transportation Cost per m <sup>3</sup>	Enterprise Value	% Change
100%	129	RMB185,177,000	-3.98%
50%	97	RMB189,011,000	-1.99%
25%	81	RMB190,928,000	-0.99%
0%	65	RMB192,845,000	0.00%
-10%	58	RMB193,612,000	0.40%
-25%	49	RMB194,762,000	0.99%
-75%	16	RMB198,596,000	2.98%

Estimation of forest operation fees

Variance	Operation Fee per Chinese Mu	Enterprise Value	% Change
100%	134	RMB187,495,000	-2.77%
50%	100	RMB190,170,000	-1.39%
25%	84	RMB191,507,000	-0.69%
0%	67	RMB192,845,000	0.00%
-10%	60	RMB193,380,000	0.28%
-25%	50	RMB194,182,000	0.69%
-75%	17	RMB196,857,000	2.08%

(ii) *Yunnan Forest*

Discount rate

Variance	Discount Rate	Enterprise Value	% Change
3%	19.17%	RMB16,371,000	-8.36%
2%	18.17%	RMB16,848,000	-5.70%
1%	17.17%	RMB17,346,000	-2.91%
0%	16.17%	RMB17,865,000	0.00%
-1%	15.17%	RMB18,409,000	3.04%
-2%	14.17%	RMB18,977,000	6.22%
-3%	13.17%	RMB19,591,000	9.55%

# MANAGEMENT DISCUSSION AND ANALYSIS

Pine tree market price

Variance	Market Price per m <sup>3</sup>	Enterprise Value	% Change
15%	1,610	RMB18,987,000	6.28%
10%	1,540	RMB18,613,000	4.19%
5%	1,470	RMB18,239,000	2.09%
0%	1,400	RMB17,865,000	0.00%
-5%	1,330	RMB17,492,000	-2.09%
-10%	1,260	RMB17,118,000	-4.19%
-15%	1,190	RMB16,744,000	-6.28%

Oak tree market price

Variance	Market Price per m <sup>3</sup>	Enterprise Value	% Change
15%	2,415	RMB19,877,000	11.26%
10%	2,310	RMB19,207,000	7.51%
5%	2,205	RMB18,536,000	3.75%
0%	2,100	RMB17,865,000	0.00%
-5%	1,995	RMB17,195,000	-3.75%
-10%	1,890	RMB16,524,000	-7.51%
-15%	1,785	RMB15,853,000	-11.26%

Estimation of Pine tree volume

Variance	Volume (m <sup>3</sup> )	Enterprise Value	% Change
15%	18,201	RMB18,719,000	4.78%
10%	17,410	RMB18,386,000	2.91%
5%	16,618	RMB18,086,000	1.23%
0%	15,827	RMB17,865,000	0.00%
-5%	15,036	RMB17,622,000	-1.36%
-10%	14,244	RMB17,357,000	-2.85%
-15%	13,453	RMB17,069,000	-4.46%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of oak tree volume

Variance	Volume (m <sup>3</sup> )	Enterprise Value	% Change
15%	18,815	RMB19,141,000	7.14%
10%	17,997	RMB18,667,000	4.48%
5%	17,179	RMB18,227,000	2.03%
0%	16,361	RMB17,865,000	0.00%
-5%	15,543	RMB17,482,000	-2.15%
-10%	14,725	RMB17,075,000	-4.42%
-15%	13,907	RMB16,645,000	-6.83%

Estimation of pine tree growth rate

Variance	Growth Rate	Enterprise Value	% Change
3%	8.73%	RMB18,638,000	4.33%
2%	7.73%	RMB18,314,000	2.51%
1%	6.73%	RMB18,026,000	0.90%
0%	5.73%	RMB17,865,000	0.00%
-1%	4.73%	RMB17,691,000	-0.98%
-2%	3.73%	RMB17,506,000	-2.01%
-3%	2.73%	RMB17,314,000	-3.09%

Estimation of oak tree growth rate

Variance	Growth Rate	Enterprise Value	% Change
3%	7.78%	RMB18,463,000	3.34%
2%	6.78%	RMB18,215,000	1.96%
1%	5.78%	RMB18,040,000	0.98%
0%	4.78%	RMB17,865,000	0.00%
-1%	3.78%	RMB17,692,000	-0.97%
-2%	2.78%	RMB17,520,000	-1.94%
-3%	1.78%	RMB17,350,000	-2.88%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of logging costs

Variance	Logging Cost per m <sup>3</sup>	Enterprise Value	% Change
100%	147	RMB16,017,000	-10.35%
50%	110	RMB16,941,000	-5.17%
25%	92	RMB17,403,000	-2.59%
0%	74	RMB17,865,000	0.00%
-10%	66	RMB18,050,000	1.03%
-25%	55	RMB18,328,000	2.59%
-75%	18	RMB19,252,000	7.76%

Estimation of road construction costs

Variance	Road Construction Cost per Chinese Mu	Enterprise Value	% Change
100%	134	RMB16,929,000	-5.24%
50%	100	RMB17,397,000	-2.62%
25%	84	RMB17,631,000	-1.31%
0%	67	RMB17,865,000	0.00%
-10%	60	RMB17,959,000	0.52%
-25%	50	RMB18,100,000	1.31%
-75%	17	RMB18,568,000	3.93%

Estimation of transportation costs

Variance	Transportation Cost per m <sup>3</sup>	Enterprise Value	% Change
100%	129	RMB16,999,000	-4.85%
50%	97	RMB17,432,000	-2.42%
25%	81	RMB17,649,000	-1.21%
0%	65	RMB17,865,000	0.00%
-10%	58	RMB17,952,000	0.48%
-25%	49	RMB18,082,000	1.21%
-75%	16	RMB18,515,000	3.64%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of forest operation fees

Variance	Operation Fee per Chinese Mu	Enterprise Value	% Change
100%	134	RMB16,929,000	-5.24%
50%	100	RMB17,397,000	-2.62%
25%	84	RMB17,631,000	-1.31%
0%	67	RMB17,865,000	0.00%
-10%	60	RMB17,959,000	0.52%
-25%	50	RMB18,100,000	1.31%
-75%	17	RMB18,568,000	3.93%

## Selling and Distribution Costs

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

## Administrative Expenses

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

## Finance Costs

During the period under review, the finance costs were related to the interests on (i) the promissory notes (“**Note B**”), bearing 3% interest per annum, in the principal amount of HK\$144 million issued on 28 May 2013 as partial settlement of the consideration for the acquisition of the entire issued share capital of China Timbers; (ii) the corporate bonds issued by the Group at interest rates ranged from 4% to 8% per annum; (iii) the convertible bonds issued by the Group during the period with the principal amount of HK\$34 million and at interest rates ranged from 5% to 8% per annum; and (iv) interest on loan from a shareholder.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Income Tax Expense

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

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

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

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

## Loss Per Share

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

## EMPLOYEES AND REMUNERATION POLICIES

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

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

Reference are made to announcements of the Company dated 17 January 2016, 19 January 2016, 5 April 2016, 8 April 2016 and 20 April 2016. During the six months ended 30 June 2016, the Company entered into separate subscription agreements with 11 independent private investors pursuant to which these investors have agreed to subscribe and the Company has agreed to issue the convertible bonds in the aggregate principal amount of HK\$34,000,000, bearing interest rates of 5% to 8% per annum and maturity dates ranging from 1 year to 2 years from the date of issue and are convertible into new shares at the conversion price of HK\$0.175 or HK\$0.315 (as the case may be) each from its issue date under the general mandate. Upon full conversion of the maximum principal amount of the convertible bonds of HK\$34 million, 131,817,716 conversion shares will be issued by the Company.

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

## PLEDGE OF ASSETS

The pledge of the Group’s entire equity interest of all subsidiaries under Rongxuan and China Timbers to Maple Reach Limited (“**Maple Reach**”) as security for the promissory notes issued to Maple Reach was released during the year ended 31 December 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL LITIGATION

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

## CONTINGENT LIABILITIES

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

## FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the six months ended 30 June 2016, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

## GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 38.8% as at 30 June 2016 (31 December 2015: 41.7%).

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

## CAPITAL STRUCTURE

The share capital of the Group comprises only ordinary shares. As at 30 June 2016, the total number of the ordinary shares of the Company in issue was 3,423,427,223 shares (31 December 2015: 3,016,284,395 shares). The total equity attributable to the owners of the Company was approximately RMB268.9 million (31 December 2015: approximately RMB191.8 million).

# 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.

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

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

## CAPITAL COMMITMENTS

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

Note: Reference is made to the circular of the Company dated 27 June 2016. On 22 April 2016, the Company entered into an acquisition agreement (the “**Acquisition Agreement**”) with certain third parties, under which the Company has conditionally agreed to acquire the entire equity interest in Shenzhen Heng Fu Delaisi Intelligent Housing Limited 深圳恆富得萊斯智能房屋有限公司 (“**Shenzhen Heng Fu**”), for an aggregate consideration of RMB250,000,000, of which a deposit of approximately RMB5,000,000 was paid by the Company up to 30 June 2016, Shenzhen Heng Fu was established in the PRC and is principally engaged in the provision of management and related services of container houses under the brand name “Delex” (得萊斯). Pursuant to the acquisition agreement, the balance of the purchase consideration of RMB245,000,000 will be satisfied by the payment in cash of RMB63,000,000 and issue of 661,368,451 new ordinary shares by the Company, which will be adjusted downward in accordance with the acquisition agreement if the guaranteed profits of Shenzhen Heng Fu for certain periods have not been achieved. Completion of the acquisition of Shenzhen Heng Fu has taken place on 9 September 2016.

## SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL

As disclosed in the Company’s announcement dated 21 January 2016, on 21 January 2016, the Company and an independent third party vendor entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire from the vendor the sale shares of 100% equity interest in Exceed Target at the consideration of HK\$65,000,000, Exceed Target is an investment holding company incorporated in the BVI with limited liability. Through its wholly owned subsidiary, Exceed Target possesses the Kunlin Forests and the right to be engaged in the operations and management of the Kunlin Forests. The Directors consider that the acquisition will allow the Company to expand forest management business and invest in the low carbon industry by engaging in research and development of biomass fuel produced by wood waste. The acquisition is in line with the Group’s growth strategies and shall benefit the Group by strengthening its core business and diversifying its revenue sources.

As disclosed in the Company’s announcements dated 22 April 2016, 21 June 2016 and 15 July 2016 and circular dated 27 June 2016, on 22 April 2016, the Company and an independent third party vendors entered into an acquisition agreement, pursuant to which, amongst others, the Company has conditionally agreed to acquire from the vendors the entire equity interests in Shenzhen Heng Fu which was incorporated on 17 August 2010, is mainly engaged in the provision of management and related services of container houses under the brand name “Delex” (得萊斯) in the PRC. Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 15 July 2016, the acquisition of Shenzhen Heng Fu involving issue of consideration shares of the Company under specific mandate has been approved by the Company’s shareholders (the “**Shareholders**”). Completion of the acquisition of Shenzhen Heng Fu has taken place on 9 September 2016.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

## COMPLIANCE WITH LAWS AND REGULATIONS

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

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

## PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Impact of local and international regulations

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

## Currency risk

No revenue derived by the Group in respect of the period ended 30 June 2016 was denominated in foreign currencies. Substantially all of the costs incurred for both of the period ended 30 June 2016 was denominated in functional currencies of the group entities. As at 30 June 2016, the Group had no significant monetary assets and liabilities which were denominated in foreign currencies. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Interest rate risk

As at 30 June 2016, the Group was also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to increase its investment and research and development, and co-operate with forestry research universities in China to establish a biomass fuel academy in the PRC, which aims to research biomass materials liquefaction, specialization and minimization of biomass fuel's production facilities and upgrade of biomass boilers. At the same time, the Group will cooperate with enterprises which produce biomass fuels in the PRC to broaden the upstream supply sources and actively expand into the downstream market. In view of the recent performance of the existing business of the Group, the Group has been actively seeking diversified business opportunities so as to achieve sustainable growth of the Group and stable return to the Shareholders.

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

# 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.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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



# DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2016, the Director or chief executive of the Company who 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as contained in Appendix 10 to the Listing Rules was as follow:

### Long position in shares of the Company

Name	Capacity	Long position/ short position	Number of ordinary shares	Percentage of issued share capital (Note 1)
Mr. Lei Zuliang	Beneficial owner	Long position	5,500,000	0.16%
Mr. Liang Guoxin	Beneficial owner	Long position	30,000	0.001%
Mr. Liu Zhaoxiang	Beneficial owner	Long position	750,000	0.02%
Mr. Long Weihua	Beneficial owner	Long position	4,040,000	0.12%
Ms. Tian Guangmei	Beneficial owner	Long position	790,000	0.023%
Mr. Wang Yue	Beneficial owner	Short position	318,150,000	9.29%

(Note 2)

#### Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 30 June 2016 i.e. 3,423,427,223 shares.
2. On 30 June 2016, the Company entered into a subscription agreement with a third party for the issue of redeemable fixed coupon promissory notes by the Company up to the principal amount of HK\$100,000,000. On 16 August 2016, the Company issued a promissory note with the principal amount of HK\$50,000,000 for the consideration of HK\$47,000,000. This note is secured by 318,150,000 shares of the Company held by Mr. Wang Yue (“Mr. Wang”). Accordingly, Mr. Wang acquired a short position in respect of such 318,150,000 shares of the Company.

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

# DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2016, 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 (who were not 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 (Note 1)
China Construction Bank Corporation	Interest of controlled corporation	426,362,915 (Note 2)	12.45%
Central Huijin Investment Limited	Interest of controlled corporation	426,362,915 (Note 2)	12.45%
Essence Securities Co. Ltd	Trustee (other than a bare trustee)	365,780,000	10.68%

Note:

1. The relevant percentage is calculated by reference to the Shares in issue on 30 June 2016 i.e. 3,423,427,223 shares.
2. On 30 June 2016, Prosper Talent Limited ("**Prosper Talent**") entered into a subscription agreement with the Company for the issue of redeemable fixed coupon promissory notes by the Company up to the principal amount of HK\$100,000,000. On 16 August 2016, the Company issued a promissory note with the principal amount of HK\$50,000,000 for the consideration of HK\$47,000,000. This note is secured by 318,150,000 shares of the Company held by Mr. Wang Yue ("**Mr. Wang**"). These shares comprise of 318,150,000 shares charged in favour of Prosper Talent by Mr. Wang. Prosper Talent is an indirect wholly-owned subsidiary of China Construction Bank Corporation ("**CCB**") (stock code: 939), the shares of which are listed on the main board of the Stock Exchange. As at 30 June 2016, CCB is owned as to approximately 57.31% by Central Huijin Investment Limited ("**Huijin**"). Accordingly, Huijin was deemed to be interested in the Shares in which CCB and Prosper Talent were interested by virtue of the SFO.

## DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 2016, 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

During the period under review and up to the date of this report, Mr. Zhou Xianyan ceased to be a non-executive director of the Company on 30 August 2016. For further details please refer to our announcement dated 30 August 2016.

Save as disclosed above, the Directors of the Company are not aware of any other information in respect of the Directors 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 2016 (For the six months ended 30 June 2015: 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 2016.

### SHARE OPTION SCHEME ("2009 SCHEME")

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

Summary of the 2009 Scheme is set out as follows:

#### (a) Purpose of the 2009 Scheme

The purpose of the 2009 Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

# DISCLOSURE OF ADDITIONAL INFORMATION

## (b) Participants of the 2009 Scheme

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

## (c) Total Number of Shares Available for Issue under the 2009 Scheme

- (i) The original maximum number of shares (without taken into consideration of the subsequent refreshment and renewal of mandate limit) in respect of which options may be granted under the 2009 Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 15 September 2009, the date on which the 2009 Scheme was adopted, being 185,000,000 Shares (or 37,000,000 pre-subdivided shares prior to the subdivision of each issued and unissued pre-subdivided share of par value of HK\$0.01 each into five pre-subdivided share of par value of HK\$0.002 each "**Share Subdivision**").
- (ii) The maximum number of shares in respect of which options may be granted to grantees under the 2009 Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.
- (iii) As disclosed in our announcement dated 10 November 2014, the Company granted 185,000,000 options (adjusted for Share Subdivision) to certain eligible participants to subscribe for up to an aggregate of 185,000,000 ordinary Shares of the Company of HK\$0.552 each (adjusted for Share Subdivision) in the share capital of the Company under the 2009 Scheme, which represented 10% of issued share capital of the Company as at 15 September 2009.

## DISCLOSURE OF ADDITIONAL INFORMATION

- (iv) As set out in our circular dated 4 May 2015 and our announcement dated 28 May 2015, by way of an extraordinary general meeting held on 28 May 2015, the Shareholders approved the refreshment and renewal of the mandate limit of the 2009 Scheme. Accordingly, under the refreshed share option scheme (the “**2015 Scheme**”), the maximum number of shares in respect of which options may be granted under the 2015 Scheme shall not (when aggregate with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 28 May 2015.
- (v) As disclosed in our announcement dated 30 July 2015, the Company granted 276,296,145 share options to certain eligible participants to subscribe up to an aggregate of 276,296,145 ordinary Shares of the Company of HK\$0.331 each in the share capital of the Company under the 2015 Scheme, which represented 10% of the issued share capital of the Company as at 28 May 2015.
- (vi) As set out in our circular dated 23 May 2016 and our announcement dated 28 May 2015, by way of an extraordinary general meeting held on 15 June 2016, the Shareholders approved the refreshment and renewal of the mandate limit of the 2009 Scheme. Accordingly, under the refreshed share option scheme (the “**2016 Scheme**”), the maximum number of shares in respect of which options may be granted under the 2016 Scheme shall not (when aggregate with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 15 June 2016.

### (d) Maximum Entitlement of Each Participant under the 2009 Scheme

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

### (e) Option Period

One year.

## DISCLOSURE OF ADDITIONAL INFORMATION

### (f) Consideration and Acceptance of the Option

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

### (g) Basis of Determining the Exercise Price

The subscription price of a Share in respect of any particular option granted under the 2009 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.

# DISCLOSURE OF ADDITIONAL INFORMATION

## (h) The remaining life of the 2009 Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the 2009 Scheme and in such event no further options will be offered or granted. Subject to the aforesaid, the options granted on 10 November 2014 under the 2009 Scheme shall be valid and effective from 10 November 2014 and expiring on 9 November 2015, both days inclusive.

Details of the share options movements during the period ended year 30 June 2016 under the 2009 Scheme are as follows:

Name	Date of grant of share options	Exercise price (HK\$)	Number of share options granted	Exercised in 2015	Outstanding		Vesting Period	% of the total issued share capital (Note 1)
					Cancelled/ Lapsed in 2015	as at 30 June 2016 (Note 2)		
<b>Directors</b>								
Mr. Lei Zuliang	10/11/2014	0.552	5,000,000	5,000,000	0	0	10/11/2014–09/11/2015	0
Mr. Long Weihua	10/11/2014	0.552	4,000,000	0	4,000,000	0	10/11/2014–09/11/2015	0
Professor Liu Zhikun	10/11/2014	0.552	750,000	0	750,000	0	10/11/2014–09/11/2015	0
Mr. Zhou Xianyan	10/11/2014	0.552	750,000	0	750,000	0	10/11/2014–09/11/2015	0
Ms. Tian Guangmei	10/11/2014	0.552	750,000	750,000	0	0	10/11/2014–09/11/2015	0
Mr. Liang Guoxin	10/11/2014	0.552	750,000	750,000	0	0	10/11/2014–09/11/2015	0
Mr. Liu Zhaoxiang	10/11/2014	0.552	750,000	750,000	0	0	10/11/2014–09/11/2015	0
Subtotal			12,750,000	7,250,000	5,500,000	0	10/11/2014–09/11/2015	0
Others	10/11/2014	0.552	172,250,000	66,310,000	105,940,000	0	10/11/2014–09/11/2015	0
<b>Total</b>			<b>185,000,000</b>	<b>73,560,000</b>	<b>111,440,000</b>	<b>0</b>		<b>0</b>

# DISCLOSURE OF ADDITIONAL INFORMATION

Details of the share options movements during the period end 30 June 2016 under the 2015 Scheme are as follows:

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

Notes:

- The relevant percentages are calculated by reference to the Shares in issue on 30 June 2016 i.e. 3,423,427,223 shares.
- There is no share option cancelled during the year.
- Mr. Wang Yue appointed as an executive Director with effect from 1 July 2015.
- Professor Fei Phillip appointed as an executive Director with effect from 24 July 2015.

For the value of options granted and the accounting policy adopted for the share options, please refer to Note 23 to the consolidated financial statements.



# 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 2016.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted all the code provisions (the “Code Provisions”) contained in the Corporate Governance Code (the “CG Code”) as set out in the Appendix 14 to the Listing Rules as the Company’s code on corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the six months ended 30 June 2016, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8 and A.4.1 as addressed below:

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

## **DISCLOSURE OF ADDITIONAL INFORMATION**

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.

### **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 2016.

### **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 report, the Audit Committee comprises three independent non-executive Directors, namely Ms. Tian Guangmei (as the chairman), Mr. Liang Guoxin and Mr. Liu Zhaoxiang.

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

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

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

Shenzhen, the PRC, 30 August 2016



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>14,383</b>	15,235
Prepaid lease payments		<b>8,997</b>	9,117
Plantation forest assets	14	<b>297,433</b>	220,977
Deposit paid for acquisition of subsidiaries		<b>5,341</b>	–
Loans receivable		<b>35,118</b>	35,224
		<b>361,272</b>	280,553
<b>Current assets</b>			
Inventories		<b>807</b>	1,529
Trade and other receivables	15	<b>2,373</b>	8,463
Loans receivable		<b>26,484</b>	3,426
Deposits and prepayments	16	<b>6,389</b>	5,198
Prepaid lease payments		<b>237</b>	237
Derivative financial assets	20	<b>2,307</b>	–
Bank balances and cash		<b>48,829</b>	40,884
		<b>87,426</b>	59,737
<b>Current liabilities</b>			
Trade and other payables	17	<b>10,492</b>	9,058
Current tax payable		<b>134</b>	134
Corporate bonds payable	19	<b>8,972</b>	8,502
Convertible bonds payable	20	<b>15,914</b>	–
		<b>35,512</b>	17,694
Net current assets		<b>51,914</b>	42,043
Total assets less current liabilities		<b>413,186</b>	322,596
<b>Non-current liabilities</b>			
Promissory notes payable	18	<b>21,050</b>	20,075
Corporate bonds payable	19	<b>113,978</b>	104,002
Convertible bonds payable	20	<b>3,614</b>	–
		<b>138,642</b>	124,077
Net assets		<b>274,544</b>	198,519
<b>Capital and reserves</b>			
Share capital	21	<b>5,800</b>	5,115
Reserves		<b>263,134</b>	186,773
Total equity attributable to owners of the Company		<b>268,934</b>	191,888
Non-controlling interests		<b>5,610</b>	6,631
Total equity		<b>274,544</b>	198,519

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Warrants equity reserve RMB'000	Share option reserve RMB'000 (note 23)	Convertible bonds equity reserves RMB'000 (note 20)	Translation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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
Loss for the period	-	-	-	-	-	-	-	(37,276)	(37,276)	(1,145)	(38,421)
Other comprehensive expense for the year	-	-	-	-	-	(3,953)	-	-	(3,953)	-	(3,953)
Total comprehensive expenses for the year	-	-	-	-	-	(3,953)	-	(37,276)	(41,229)	(1,145)	(42,374)
Issue of shares upon:											
— Shares placement and subscription	112	17,830	-	-	-	-	-	-	17,942	-	17,942
— Exercise of share options	-	-	-	(19)	-	-	-	-	(19)	-	(19)
— Conversion of warrants	181	17,954	(178)	-	-	-	-	-	17,957	-	17,957
Share issue expenses	-	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	5,356	-	-	-	-	5,356	-	5,356
Warrants lapsed during the year	-	-	(10,086)	-	-	-	-	10,086	-	-	-
Share options lapsed during the year	-	-	-	(7,755)	-	-	-	7,755	-	-	-
Change in ownership interest in a subsidiary without change of control	-	-	-	-	-	-	675	-	675	(2,904)	(2,229)
At 31 December 2015 and at 1 January 2016	5,115	286,169	-	5,356	-	(2,980)	18,713	(120,485)	191,888	6,631	198,519
Loss for the period	-	-	-	-	-	-	-	(28,480)	(28,480)	(1,021)	(29,501)
Other comprehensive expenses for the period	-	-	-	-	-	(847)	-	-	(847)	-	(847)
Total comprehensive expenses for the period	-	-	-	-	-	(847)	-	(28,480)	(29,327)	(1,021)	(30,348)
Recognition of equity component of convertible bonds	-	-	-	-	6,362	-	-	-	6,362	-	6,362
Issue of shares upon:											
— Acquisition of subsidiaries	552	85,036	-	-	-	-	-	-	85,588	-	85,588
— Exercise of share options	47	8,238	-	(572)	-	-	-	-	7,713	-	7,713
— Conversion of convertible bonds	86	8,233	-	-	(1,609)	-	-	-	6,710	-	6,710
At 30 June 2016 (unaudited)	5,800	387,676	-	4,784	4,753	(3,827)	18,713	(148,965)	268,934	5,610	274,544

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	<b>(25,122)</b>	(16,008)
Net cash used in investing activities	<b>(5,756)</b>	(1,146)
Net cash from financing activities	<b>38,441</b>	24,746
Net increase in cash and cash equivalents	<b>7,563</b>	7,592
Cash and cash equivalents at 1 January	<b>40,884</b>	17,050
Effect of foreign exchange rate changes	<b>382</b>	(18)
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	<b>48,829</b>	24,624

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION

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

## 3. PRINCIPAL ACCOUNTING POLICIES

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

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 4. REVENUE

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

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

## 5. SEGMENT INFORMATION

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

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

- (i) Forestry Business — plantation, logging and sale of timber related products.
- (ii) Biomass Fuel Business — manufacture and sale of biomass fuel products.
- (iii) Money Lending Business — provision of money lending services.

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 5. SEGMENT INFORMATION (CONTINUED)

### Segment revenues and results

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

Six months ended 30 June 2016

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

Six months ended 30 June 2015

	Forestry Business RMB'000 (unaudited)	Biomass Fuel Business RMB'000 (unaudited)	Money Lending Business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue	67	1,963	-	2,030
Segment loss	(1,079)	(2,234)	-	(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)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 5. SEGMENT INFORMATION (CONTINUED)

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

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

## 6. INVESTMENT AND OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2016 RMB'000 (unaudited)</b>	2015 RMB'000 (unaudited)
Interest income	<b>45</b>	6
Sundry income	<b>529</b>	54
	<b>574</b>	60

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 7. OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other gains (losses)		
Gain on disposal of property, plant and equipment	–	126
Exchange losses	(479)	(41)
Loss on change in fair value less costs to sell of plantation forest assets (Note 14)	(10,267)	(1,145)
Loss on change in fair value of derivative financial assets (Note 20)	(546)	–
Loss on early repayment of promissory notes	–	(86)
Loss on early repayment of corporate bonds	–	(51)
	<b>(11,292)</b>	<b>(1,197)</b>

## 8. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
— Promissory notes payable	1,486	2,399
— Corporate bonds payable	4,855	4,683
— Convertible bonds (Note 20)	1,164	–
— Other borrowings	–	138
	<b>7,505</b>	<b>7,220</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 9. LOSS BEFORE TAX

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

## 10. INCOME TAX EXPENSE

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

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

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

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 11. DIVIDEND

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

## 12. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Loss</b>		
Loss for the purpose of basic loss per share		
Loss for the period attributable to the owners of the Company	<b>(28,480)</b>	(22,578)
Effect of dilutive potential ordinary shares:		
— Interests on convertible bonds	<b>1,164</b>	—
— Loss on change in fair value of derivative financial assets	<b>546</b>	—
— Interests on promissory notes payable	—	116
— Loss on early redemption of promissory notes	—	3
Loss for the purpose of diluted earnings/loss per share	<b>N/A</b>	N/A

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 12. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2016	2015
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>3,264,806</b>	2,645,315
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>61,549</b>	–
Share options	–	174,644
Warrants	–	162,559
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	<b>3,326,355</b>	2,982,518

Notes:

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

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred approximately RMB499,000 (six months ended 30 June 2015: RMB2,622,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2016, the Group disposed of property, plant and equipment with the carrying amount of RMBnil (six months ended 30 June 2015: RMB2,299,000).

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 14. PLANTATION FOREST ASSETS

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

### (a) Yunnan Forest

On 11 July 2012, the Group acquired the entire equity interests in 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 2015: nil). As at 30 June 2016, the Yunnan Forest is estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations with aged 40 years or older.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 14. PLANTATION FOREST ASSETS (CONTINUED)

### (b) Sichuan Forest

On 28 May 2013, the Group acquired the entire equity in 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 2015: nil). As at 30 June 2016, the Sichuan Forest is estimated to comprise approximately 1,389 hectares of cypress trees with approximately 13 hectares of tree plantations aged 40 years or older.

### (c) Kunlin Forest

On 26 February 2016, the Group acquired the entire equity interests in Exceed Target Investment Group Limited (“Exceed Target”) and its subsidiaries (collectively referred to as the “Exceed Target Group”) which principally holds plantation forest assets in Kunlin, Jiange County, Sichuan Province in the PRC (“Kunlin Forest”). The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 641.5 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the period under review, no timber logs in respect of the Kunlin Forest were harvested. As at 30 June 2016, the Kunlin Forest is estimated to comprise approximately 641.5 hectares of cypress trees with approximately nil hectares of tree plantations with aged 40 years or older.

### (d) Valuation of plantation forest assets

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 14. PLANTATION FOREST ASSETS (CONTINUED)

### (d) Valuation of plantation forest assets (Continued)

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.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 14. PLANTATION FOREST ASSETS (CONTINUED)

### (d) Valuation of plantation forest assets (Continued)

*Applicable to the Yunnan Forest*

- Cash flow projection is determined for a forecast period of 6.5 years up to 2022 with the first year of logging activities taken to be from 2017. Management has assumed that the logging volume during the forecast period is 3,000 cubic meters in the first year, 5,000 cubic meters in the second year, 8,000 cubic meters in the third year to fifth year, and 8,464 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2016 and onwards.
  
- The average increment in log sales prices is expected to be 5.97% per annum for the first year, which is in line with the long-term producer price index of forestry product, 2.98% for the second year, 1.49% for the third year, 0.75% for the fourth year, 0.37% for the fifth year, 0.19% for the sixth year and 0.09% for the last year of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.
  
- The discount rate applied is 16.17%.
  
- The inflation rate on other operation costs is 3.16% per annum.
  
- The biological growth rates of pine 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 2021 with the first year of logging activities taken to be from October 2016. Management has assumed that the logging volume during the forecast period is 30,000 cubic meters in the first year, 40,000 cubic meters in the second year, 50,000 cubic meters in the third year, 60,000 cubic meters in the fourth and fifth year and 34,271 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2016 and onwards.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 14. PLANTATION FOREST ASSETS (CONTINUED)

### (d) Valuation of plantation forest assets (Continued)

*Applicable to the Sichuan Forest (Continued)*

- The average increment in log sales prices is expected to be 5.97% per annum for the first year, which is in line with the long-term producer price index of forestry product, 2.98% for the second year, 1.49% for the third year, 0.75% for the fourth year, 0.37% for the fifth year and 0.19% for the last year of operation. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.16% per annum for the forecast period.
- The discount rate applied is 16.17%.
- The inflation rate on other operation costs is 3.16% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate for cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 30 June 2016 and 31 December 2015 have been determined on Level 3 fair value measurement. There has been no change from the valuation technique used in prior periods. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment. During the six months ended 30 June 2016, approval of the logging permit for the Yunnan Forest and Sichuan Forest were not obtained by the Group. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits to the PRC government shortly after application.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 14. PLANTATION FOREST ASSETS (CONTINUED)

### (e) Pledge of plantation forest assets

The pledge of the equity interests of all subsidiaries under Rongxuan and China Timbers to secure the promissory notes payable was released during the year ended 31 December 2015.

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

#### (i) *Regulatory and environmental risks*

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

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

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 15. TRADE AND OTHER RECEIVABLES

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

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

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

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 16. DEPOSITS AND PREPAYMENTS

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

## 17. TRADE AND OTHER PAYABLES

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

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

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

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 18. PROMISSORY NOTES PAYABLE

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Promissory notes payable		
— issued on 8 January 2013 (the “Note A”)	—	—
— issued on 28 May 2013 (the “Note B”)	<b>21,050</b>	20,075
	<b>21,050</b>	20,075

- (a) The Note A was fully repaid by the Company up to 31 December 2015.
- (b) No part of the Note B was repaid by the Company during the six months ended 30 June 2016 and the Note B with the principal amount of HK\$27,503,000 (31 December 2015: HK\$27,503,000) remained outstanding as at that date.

## 19. CORPORATE BONDS PAYABLE

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Unsecured corporate bonds payable:		
— Within one year	<b>8,972</b>	8,502
— More than two years, but not exceeding five years	<b>45,022</b>	15,359
— More than five years	<b>68,956</b>	88,643
	<b>122,950</b>	112,504
Less: Amount shown under current liabilities	<b>(8,972)</b>	(8,502)
Amount shown under non-current liabilities	<b>113,978</b>	104,002



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 19. CORPORATE BONDS PAYABLE (CONTINUED)

During the six months ended 30 June 2016, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK\$10,500,000, which gave rise to a total proceeds of HK\$10,500,000 (equivalent to RMB8,829,000) (before expense). The corporate bonds, which carry interest at interest rate of 7% per annum, are wholly repayable by the Company at the end of the maturity period of 4 years from the respective dates of issue.

During the six months ended 30 June 2016, no part of corporate bonds was repaid by the Company.

## 20. CONVERTIBLE BONDS PAYABLE

During the current period, the Company issued unsecured convertible bonds with aggregate principal amounts of HK\$34,000,000, which gave rise to a total proceeds of HK\$33,869,000 (before expenses), analysed as below:

Convertible bonds	Date of issue	Principal amount of convertible bonds HK\$	Proceeds received by the Company HK\$	Interest rate per annum	Conversion price	Maturity date
A	22 January 2016	9,000,000	8,966,153	5%	0.175	21 January 2017
B	12 April 2016	20,000,000	19,923,327	8%	0.31	11 April 2017
C	25 April 2016	5,000,000	4,979,520	8%	0.315	24 April 2018

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 20. CONVERTIBLE BONDS PAYABLE (CONTINUED)

The convertible bonds contain three components: liability, derivative and equity component.

The movements of the liability, derivative and equity components of the convertible bonds are set out below:

	Liability component RMB'000	Derivative component RMB'000	Equity component RMB'000
Fair value of convertible bonds on grant date	24,833	(2,799)	6,385
Transaction costs incurred for issue of convertible bonds	(87)	–	(23)
Interest charge for the period (Note 8)	1,164	–	–
Interest paid during the period	(92)	–	–
Converted during the period	(6,717)	–	(1,609)
Loss on change in fair value of derivative financial assets	–	546	–
Exchange realignment	427	(54)	–
At 30 June 2016	19,528	(2,307)	4,753

On 25 April 2016 and 27 April 2016, parts of the convertible bonds with the principal amounts of HK\$1,000,000 and HK\$8,000,000 were converted into 5,700,000 and 45,660,000 new shares of the Company respectively at the conversion price HK\$0.175 per share. At 30 June 2016, the convertible bonds with an aggregate principal amount of HK\$25,000,000 (31 December 2015: nil) remained outstanding.

## 21. SHARE CAPITAL

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 21. SHARE CAPITAL (CONTINUED)

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

Notes:

- (i) On 22 April 2015, the Company entered into the placing agreement with a financial institution, pursuant to which 34,792,000 new ordinary shares of the Company were issued at a price of HK\$1.53 per share on 14 May 2015, giving rise to a gross proceed at HK\$53,232,000 (before expense).
- (ii) On 29 May 2015, 8 June 2015 and 25 June 2015, 6,360,000, 6,384,000 and 1,968,000 shares were issued by the Company upon the exercise of share options granted at the exercise price of HK\$2.76 per share, giving rise to a gross proceed at HK\$40,605,000.
- (iii) On 9 June 2015, the Company proposed to implement a share subdivision scheme on the basis that every issued and unissued share of HK\$0.01 each in the share capital of the Company was subdivided into five subdivided shares of HK\$0.002 each. The share subdivision was effected on 19 July 2015.
- (iv) On 15 July 2015, the Company entered into a subscription and settlement agreement with Maple Reach, pursuant to which 69,762,915 new ordinary shares of the Company were issued at a price of HK\$0.32004 per share (after share subdivision) on 10 August 2015, as consideration for the settlement of the Redemption Premium payable amounted to a total of HK\$22,327,000.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 21. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

- (v) On 24 November 2015, all the Warrant A were converted into 110,000,000 new shares of the Company at the subscription price of HK\$0.198 per share, giving rise to a gross proceed of HK\$21,780,000.
- (vi) On 21 January 2016, the Company entered into an agreement with a third party for the acquisition of the entire equity interest in Exceed Target Investment Group Limited ("Exceed Target") which was satisfied by the issue of 328,282,828 new ordinary shares of the Company of HK\$0.002 each. The principal asset of Exceed Target, through its subsidiaries, is the plantation forest asset located at Jiange County, Sichuan Province, the PRC. Completion of the acquisition of Exceed Target took place on 26 February 2016 and 328,282,828 new ordinary shares were issued by the Company at the consideration which is calculated based on the market share price as at that date.
- (vii) On 25 April 2016 and 17 June 2016, 2,500,000 new shares and 25,000,000 new shares were respectively issued by the Company upon the exercise of the share options granted at the exercise price of HK\$0.331 per share, giving rise to a total gross proceed of approximately HK\$9,103,000.
- (viii) On 25 April 2016 and 27 April 2016, portion of the convertible bonds with principal amount of HK\$1,000,000 and HK\$8,000,000 were converted into approximately 5,700,000 and 45,660,000 new shares of the Company respectively at the conversion price of HK\$0.175 per share.

## 22. PLEDGE OF ASSETS

As at 30 June 2016 and 31 December 2015, there was no pledge of 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.

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 28 May 2015, certain scheme mandate limits of the Scheme were refreshed and renewed.

At 30 June 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 248,796,145 (31 December 2015: 276,296,145), representing 8.77% (31 December 2015: 9.74%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 23. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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.

No share options were granted by the Company during the six months ended 30 June 2016. During the year ended 31 December 2015, share options were granted by the Company to its directors and employees, details of which are as follows:

### Year ended 31 December 2015

	Number of share options granted	Date of grant	Exercise period	Exercise price per share HK\$	Fair value per option at grant date HK\$
Directors	43,000,000	30 July 2015	30 July 2015 to 29 July 2016	0.331	0.0331
Employees	70,796,145	30 July 2015	30 July 2015 to 29 July 2016	0.331	0.0230
Other participants	162,500,000	30 July 2015	30 July 2015 to 29 July 2016	0.331	0.0230
	<u>276,296,145</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.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 23. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

### Inputs into the model

	Share options granted on 30 July 2015
Grant date share price	HK\$0.310
Exercise price	HK\$0.331
Expected volatility	90.88%
Option life	1 year
Dividend yield	—
Risk-free interest rate	0.06%
Exercise multiple	
— Directors	1.13
— Employees and others	1.11
— Other participants	1.11

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 23. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Movements during the six months ended 30 June 2016 and year ended 31 December 2015 of the share options granted are as follows:

### For the six months ended 30 June 2016

	Exercise price per share HK\$	Date of grant	Number of share options granted					Outstanding at 30 June 2016
			Outstanding at 1 January 2016	Movements during the year				
				Granted	Exercised	Forfeited	Expired	
Directors	2.76	10 November 2014	-	-	-	-	-	-
	0.331	30 July 2015	43,000,000	-	-	-	-	43,000,000
Employees	2.76	10 November 2014	-	-	-	-	-	-
	0.331	30 July 2015	70,796,145	-	2,500,000	-	-	68,296,145
Other participants	2.76	10 November 2014	-	-	-	-	-	-
	0.331	30 July 2015	162,500,000	-	25,000,000	-	-	137,500,000
			276,296,145	-	27,500,000	-	-	248,796,145
Exercisable at the end of the period								248,796,145
Weighted average exercise price			HK\$0.331	-	HK\$0.331	-	-	HK\$0.331

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

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

### For the year ended 31 December 2015

	Exercise price per share HK\$	Date of grant	Number of share options granted					Outstanding at 31 December 2015
			Outstanding at 1 January 2015	Movements during the year				
				Granted	Exercised	Forfeited	Expired	
Directors	2.76	10 November 2014	2,550,000	-	(1,450,000)	-	(1,100,000)	-
	0.331	30 July 2015	-	43,000,000	-	-	-	43,000,000
Employees	2.76	10 November 2014	3,800,000	-	(3,800,000)	-	-	-
	0.331	30 July 2015	-	70,796,145	-	-	-	70,796,145
Other participants	2.76	10 November 2014	30,650,000	-	(9,462,000)	-	(21,188,000)	-
	0.331	30 July 2015	-	162,500,000	-	-	-	162,500,000
			37,000,000	276,296,145	(14,712,000)	-	(22,288,000)	276,296,145
Exercisable at the end of the year								276,296,145
Weighted average exercise price			HK\$2.76	HK\$0.331	HK\$2.76	-	HK\$2.76	HK\$0.331

The weighted average exercise price of the share options granted and outstanding at the end of the reporting period is HK\$0.331 (31 December 2015: HK\$0.331) per share. The weighted average remaining contractual life of outstanding share options granted and outstanding at the end of the reporting period is 0.08 years (31 December 2015: 0.58 years).



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 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 one to twenty years (31 December 2015: one to twenty years) and rentals are fixed over the lease term.

At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

### 30 June 2016

	Total RMB'000 (unaudited)
Within one year	5,448
In the second to fifth years inclusive	6,720
More than five years	404
	<b>12,572</b>

### 31 December 2015

	Total RMB'000 (audited)
Within one year	3,021
In the second to fifth years inclusive	2,130
More than five years	506
	<b>5,657</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

## 25. CAPITAL COMMITMENTS

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

Note: Reference is made to the circular of the Company dated 27 June 2016. On 22 April 2016, the Company entered into an acquisition agreement (the “**Acquisition Agreement**”) with certain third parties, under which the Company has conditionally agreed to acquire the entire equity interest in Shenzhen Heng Fu Delaisi Intelligent Housing Limited 深圳恒富得莱斯智能房屋有限公司 (“**Shenzhen Heng Fu**”), for an aggregate consideration of RMB250,000,000, of which a deposit of approximately RMB5,000,000 was paid by the Company up to 30 June 2016. Shenzhen Heng Fu was established in the PRC and is principally engaged in the provision of management and related services of container houses under the brand name “**Delex**” (得莱斯). Pursuant to the Acquisition Agreement, the balance of the purchase consideration of RMB245,000,000 will be satisfied by the payment in cash of RMB63,000,000 and issue of 661,368,451 new ordinary shares by the Company, which will be adjusted downward in accordance with the Acquisition Agreement if the guaranteed profits of Shenzhen Heng Fu for certain periods have not been achieved. Completion of the acquisition of Shenzhen Heng Fu has taken place on 9 September 2016.

## 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.

### Remuneration of directors and other members of key management:

	<b>Six months ended 30 June 2016 RMB'000 (unaudited)</b>	2015 RMB'000 (unaudited)
Salaries and other allowances	<b>1,500</b>	1,082
Retirement benefits scheme contributions	<b>8</b>	7
	<b>1,508</b>	1,089

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

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

- (i) On 30 June 2016, the Company entered into an agreement with a third party for the issue of redeemable fixed coupon promissory notes by the Company up to the principal amount of HK\$100,000,000. On 16 August 2016, the Company issued a promissory note with the principal amount of HK\$50,000,000 for the consideration of HK\$47,000,000. This note, which is secured by 318,150,000 shares of the Company held by an executive director of the Company, carries interest at 10% per annum and is repayable by the Company on 15 August 2017.
- (ii) On 4 July 2016 and 22 July 2016, a subsidiary of the Company entered into agreements with certain third parties, pursuant to which loans totalled HK\$21,300,000 were made by the subsidiary to such parties. These loans are secured by personal guarantees given by certain individuals and carry interest at 0.8% per month with the mature periods of 2 years from the dates on which the loans were made.
- (iii) On 25 July 2016, 112,000,000 new shares were issued by the Company upon the exercise of the share options granted at the exercise price of HK\$0.331 per share, giving rise to a gross proceed of approximately HK\$37,072,000. On 29 July 2016, 136,796,145 share options were granted by the Company, which entitled the holders thereof to subscribe 136,796,145 new ordinary shares of the Company at the exercise price of HK\$0.331 per share, were expired.
- (iv) On 24 August 2016, portion of the convertible bonds with principal amount of HK\$5,000,000 was converted into 15,840,000 new shares of the Company at the conversion price of HK\$0.315 per share.
- (v) On 12 July 2016, a subsidiary of the Company entered into a supplemental agreement with other shareholders of Anhui Xinyu Bio Energy (Anhui) Company Limited ("**Anhui Xinyu**"), under which the equity interest in Anhui Xinyu held by the Group was increased from 52.07% to 63.74% at nil consideration.
- (vi) On 30 August 2016, the Company has resolved to remove Mr. Zhou Xianyan as a non-executive director.