



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)*

2017

INTERIM REPORT



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors:

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

### Non-executive Director:

Professor Liu Zhikun

### 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")

13/F, Wongtee Mansion,  
The Intersection Between Jinhua Road  
and Fuhua Road, Futian Central District,  
Shenzhen City, 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 2017

- 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 2017, which is contributed from the container house business, biomass fuel business and money lending business of the Group, amounted to approximately Renminbi (“**RMB**”) 50.09 million (six months ended 30 June 2016: RMB3.69 million).
- Loss attributable to the owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB19.4 million (six months ended 30 June 2016: approximately RMB28.5 million).
- Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB14.8 million (six months ended 30 June 2016: approximately RMB29.3 million).
- Basic loss per share for the six months ended 30 June 2017 amounted to approximately RMB0.53 cents (six months ended 30 June 2016: RMB0.87 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 2017 (six months ended 30 June 2016: nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATIONAL REVIEW

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

### Operations

#### *Forestry management business*

As at 30 June 2017, the long – lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu (equivalent to approximately of 235 hectares), 21,045 Chinese Mu (equivalent to approximately of 1,403 hectares), 9,623 Chinese Mu (equivalent to approximately of 641 hectares), 13,218 Chinese Mu (equivalent to approximately of 881 hectares and 30,653 Chinese Mu (equivalent to approximately 2,037.5 hectares)) in Dali City of Yunnan Province (the “**Dali Forest**”), Muma Town of Jiange County of Sichuan Province (the “**Hengchang Forest**”), Zhengxing Town of Jiange County of Sichuan Province (the “**Kunlin Forest**”), Yixing Town of Jiange County of Sichuan Province (the “**Senbo Forest**”) and, Longyuanzhen, Houshiziang and Dianzixiang town of Jiange County of Sichuan Province (the “**Ruixiang Forest**”), respectively.

No harvesting work has been carried out on such assets for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

The Dali Forest has been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, nil revenue has been contributed from the Dali Forest to the Group for the six months ended 30 June 2017. As at 30 June 2017, the Dali Forest is estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations with age 40 years or older.

The Hengchang Forest is held by China Timbers Limited, through its wholly-owned subsidiaries, (“**China Timbers**”, together with its subsidiaries “**China Timbers Group**”) which were acquired by the Group on 28 May 2013 and became part of the Group. As at 30 June 2017, the Hengchang Forest is estimated to comprise of approximately 1,389 hectares of cypress with approximately 13 hectares of tree plantations aged 40 years or older.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Kunlin Forest is held by Exceed Target Investment Group Limited, through its wholly-owned subsidiaries, (“**Exceed Target**” together with its subsidiaries “**Exceed Target Group**”), which were acquired by the Group on 26 February 2016 and became part of the Group. The Group has obtained certain logging permits for the harvest of timber logs of the Kunlin Forest. No revenue has been contributed from the Kunlin Forest to the Group for the period ended 30 June 2017. As at 30 June 2017, the Kunlin Forest is estimated to comprise of approximately 642 hectares of cypress with no tree plantations aged 40 years or older.

The Senbo Forest is held by Huxiang International Holdings Limited, though its wholly-owned subsidiaries, (“**Huxiang**” together with its subsidiaries “**Huxiang Group**”), which were acquired by the Group on 11 October 2016 and became part of the Group. The Senbo Forest has been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, no revenue has been contributed from the Senbo Forest to the Group for the period ended 30 June 2017. As at 30 June 2017, the Senbo Forest is estimated to comprise of approximately 881 hectares of cypress with approximately 290 hectares of tree plantations aged 40 years or older.

The Ruixiang Forest is held by Garden Glaze Limited, through its wholly owned subsidiaries, (“**Garden Glaze**” together with its subsidiaries “**Garden Glaze Group**”), which were acquired by the Group on 6 June 2017. The Ruixiang 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 works. Accordingly, no revenue has been contributed from the Ruixiang Forest to the Group for the period ended 30 June 2017.

As at 30 June 2017, the Ruixiang Forest is estimated to comprise of approximately 2,043.5 hectares of cypress tree with approximately 14 hectares of tree plantations aged 40 years or older.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Biomass fuel business*

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

No biomass fuel has been produced for the six months ended 30 June 2017 (six months ended 30 June 2016: 1,900 tons).

## *Money lending business*

The Company’s wholly-owned subsidiary, namely Forever Biosource (Credit) Limited, is engaged in money lending business and recorded approximately RMB2.8 million (six months ended 30 June 2016: RMB1.9 million) as interest income for the six months ended 30 June 2017.

## *Container house business*

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

For the six months ended 30 June 2017, the Group achieved a revenue of RMB47.29 million (six months ended 30 June 2016: Nil), which accounted for 94.4% of the total revenue.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

During the period under review, the Company recorded a revenue of RMB50.09 million (six months ended 30 June 2016: RMB3.69 million). The Group's revenue for the current period is attributable to the revenue from the container house business, the biomass fuel business and money lending business of the Group.

Interest income of approximately RMB2.8 million (six months ended 30 June 2016: RMB1.9 million) from the money lending business has been recognised for the six months ended 30 June 2017.

Management services income of approximately RMB47.29 million (six months ended 30 June 2016: Nil) from container houses business has been recognised for the six months ended 30 June 2017.

For the six months ended 30 June 2017, 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 2017 is mainly attributable to labour costs and the cost of raw materials consumed in the biomass fuel business, and labour costs and other direct costs in the container houses business.

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

For the six months ended 30 June 2017, the Group recognised a decrease of fair value less costs to sell of plantation forest assets of approximately RMB2 million, with reference to the valuation of Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest as at 30 June 2017 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 Dali Forest, Hengchang Forest, Senbo Forest and Kunlin Forest to assist the Group in assessing the fair value of those biological assets. No professional valuation of the Ruixiang Forest at 30 June 2017 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:

	<b>Dali Forest</b>	<b>Hengchang Forest</b>	<b>Kunlin Forest</b>	<b>Senbo Forest</b>	<b>Ruixiang Forest</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Acquisition during the period	–	–	–	66,119	–	66,119
Other additions	–	776	–	–	–	776
Harvested timber transferred						
to cost of inventories sold	–	(241)	–	–	–	(241)
Change in fair value						
less costs to sell	142	(1,359)	(32,821)	12,156	–	(21,882)
At 31 December 2016 and at 1 January 2017 (audited)	18,007	192,021	53,902	78,275	–	342,205
Acquisition during the period	–	–	–	–	117,114	117,114
Change in fair value						
less costs to sell	1,993	2,755	(1,302)	(5,675)	–	(2,229)
At 30 June 2017 (unaudited)	20,000	194,776	52,600	72,600	117,114	457,090

# MANAGEMENT DISCUSSION AND ANALYSIS

## (a) *Dali Forest*

Dali 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 Dali Forest. During the period under review, no timber logs in respect of the Dali Forest were harvested (six months ended 30 June 2016: nil). As at 30 June 2017, the Dali 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.

## (b) *Hengchang Forest*

Hengchang 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 Hengchang Forest. During the period under review, no timber logs in respect of the Hengchang Forest were harvested (six months ended 30 June 2016: nil). As at 30 June 2017, the Hengchang 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*

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 2017, the Kunlin Forest was estimated to comprise approximately 641.5 hectares of cypress aged 20–40 years.

## (d) *Senbo Forest*

Senbo Forest has a total leasehold land base of approximately 13,218 Chinese Mu (equivalent to approximately of 881 hectares). During the period under review, no timber logs in respect of the Senbo Forest were harvested. As at 30 June 2017, the Senbo Forest was estimated to comprise approximately 881 hectares of cypress with approximately 290 hectares of tree plantations aged 40 years or older.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (e) *Ruixiang Forest*

Ruixiang Forest has a total leasehold land base of approximately 30,653 Chinese Mu (equivalent to approximately 2,043.5 hectares). During the period under review, no timber logs in respect of the Ruixiang Forest were harvested. As at 30 June 2017, the Ruixiang Forest was estimated to comprise approximately 2,043.5 hectares of cypress with approximately 14 hectares of tree plantations aged 40 years or older.

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

Ascent Partners carried out the valuation updates of Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest as at 30 June 2017 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 discount rate of 17.62%, 16%, 16.81% and 16.81% for the Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest respectively, to arrive at their fair value less costs to sell.

No valuation of the Ruixiang Forest as at 30 June 2017 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 all Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest are as follows:

*Applicable to all Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest*

- The logging permit will be granted by the relevant government authorities.
- The forests are managed on a sustainable basis and sufficient logging quota will be continuously granted by the relevant government authorities.
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishment following harvest, or of land not yet planted.
- The cash flows do not take into account income tax and finance costs.
- 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

- 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.
- 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.

### *Additionally applicable to the Dali Forest*

- Cash flow projection is determined for a forecast period of 8.5 years up to 2022 with the first year of logging activities taken to be from 2018. 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, 7,000 cubic meters in the third to seventh year, and 2,092 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 1.19% per annum for each year, which is in line with the producer price index for industrial producers of timber and paper pulp. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.07% per annum for the forecast period.
- The discount rate applied is 17.62%.
- The inflation rate on other operation costs is 3.07% per annum.
- The biological growth rates of pine trees and oak trees are 5.73% and 4.78% per annum respectively.
- The yielding rates for pine trees and oak trees are 55% and 52% respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Additionally applicable to the Hengchang Forest*

- Cash flow projection is determined for a forecast period of 9.5 years up to 2026 with the first year of logging activities taken to be from 2018. Management has assumed that the logging volume during the forecast period is 20,000 cubic meters in the first year, 30,000 cubic meters in the second year, 40,000 cubic meters in the third to eighth year and 33,483 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 2017 and onwards.
- The average increment in log sales prices is expected to be 1.19% per annum for each year, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.07% per annum for the forecast period.
- The discount rate applied is 16%.
- The inflation rate on other operation costs is 3.07% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate for cypress is 66%.

## *Additionally applicable to the Kunlin Forest*

- Cash flow projection is determined for a forecast period of 10.5 years up to 2027 with the first year of logging activities taken to be from 2018. Management has assumed that the logging volume during the forecast period is 7,500 cubic meters in the first year, 10,000 cubic meters from the second to ninth year and 6,077 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 obtained certain logging permits for the harvest of timber logs in the year of 2017 and onwards.
- The average increment in log sales prices is expected to be 1.19% per annum for each year, which is in line with the producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.07% per annum for the forest period.

## MANAGEMENT DISCUSSION AND ANALYSIS

- The discount rate applied is 16.81%.
- The inflation rate on other operation costs is 3.07% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate of cypress is 66%.

### *Additionally applicable to the Senbo Forest*

- Cash flow projection is determined for a forecast period of 9.5 years up to 2026 with the first year of logging activities taken to be from 2018. Management has assumed that the logging volume during the forecast period is 7,500 cubic meters, 10,000 cubic meters and 13,000 cubic meters in the first three year, 16,000 cubic meters in the forth to eighth year, and 13,441 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 2017 and onwards.
- The average increment in log sales prices is expected to be 1.19% per annum for each year, which is in line with the producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.07% per annum for the forest period.
- The discount rate applied is 16.81%.
- The inflation rate on other operation costs is 3.07% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate of cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 30 June 2017 and 31 December 2016 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 2017, certain approvals of the logging permits for the Kunlin Forest were obtained by the Group. In the opinion of the directors of the Company, the absence of logging permit of the rest of the Forests 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.

### **(g) Major 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 that projected harvest volumes are consistent with the expected demand.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (h) **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 Dali Forest, Hengchang Forest, Kunlin Forest, Senbo Forest and Ruixiang Forest.

The valuations update was prepared by Mr. William SW Yuen and Mr. Paul Wu of Ascent Partners. Please refer to page 12 of the 2016 annual report of the Company for their qualifications. The valuations update is based on the technical report of Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest as at 31 December 2016 prepared by a forestry specialist consultant, Mr. Peng Tuming (彭土明) (“**Mr. Peng**”).

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 Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (i) Sensitivity analysis

### (i) Hengchang Forest

Discount rate

Variance	Discount Rate	Fair Value	% Change
3%	19.00%	RMB172,754,000	-10.90%
2%	18.00%	RMB179,404,000	-7.47%
1%	17.00%	RMB186,439,000	-3.84%
0%	16.00%	RMB193,890,000	0.00%
-1%	15.00%	RMB201,788,000	4.07%
-2%	14.00%	RMB201,167,000	8.39%
-3%	13.00%	RMB219,063,000	12.98%

Cypress market price

Variance	Tree Price per m <sup>3</sup>	Fair Value	% Change
15%	2,243	RMB226,964,000	17.06%
10%	2,145	RMB215,940,000	11.37%
5%	2,048	RMB204,915,000	5.69%
0%	1,950	RMB193,890,000	0.00%
-5%	1,853	RMB182,866,000	-5.69%
-10%	1,755	RMB171,841,000	-11.37%
-15%	1,658	RMB160,817,000	-17.06%

Estimation of cypress volume

Variance	Volume (m <sup>3</sup> )	Fair Value	% Change
15%	280,249	RMB212,642,000	9.67%
10%	268,065	RMB206,648,000	6.58%
5%	255,880	RMB200,442,000	3.38%
0%	243,695	RMB193,890,000	0.00%
-5%	231,510	RMB186,994,000	-3.56%
-10%	219,326	RMB179,693,000	-7.32%
-15%	207,141	RMB172,206,000	-11.18%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of cypress growth rate

Variance	Growth Rate	Fair Value	% Change
3%	8.43%	RMB215,122,000	10.95%
2%	7.43%	RMB208,003,000	7.28%
1%	6.43%	RMB200,739,000	3.53%
0%	5.43%	RMB193,890,000	0.00%
-1%	4.43%	RMB187,507,000	-3.29%
-2%	3.43%	RMB181,469,000	-6.41%
-3%	2.43%	RMB175,954,000	-9.25%

Estimation of logging costs

Variance	Logging Cost per m <sup>3</sup>	Fair Value	% Change
100%	120	RMB182,654,000	-5.80%
50%	90	RMB188,272,000	-2.92%
25%	75	RMB191,081,000	-1.45%
0%	60	RMB193,890,000	0.00%
-10%	54	RMB195,014,000	0.58%
-25%	45	RMB196,700,000	1.45%
-75%	15	RMB202,318,000	4.35%

Estimation of road construction costs

Variance	Road Construction Cost per Chinese Mu	Fair Value	% Change
100%	130	RMB186,021,000	-4.06%
50%	98	RMB189,956,000	-2.03%
25%	81	RMB191,923,000	-1.01%
0%	65	RMB193,890,000	0.00%
-10%	59	RMB194,677,000	0.41%
-25%	49	RMB195,858,000	1.01%
-75%	16	RMB199,793,000	3.04%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of transport costs

Variance	Transportation Cost per m <sup>3</sup>	Fair Value	% Change
100%	120	RMB186,474,000	-3.82%
50%	90	RMB190,182,000	-1.91%
25%	75	RMB192,036,000	-0.96%
0%	60	RMB193,890,000	0.00%
-10%	54	RMB194,632,000	0.38%
-25%	45	RMB195,745,000	0.96%
-75%	15	RMB199,453,000	2.87%

Estimation of maintenance cost

Variance	Maintenance Cost per m <sup>3</sup>	Fair Value	% Change
100%	120	RMB186,626,000	-3.75%
50%	90	RMB190,258,000	-1.87%
25%	75	RMB192,074,000	-0.94%
0%	60	RMB193,890,000	0.00%
-10%	54	RMB194,617,000	0.37%
-25%	45	RMB195,707,000	0.94%
-75%	15	RMB199,339,000	2.81%

(ii) *Dali Forest*

Discount rate

Variance	Discount Rate	Fair Value	% Change
3%	20.62%	RMB18,156,000	-9.63%
2%	19.62%	RMB18,770,000	-6.57%
1%	18.62%	RMB19,415,000	-3.37%
0%	17.62%	RMB20,091,000	0.00%
-1%	16.62%	RMB20,801,000	3.53%
-2%	15.62%	RMB21,548,000	7.25%
-3%	14.62%	RMB22,332,000	11.15%

# MANAGEMENT DISCUSSION AND ANALYSIS

Pine tree market price

Variance	Tree Price per m <sup>3</sup>	Fair Value	% Change
15%	1,725	RMB21,340,000	6.22%
10%	1,650	RMB20,924,000	4.14%
5%	1,575	RMB20,508,000	2.07%
0%	1,500	RMB20,091,000	0.00%
-5%	1,425	RMB19,675,000	-2.07%
-10%	1,350	RMB19,258,000	-4.14%
-15%	1,275	RMB18,842,000	-6.22%

Oak tree market price

Variance	Tree Price per m <sup>3</sup>	Fair Value	% Change
15%	2,530	RMB22,436,000	11.67%
10%	2,420	RMB21,654,000	7.78%
5%	2,310	RMB20,873,000	3.89%
0%	2,200	RMB20,091,000	0.00%
-5%	2,090	RMB19,310,000	-3.89%
-10%	1,980	RMB18,528,000	-7.78%
-15%	1,870	RMB17,746,000	-11.67%

Estimation of Pine tree volume

Variance	Volume (m <sup>3</sup> )	Fair Value	% Change
15%	19,243	RMB20,966,000	4.35%
10%	18,406	RMB20,692,000	2.99%
5%	17,570	RMB20,401,000	1.54%
0%	16,733	RMB20,091,000	0.00%
-5%	15,896	RMB19,763,000	-1.63%
-10%	15,060	RMB19,449,000	-3.20%
-15%	14,223	RMB19,149,000	-4.69%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of oak tree volume

Variance	Volume (m <sup>3</sup> )	Fair Value	% Change
15%	19,713	RMB21,414,000	6.58%
10%	18,856	RMB20,999,000	4.52%
5%	17,999	RMB20,558,000	2.32%
0%	17,142	RMB20,091,000	0.00%
-5%	16,285	RMB19,607,000	-2.41%
-10%	15,428	RMB19,134,000	-4.76%
-15%	14,571	RMB18,678,000	-7.03%

Estimation of pine tree growth rate

Variance	Growth Rate	Fair Value	% Change
3%	8.73%	RMB21,142,000	5.23%
2%	7.73%	RMB20,769,000	3.37%
1%	6.73%	RMB20,432,000	1.70%
0%	5.73%	RMB20,091,000	0.00%
-1%	4.73%	RMB19,754,000	-1.68%
-2%	3.73%	RMB19,477,000	-3.06%
-3%	2.73%	RMB19,216,000	-4.36%

Estimation of oak tree growth rate

Variance	Growth Rate	Fair Value	% Change
3%	7.78%	RMB20,975,000	4.40%
2%	6.78%	RMB20,679,000	2.92%
1%	5.78%	RMB20,382,000	1.45%
0%	4.78%	RMB20,091,000	0.00%
-1%	3.78%	RMB19,806,000	-1.42%
-2%	2.78%	RMB19,527,000	-2.81%
-3%	1.78%	RMB19,282,000	-4.03%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of logging costs

<b>Variance</b>	<b>Logging Cost per m<sup>3</sup></b>	<b>Fair Value</b>	<b>% Change</b>
100%	120	RMB18,560,000	-7.62%
50%	90	RMB19,326,000	-3.81%
25%	75	RMB19,708,000	-1.91%
0%	60	RMB20,091,000	0.00%
-10%	54	RMB20,244,000	0.76%
-25%	45	RMB20,474,000	1.91%
-75%	15	RMB21,240,000	5.72%

Estimation of road construction costs

<b>Variance</b>	<b>Road Construction Cost per Chinese Mu</b>	<b>Fair Value</b>	<b>% Change</b>
100%	130	RMB19,069,000	-5.09%
50%	98	RMB19,580,000	-2.54%
25%	81	RMB19,836,000	-1.27%
0%	65	RMB20,091,000	0.00%
-10%	59	RMB20,193,000	0.51%
-25%	49	RMB20,347,000	1.27%
-75%	16	RMB20,858,000	3.81%

Estimation of transportation costs

<b>Variance</b>	<b>Transportation Cost per m<sup>3</sup></b>	<b>Fair Value</b>	<b>% Change</b>
100%	120	RMB19,275,000	-4.06%
50%	90	RMB19,683,000	-2.03%
25%	75	RMB19,887,000	-1.02%
0%	60	RMB20,091,000	0.00%
-10%	54	RMB20,173,000	0.41%
-25%	45	RMB20,295,000	1.02%
-75%	15	RMB20,703,000	3.05%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of maintenance cost

Variance	Maintenance Cost per m <sup>3</sup>	Enterprise Value	% Change
100%	120	RMB19,148,000	-4.69%
50%	90	RMB19,620,000	-2.35%
25%	75	RMB19,855,000	-1.17%
0%	60	RMB20,091,000	0.00%
-10%	54	RMB20,186,000	0.47%
-25%	45	RMB20,327,000	1.17%
-75%	15	RMB20,799,000	3.52%

(iii) *Senbo Forest*

Discount rate

Variance	Discount Rate	Fair Value	% Change
3%	19.81%	RMB64,415,000	-11.32%
2%	18.81%	RMB67,002,000	-7.76%
1%	17.81%	RMB69,740,000	-3.99%
0%	16.81%	RMB72,640,000	0.00%
-1%	15.81%	RMB75,714,000	4.23%
-2%	14.81%	RMB78,975,000	8.72%
-3%	13.81%	RMB82,438,000	13.49%

Cypress market price

Variance	Tree Price per m <sup>3</sup>	Fair Value	% Change
15%	2,243	RMB84,815,000	16.76%
10%	2,145	RMB80,757,000	11.17%
5%	2,048	RMB76,698,000	5.59%
0%	1,950	RMB72,640,000	0.00%
-5%	1,853	RMB68,581,000	-5.59%
-10%	1,755	RMB64,523,000	-11.17%
-15%	1,658	RMB60,465,000	-16.76%



# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of cypress volume

Variance	Volume (m <sup>3</sup> )	Fair Value	% Change
15%	107,951	RMB79,637,000	9.63%
10%	103,257	RMB77,422,000	6.58%
5%	98,564	RMB75,092,000	3.38%
0%	93,870	RMB72,640,000	0.00%
-5%	89,177	RMB70,043,000	-3.57%
-10%	84,483	RMB67,274,000	-7.39%
-15%	79,790	RMB64,440,000	-11.29%

Estimation of cypress growth rate

Variance	Growth Rate	Fair Value	% Change
3%	8.43%	RMB79,627,000	9.62%
2%	7.43%	RMB77,172,000	6.24%
1%	6.43%	RMB74,846,000	3.04%
0%	5.43%	RMB72,640,000	0.00%
-1%	4.43%	RMB70,571,000	-2.85%
-2%	3.43%	RMB68,602,000	-5.56%
-3%	2.43%	RMB66,811,000	-8.02%

Estimation of logging costs

Variance	Logging Cost per m <sup>3</sup>	Fair Value	% Change
100%	120	RMB68,500,000	-5.70%
50%	90	RMB70,570,000	-2.85%
25%	75	RMB71,605,000	-1.42%
0%	60	RMB72,640,000	0.00%
-10%	54	RMB73,054,000	0.57%
-25%	45	RMB73,675,000	1.42%
-75%	15	RMB75,745,000	4.27%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of road construction costs

Variance	Road Construction Cost per		Fair Value	% Change
	Chinese Mu			
100%	120		RMB68,199,000	-6.11%
50%	90		RMB70,419,000	-3.06%
25%	75		RMB71,530,000	-1.53%
0%	60		RMB72,640,000	0.00%
-10%	54		RMB73,084,000	0.61%
-25%	45		RMB73,750,000	1.53%
-75%	15		RMB75,971,000	4.59%

Estimation of transport costs

Variance	Transportation Cost per m <sup>3</sup>		Fair Value	% Change
100%	120		RMB69,908,000	-3.76%
50%	90		RMB71,274,000	-1.88%
25%	75		RMB71,957,000	-0.94%
0%	60		RMB72,640,000	0.00%
-10%	54		RMB72,913,000	0.38%
-25%	45		RMB73,323,000	0.94%
-75%	15		RMB74,689,000	2.82%

Estimation of maintenance cost

Variance	Maintenance Cost		Fair Value	% Change
100%	120		RMB68,199,000	-6.11%
50%	90		RMB70,419,000	-3.06%
25%	75		RMB71,530,000	-1.53%
0%	60		RMB72,640,000	0.00%
-10%	54		RMB73,084,000	0.61%
-25%	45		RMB73,750,000	1.53%
-75%	15		RMB75,971,000	4.59%

# MANAGEMENT DISCUSSION AND ANALYSIS

## (iv) Kunlin Forest

Discount rate

Variance	Discount Rate	Fair Value	% Change
3%	19.81%	RMB47,010,000	-10.66%
2%	18.81%	RMB48,772,000	-7.31%
1%	17.81%	RMB50,638,000	-3.76%
0%	16.81%	RMB52,617,000	0.00%
-1%	15.81%	RMB54,716,000	3.99%
-2%	14.81%	RMB56,946,000	8.23%
-3%	13.81%	RMB59,317,000	12.73%

Cypress market price

Variance	Tree Price per m <sup>3</sup>	Fair Value	% Change
15%	2,243	RMB62,011,000	17.85%
10%	2,145	RMB58,879,000	11.90%
5%	2,048	RMB55,748,000	5.95%
0%	1,950	RMB52,617,000	0.00%
-5%	1,853	RMB49,486,000	-5.95%
-10%	1,755	RMB46,354,000	-11.90%
-15%	1,658	RMB43,223,000	-17.85%

Estimation of cypress volume

Variance	Volume (m <sup>3</sup> )	Fair Value	% Change
15%	82,839	RMB57,127,000	8.57%
10%	79,237	RMB55,709,000	5.88%
5%	75,636	RMB54,207,000	3.02%
0%	72,034	RMB52,617,000	0.00%
-5%	68,432	RMB50,879,000	-3.30%
-10%	64,831	RMB49,061,000	-6.76%
-15%	61,229	RMB47,097,000	-10.49%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of cypress growth rate

Variance	Growth Rate	Fair Value	% Change
3%	8.43%	RMB56,727,000	7.81%
2%	7.43%	RMB55,770,000	5.99%
1%	6.43%	RMB54,136,000	2.89%
0%	5.43%	RMB52,617,000	0.00%
-1%	4.43%	RMB51,170,000	-2.75%
-2%	3.43%	RMB49,837,000	-5.28%
-3%	2.43%	RMB48,534,000	-7.76%

Estimation of logging cost

Variance	Logging Cost per m <sup>3</sup>	Fair Value	% Change
100%	120	RMB49,444,000	-6.03%
50%	90	RMB51,030,000	-3.02%
25%	75	RMB51,824,000	-1.51%
0%	60	RMB52,617,000	0.00%
-10%	54	RMB52,934,000	0.60%
-25%	45	RMB53,410,000	1.51%
-75%	15	RMB54,997,000	4.52%

Estimation of road construction costs

Variance	Road Construction Cost per Chinese Mu	Fair Value	% Change
100%	130	RMB48,971,000	-6.93%
50%	98	RMB50,794,000	-3.46%
25%	81	RMB51,705,000	-1.73%
0%	65	RMB52,617,000	0.00%
-10%	59	RMB52,981,000	0.69%
-25%	49	RMB53,528,000	1.73%
-75%	16	RMB55,351,000	5.20%

# MANAGEMENT DISCUSSION AND ANALYSIS

Estimation of transportation costs

Variance	Transportation Cost per m <sup>3</sup>	Fair Value	% Change
100%	120	RMB50,523,000	-3.98%
50%	90	RMB51,570,000	-1.99%
25%	75	RMB52,093,000	-0.99%
0%	60	RMB52,617,000	0.00%
-10%	54	RMB52,826,000	0.40%
-25%	45	RMB53,140,000	0.99%
-75%	15	RMB54,187,000	2.98%

Estimation of maintenance cost

Variance	Maintenance Cost per m <sup>3</sup>	Fair Value	% Change
100%	120	RMB49,252,000	-6.40%
50%	90	RMB50,934,000	-3.20%
25%	75	RMB51,776,000	-1.60%
0%	60	RMB52,617,000	0.00%
-10%	54	RMB52,953,000	0.64%
-25%	45	RMB53,458,000	1.60%
-75%	15	RMB55,141,000	4.80%

## Selling and Distribution Costs

The selling and distribution costs of the Group for the six months ended 30 June 2017 was nil (For the six months ended 30 June 2016: approximately RMB0.25 million).

## Administrative Expenses

The administrative expenses of the Group increased by approximately 237% from approximately RMB12.3 million for the six months ended 30 June 2016 to approximately RMB41.5 million for the six months ended 30 June 2017. The increase in administrative expenses was mainly attributable to the addition of staff and administrative costs associated with the forestry, biomass fuel business and container houses business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance Costs

During the period under review, the finance costs were related to the interests on (i) the promissory notes bearing interest ranged from 3% to 10% per annum; (ii) the corporate bonds issued by the Group at interest rates ranged from 4% to 10% per annum; (iii) the convertible bonds at interest rate of 8% per annum.

The finance costs of the Group increased by approximately 85% from approximately RMB7.5 million for the six months ended 30 June 2016 to approximately RMB13.9 million for the six months ended 30 June 2017.

## Income Tax Expense

The income tax expense of the Group for the six months ended 30 June 2017 was RMB8.6 million (six months ended 30 June 2016: nil).

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

Loss for the period under review was approximately RMB19.4 million (six months ended 30 June 2016: RMB29.5 million).

As a result of the above changes, the Company has recorded a loss of approximately RMB19.4 million for the six months ended 30 June 2017, compared to a loss of approximately RMB29.5 million for the six months ended 30 June 2016. The total comprehensive expense attributable to owners of the Company was approximately RMB14.8 million for the six months ended 30 June 2017, when comparing to a total comprehensive expense of approximately RMB29.3 million for the six months ended 30 June 2016.

## Loss Per Share

Basic loss per share for the six months ended 30 June 2017 amounted to approximately RMB0.53 cents (six months ended 30 June 2016: RMB0.87 cents).

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed a total of 82 employees as compared to 57 employees as at 31 December 2016, including the Directors. Total staff costs for continuing operations for the period under review, including Directors' remuneration, amounted to approximately RMB4.3 million (six months ended 30 June 2016: RMB4.0 million). The Group's remuneration policy is in line with the prevailing market standards and is determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

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

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows, bank borrowings and certain net proceeds from fund raising activities. As at 30 June 2017, the Group had total assets of approximately RMB775.1 million and net assets of approximately RMB297.1 million. The Group's cash and bank balances as at 30 June 2017 amounted to approximately RMB28.8 million. As at 30 June 2017, there was no unutilised banking facilities (30 June 2016: nil).

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 December 2015, the Company redeemed part of the Note A with the principal amount of HK\$1,000,000 at cash consideration of HK\$1,000,000. During the year ended 31 December 2016, no part of the Note A was redeemed. As at 30 June 2017, the Note A with the principal amount of HK\$27,503,000 remained outstanding.

### Promissory notes issued on 16 August 2016 (the “Note B”)

Reference is made to the announcement of the Company dated 30 June 2016, the Company, Mr. Wang Yue (the “**Chargor**”) and Prosper Talent Limited (the “**Investor**”) entered into the subscription agreement, pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the redeemable fixed coupon promissory notes in the aggregate principal sum of HK\$100,000,000 (being the “**Note B**”). The Note B shall be issued in two tranches, the Series A Note and the Series B Note, both bearing an interest rate of 10% per annum and with the maturity period of 1 year from the date of issue. The Note B are secured by the Chargor who is the executive director and a substantial shareholder of the Company and the Investor is a limited liability company incorporated in the BVI. On 16 August 2016, completion of the subscription of the Series A Note took place and the redeemable fixed coupon promissory notes in the principal amount of HK\$50,000,000 were issued to the Investor in accordance with the subscription agreement. As at 30 June 2017, no part of the Note B was redeemed.

### Promissory note issued on 11 October 2016 (the “Note C”)

Reference is made to announcement of the Company dated 30 September 2016, the Company and Mr. Dai Long Gui (“**Mr. Dai**”) entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire the entire issued share capital in Huxiang, at a total consideration of HK\$93,000,000, to be satisfied by (i) the deposit of HK\$8 million; (ii) HK\$52 million in cash; and (iii) HK\$33 million by the issue of the Promissory Note (being the “**Note C**”) to Mr. Dai. Huxiang is an investment holding company incorporated in the BVI with limited liability. Through its wholly owned subsidiaries, Huxiang indirectly wholly holds the entire equity interest in Jiangxian Senbo Linye Company Ltd., which is principally engaged in the plantation, harvesting and selling of timber in the Forests, and possesses the Senbo Forest and the right to be engaged in the operations and management of the Senbo Forest. The Note C bears an interest at 3% per annum for three years and is payable on the maturity date of 10 October 2019. During the year ended 31 December 2016, the Company redeemed part of the Note C with the principal amount of HK\$8,000,000. During the current period, the Company fully redeemed Note C with the principal amount of HK\$25,000,000.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Promissory note issued on 6 June 2017 (the “Note D”)

On 6 June 2017, the Company issued the Note D with the principal amount of HK\$170,000,000 as the consideration of the acquisition of the entire interest in Garden Glaze and its subsidiaries.

The Note D, which is unsecured, carries interest at 5% per annum and is payable on the maturity date on 5 June 2019. No part of the Note D was repaid by the Company during the six months ended 30 June 2017, and the Note D with the principal amount of HK\$170,000,000 (31 December 2016: Nil) remained outstanding.

On 20 July 2017, an aggregate of 668,913,445 placing shares of the Company were placed by Sun International Securities Limited to not less than six independent third parties placed at the placing price of HK\$0.11 per placing share under the general mandate. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK\$72.99 million. The Company intends to use the net proceeds of approximately HK\$72.99 million from the Placing for the purpose of investment in container house and forestry business project(s), repayment of liabilities and general working capital.

During the six months ended 30 June 2017, the Company entered into subscription agreement with five independent private investors pursuant to which the investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK\$64,500,000 at par value, bearing interest rates ranged from 5% to 10% per annum and maturity period of 5 to 7.5 years from the date of issue. The net proceeds from the corporate bonds, after deducting related expenses payable by the Company, was approximately HK\$64.4 million. The actual use of proceeds as to (i) approximately HK\$50 million for repayment of liabilities and (ii) approximately HK\$14.4 million for general working capital, such as staff salaries and occupancy cost.

Reference is made to the announcements of the Company dated 5 April, 6 April and 8 April 2016 in relation to the issuance of HK\$20 million 8% per annum of convertible bonds due 2017 (the “**2016 8% convertible bonds**”). The Company has redeemed an aggregate principal amount of HK\$20 million of all outstanding 2016 8% convertible bonds on 11 April 2017 (the “**Maturity Date**”) at the redemption price equal to 100% of the principal amount thereof, being HK\$20 million, plus accrued and unpaid interest of HK\$1,600,000 up to but excluding the Maturity Date (the “**Redemption**”). The total redemption price paid by the Company on the Maturity Date is HK\$21,600,000.

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PLEDGE OF ASSETS

As at 30 June 2017, there was no pledge of assets of the Group.

## MATERIAL LITIGATION

As at 30 June 2017, the Group was not involved in any material litigation or arbitration (As at 31 December 2016: nil).

## CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities (As at 31 December 2016: 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 2017, 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 61.7 % as at 30 June 2017 (30 June 2016: 38.8%).

As at 30 June 2017, promissory notes with the principal amount of HK\$247.5 million remained outstanding and the corporate bonds with the principal amount of HK\$225.7 million remained outstanding.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

The share capital of the Group comprises only ordinary shares. As at 30 June 2017, the total number of the ordinary shares of the Company in issue was 3,678,453,463 shares (31 December 2016: 3,678,453,463 shares). The total equity attributable to the owners of the Company was approximately RMB297.1 million (31 December 2016: approximately RMB311.9 million).

## CAPITAL COMMITMENTS

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

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
<hr/>		
Contracted but not provided for:		
Acquisition of subsidiaries ( <i>Note</i> )	<b>95,000</b>	–

*Note:* Reference is made to the announcements of the Company dated 2 March 2017, 30 June 2017 and 31 July 2017. On 2 March 2017, the Company entered into an acquisition agreement with certain third parties, under which the Company has conditionally agreed to sell, the entire equity interest in Xiangyin Chong Sheng Chi Yip Limited 湘陰中箱置業有限公司 (“**Xiangyin Chong Sheng**”), for an aggregate consideration of RMB100,000,000, of which a deposit of approximately RMB5,000,000 was paid by the Company up to 30 June 2017. Xiangyin Chong Sheng was established in the PRC and is principally engaged in maintenance and leasing of container houses. Pursuant to the said acquisition agreement, the balance of the purchase consideration of RMB95,000,000 will be satisfied by issue of promissory note by the Company.

## UPDATE OF THE 2017 FIRST HALF-YEARLY PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF HENGFUDELAI SI

Reference is made to the announcements of the Company dated 22 April 2016, 21 June 2016, 15 July 2016, 9 September 2016 and the circular dated 27 June 2016 concerning the acquisition of the shares of Gorgeous City Investment Limited (the ultimate holding company of Hengfudelaishi).

The Board confirmed that based on the audited financial information of Gorgeous City Investment Limited and its subsidiaries, the profit guarantee of RMB24,500,000 for the period from 1 January 2017 to 30 June 2017 was met. The Company shall pay the respective vendors RMB7,350,000 by cash and RMB17,150,000 by issuing 62,321,257 shares at the issue price of HK\$0.33 per share as partial consideration of the acquisition, in accordance with the terms of the agreement of the acquisition dated 22 April 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL

As disclosed in the Company's announcements dated 31 May 2017 and 6 June 2017, on 31 May 2017, the Company and the vendors, six independent third parties, entered into the acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire from the vendors and the vendors have conditionally agreed to sell to the Company the entire issued share capital (the "**Sale Shares**") of Garden Glaze Limited at the consideration of HK\$170,000,000, which was satisfied by the issue of the Promissory Notes (as defined in the announcement dated 31 May 2017) to the vendors in their respective interests in the Sale Shares upon completion. Upon completion of the acquisition on 6 June 2017, Garden Glaze Limited became a wholly owned subsidiary of the Company and accordingly, the financial information of Garden Glaze Limited would be consolidated into the accounts of the Group. 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.

Save as disclosed above, there were no significant investment held or material acquisitions and disposals of subsidiaries for the period ended 30 June 2017.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

### 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 the PRC. 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.

### Major risks associated with the plantation assets

As stated in page 15 of this report, the major risks associated with the plantation assets involve (i) regulatory and environmental risks; (ii) climate and other risks; and (iii) supply and demand risk. The Group tackled the risks by (i) performing regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks; (ii) monitoring and mitigating climate and other risks with measures including regular forest health inspections and industry pest and disease surveys; (iii) performing regular industry trend analyses to ensure that the Group's pricing structure is in line with market, and that the provided harvest volumes are consistent with the expected demand.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Currency risk

No revenue derived by the Group in respect of the period ended 30 June 2017 was denominated in foreign currencies. Substantially all of the costs incurred for both of the period ended 30 June 2017 was denominated in functional currencies of the group entities. As at 30 June 2017, 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 2017, 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

There has been a substantial deterioration of the financial performance of the Group in recent years, and this, together with the challenging operating environment ahead point to the need to diversify the business of the Group. As mentioned in the prospect and outlook statement in the annual report of the Company for the year ended 31 December 2016, given that the PRC's economy is no longer developing at double-digit rates of growth and has entered a mature stage featuring more robust but slower growth, the Group is cautiously optimistic about the future of the forestry and biomass fuel industry.

It is the intention of the Group to maintain its principal businesses as well as to diversify its operation into, among others, the container house business. The Board is of the view that the forestry management business, the biomass fuel research and development business and the container house business may produce a synergy among each other because (i) the manufacture, maintenance, interior decoration and structuring of container houses (including the accessories) require substantial amount of wood material, the timbers harvested from the Company's current forest land management business could provide adequate raw wood material at a relatively low cost to manufacturing of container houses, and after further processing, to satisfy the need for wood panels, various wood components to be installed in the container houses; (ii) the container house assets may be used for the accommodation of workers during the Group's forestry development projects which will lower the costs of operation of the Group's forestry management business; and (iii) the residual scraps of lumber production will supply a part of the raw material of biomass fuel production. Therefore, with the introduction of the container house business, the Group's forestry management business and biomass fuel research and development business are expected to develop alongside.

## MANAGEMENT DISCUSSION AND ANALYSIS

With reference to the announcements of the Company dated 2 March 2017 and 30 June 2017, the Group intended to acquire the shares of Xiangyin Chong Sheng to, among others, capture the growth of the container houses business.

The Board is optimistic about the prospect of the container house business as the container house assets cater for workers engaged in construction projects in the PRC. With the rapid urbanization in the PRC, significant demand for new urban real estate and infrastructure construction projects is expected which will in turn generate stable rental income to the Group.

Save as disclosed above, the Group had no future plans for material investments or capital assets as at 30 June 2017.

### 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.

Concerning Shenzhen Heng Fu Delaisi Intelligent Housing Limited ("**Hengfudelai**si"), which was acquired by the Company on 9 September 2016, The profit guarantee of RMB24,500,000 for the period from 1 January 2017 to 30 June 2017 was met. The Directors consider that the guaranteed profit would be able to bring positive contribution to the Group if the profit guarantees under the said acquisition agreement materialize in the future.

Maintenance works of Hengchang Forest and the Dali Forest have been ongoing and the logging and transportation permits for the Dali Forest, Hengchang Forest, Kunlin Forest, Senbo Forest and Ruixiang Forest have been applied for. Harvesting of forest stock in the Dali Forest, Hengchang Forest, Kunlin Forest, Senbo Forest and Ruixiang Forest will commence when the said permits are obtained, with production capacity expected to grow gradually in 2017.

# 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 2017, 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	7,000,000	0.11%
Mr. Liang Guoxin	Beneficial owner	Long position	30,000	0.001%
Mr. Liu Zhaoxiang	Beneficial owner	Long position	750,000	0.02%
Ms. Tian Guangmei	Beneficial owner	Long position	790,000	0.018%
Mr. Wang Yue	Beneficial owner	Short position	318,150,000	8.65%

#### Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 30 June 2017 i.e. 3,678,453,463 shares.
2. On 30 June 2016, the Company entered into a subscription agreement with a third party for the issue of redeemable fixed coupon promissory notes by the Company up to the principal amount of HK\$100,000,000. On 16 August 2016, the Company issued a promissory note with the principal amount of HK\$50,000,000 for the consideration of HK\$47,000,000. This note is secured by 318,150,000 shares of the Company held by Mr. Wang Yue (“Mr. Wang”). Accordingly, Mr. Wang acquired a short position in respect of such 318,150,000 shares of the Company.

Save as disclosed above, as at 30 June 2017, 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 2017, 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)	11.59%
Central Huijin Investment Limited	Interest of controlled corporation	426,362,915 (Note 2)	11.59%
Essence Securities Co. Ltd	Trustee (other than a bare trustee)	365,780,000	9.8%

Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 30 June 2017 i.e. 3,678,453,463 shares.
2. On 30 June 2016, Prosper Talent Limited ("**Prosper Talent**") entered into a subscription agreement with the Company for the issue of redeemable fixed coupon promissory notes by the Company up to the principal amount of HK\$100,000,000. On 16 August 2016, the Company issued a promissory note with the principal amount of HK\$50,000,000 for the consideration of HK\$47,000,000. This note is secured by 318,150,000 shares of the Company held by Mr. Wang Yue ("**Mr. Wang**"). These shares comprise of 318,150,000 shares charged in favour of Prosper Talent by Mr. Wang. Prosper Talent is an indirect wholly-owned subsidiary of China Construction Bank Corporation ("**CCB**") (stock code: 939), the shares of which are listed on the main board of the Stock Exchange. As at 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 2017, 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

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 2017 (For the six months ended 30 June 2016: 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 2017.

### SHARE OPTION SCHEME (THE “SCHEME”)

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

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

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe the Shares as it may determine in accordance with the terms of the Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

## DISCLOSURE OF ADDITIONAL INFORMATION

The Company shall be entitled to issue options, provided that the total number of the Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Scheme of the Company shall not exceed 10% of the aggregate Shares in issue at the date when the Shares were first listed on the Stock Exchange, which is 185,000,000 Shares.

As of 30 June 2017, 339,842,722 Shares were available for issue under the Scheme, which represented 10% of the then issued share capital. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules and obtaining the approval of the Shareholders in general meeting, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme does not exceed the 30% of the Shares in issue from time to time.

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

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

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

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option to a participant, which must be a trading day (i.e. any day on which the Stock Exchange is open for business of dealing in securities); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of an option to a participant; and (iii) the nominal value of a Share on the date of offer of an option to a participant, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Main Board for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before listing.

## DISCLOSURE OF ADDITIONAL INFORMATION

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

No share options were granted under the Scheme during the six months ended 30 June 2017 and there were no share options outstanding as at 30 June 2017.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2017.

## 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 2017, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8 and A.4.1 as addressed below:

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

## 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 2017.

### AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017 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 2017



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	<i>Notes</i>	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>1,172</b>	1,386
Prepaid land lease payments		<b>29,286</b>	16,735
Plantation forest assets	14	<b>457,090</b>	342,205
Deposit paid for acquisition of subsidiaries		<b>5,000</b>	–
Loans receivable		<b>42,117</b>	42,593
Goodwill		<b>357</b>	357
Other intangible assets		<b>111,659</b>	125,064
		<b>646,681</b>	528,340
<b>Current assets</b>			
Inventories		<b>100</b>	110
Trade and other receivables	15	<b>55,506</b>	22,375
Loans receivable		<b>38,108</b>	39,981
Deposits and prepayments		<b>5,105</b>	6,369
Prepaid land lease payments		<b>841</b>	465
Derivative financial instruments		<b>–</b>	206
Bank balances and cash		<b>28,763</b>	35,938
		<b>128,423</b>	105,444
<b>Current liabilities</b>			
Trade and other payables	16	<b>12,035</b>	8,026
Promissory notes payable	17	<b>46,819</b>	44,620
Convertible bonds payable	19	<b>–</b>	18,292
Contingent consideration payable		<b>31,392</b>	15,523
Current tax payable		<b>12,101</b>	3,035
		<b>102,347</b>	89,496
<b>Net current assets</b>		<b>26,076</b>	15,948
<b>Total assets less current liabilities</b>		<b>672,757</b>	544,288
<b>Non-current liabilities</b>			
Promissory notes payable	17	<b>152,601</b>	39,227
Corporate bonds payable	18	<b>188,962</b>	135,532
Contingent consideration payable		<b>6,196</b>	26,363
Deferred tax liabilities		<b>27,915</b>	31,266
		<b>375,674</b>	232,388
<b>Net assets</b>		<b>297,083</b>	311,900
<b>Capital and reserves</b>			
Share capital	20	<b>6,239</b>	6,239
Reserves		<b>290,844</b>	305,661
<b>Total equity</b>		<b>297,083</b>	311,900

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Convertible bonds equity reserves RMB'000	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 2016 (audited)	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
Loss for the period	-	-	-	-	-	-	(23,972)	(23,972)	83	(23,889)
Other comprehensive expense for the period	-	-	-	-	(3,600)	-	-	(3,600)	-	(3,600)
Total comprehensive expenses for the period	-	-	-	-	(3,600)	-	(23,972)	(27,572)	83	(27,489)
Issue of shares upon:										
– Acquisition of subsidiaries	219	33,129	-	-	-	-	-	33,348	-	33,348
– Exercise of share options	193	34,131	(2,132)	-	-	-	-	32,192	-	32,192
– Conversion of convertible bonds	27	5,027	-	(1,455)	-	-	-	3,599	-	3,599
Share options lapsed during the period	-	-	(2,652)	-	-	-	2,652	-	-	-
Change in ownership interest in a subsidiary without change of control	-	-	-	-	-	1,399	-	1,399	(1,399)	-
Decrease in non-controlling interest arising on disposal of subsidiary	-	-	-	-	-	(2,074)	2,074	-	(4,294)	(4,294)
At 31 December 2016 and at 1 January 2017	<b>6,239</b>	<b>459,963</b>	-	<b>3,298</b>	<b>(7,427)</b>	<b>18,038</b>	<b>(168,211)</b>	<b>311,900</b>	-	<b>311,900</b>
Loss for the period	-	-	-	-	-	-	(19,441)	(19,441)	-	(19,441)
Other comprehensive income for the period	-	-	-	-	4,624	-	-	4,624	-	4,624
Total comprehensive income (expenses) for the period	-	-	-	-	4,624	-	(19,441)	(14,817)	-	(14,817)
Release of equity component of convertible bonds	-	-	-	(3,298)	-	-	3,298	-	-	-
At 30 June 2017 (unaudited)	<b>6,239</b>	<b>459,963</b>	-	-	<b>(2,803)</b>	<b>18,038</b>	<b>(184,354)</b>	<b>297,083</b>	-	<b>297,083</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(12,612)</b>	(25,122)
Net cash used in investing activities	<b>(4,096)</b>	(5,756)
Net cash from financing activities	<b>9,824</b>	38,441
Net increase in cash and cash equivalents	<b>(6,884)</b>	7,563
Cash and cash equivalents at 1 January	<b>35,938</b>	40,884
Effect of foreign exchange rate changes	<b>(291)</b>	382
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	<b>28,763</b>	48,829



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 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, provision of services in relation to management, leasing, sale and installation of container houses, production and sale of biomass fuel products, money lending and investment holding.

The Company’s functional currency is Hong Kong 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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

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

Amendments to HKAS 7

*Disclosure Initiative*

Amendments to HKAS 12

*Recognition of Deferred Tax Assets for Unrecognised Losses*

*As part of the Annual Improvements to HKFRSs 2014–2016 Cycle*

Amendments to HKFRS 12

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The adoption of these revised HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the unaudited interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

## 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, services income from container houses business, and interest income from money lending business, analysed as below:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from sales of goods	14	1,761
Income from provision of services	47,292	–
Interest income from money lending business	2,783	1,929
	<b>50,089</b>	<b>3,690</b>

## 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.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (CONTINUED)

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

- (i) Forestry Business — plantation, logging and sale of timber related products
- (ii) Container Houses Business — provision of services in relation to management, leasing, sale and installation of container houses and related business
- (iii) Biomass Fuel Business — manufacture and sale of biomass fuel products
- (iv) Money Lending Business — provision of money lending services

Information regarding the above segments for the six months ended 30 June 2017 and 2016 is presented below.

### Segment revenues and results

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

*Six months ended 30 June 2017*

	Forestry Business RMB'000	Container Houses Business RMB'000	Biomass Fuel Business RMB'000	Money Lending Business RMB'000	Total RMB'000
Segment revenue	-	47,292	14	2,783	50,089
Segment profit (loss)	(3,158)	30,479 <sup>a</sup>	(1,142)	2,298	28,477
Bank interest income					8
Other unallocated income					587
Gain on change in fair value of contingent consideration payable					4,299
Loss on early repayment of promissory notes					(5,913)
Loss on redemption of convertible bonds					(203)
Other unallocated expenses					(24,245)
Finance costs					(13,858)
Loss before tax					(10,848)
Income tax expense					(8,593)
Loss for the period					(19,441)

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2016

	Forestry Business RMB'000 (unaudited)	Container Houses 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) <sup>*</sup>	- <sup>#</sup>	(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)

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<sup>*</sup> Segment loss of Forestry Business before net loss on change in fair value less costs to sell of plantation forest assets	<b>(929)</b>	(788)
Net loss on change in fair value less costs to sell of plantation forest assets	<b>(2,229)</b>	(10,267)
Segment loss of Forestry Business	<b>(3,158)</b>	(11,055)
<sup>#</sup> Segment profit of Container Houses Business before amortisation of other intangible assets	<b>43,884</b>	-
Amortisation of other intangible assets	<b>(13,405)</b>	-
Segment profit of Container Houses Business	<b>30,479</b>	-

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (CONTINUED)

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

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
<b>Segment assets</b>		
Forestry Business	<b>488,475</b>	360,659
Container Houses Business	<b>155,847</b>	136,699
Biomass Fuel Business	<b>7,356</b>	2,656
Money Lending Business	<b>80,224</b>	82,575
<b>Total segment assets</b>	<b>731,902</b>	582,589
Unallocated	<b>43,202</b>	51,195
<b>Total consolidated assets</b>	<b>775,104</b>	633,784
<b>Segment liabilities</b>		
Forestry Business	<b>3,010</b>	3,028
Container Houses Business	<b>3,282</b>	743
Biomass Fuel Business	<b>1,512</b>	1,527
Money Lending Business	<b>74</b>	51
<b>Total segment liabilities</b>	<b>7,878</b>	5,349
Unallocated	<b>470,143</b>	316,535
<b>Total consolidated liabilities</b>	<b>478,021</b>	321,884

## 6. INVESTMENT AND OTHER INCOME

	<b>Six months ended 30 June 2017 RMB'000 (unaudited)</b>	2016 RMB'000 (unaudited)
Interest income	<b>8</b>	45
Sundry income	<b>587</b>	529
	<b>595</b>	574

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on change in fair value of contingent consideration payable	4,299	–
Net loss on change in fair value less costs to sell of plantation forest assets ( <i>Note 14</i> )	(2,229)	(10,267)
Loss on change in fair value of derivative financial instruments	–	(546)
Loss on redemption of promissory notes	(5,913)	–
Loss on redemption of convertible bonds	(203)	–
Exchange gains (losses), net	808	(479)
	<b>(3,238)</b>	<b>(11,292)</b>

## 8. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
– Promissory notes payable	6,311	1,486
– Corporate bonds payable	6,530	4,855
– Convertible bonds ( <i>Note 19</i> )	1,017	1,164
	<b>13,858</b>	<b>7,505</b>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 9. LOSS BEFORE TAX

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Loss before tax has been arrived at after charging:		
Directors' emoluments	<b>815</b>	776
Other staff costs	<b>3,274</b>	3,092
Retirement benefits scheme contributions, excluding directors	<b>175</b>	112
<b>Total staff costs</b>	<b>4,264</b>	3,980
Amortisation of prepaid lease payments	<b>452</b>	120
Amortisation of intangible assets included in administrative and other expenses	<b>13,405</b>	–
Cost of inventories recognised	<b>10</b>	2,438
Depreciation of property, plant and equipment	<b>260</b>	1,354
Operating lease rentals in respect of rented premises	<b>1,923</b>	1,601

## 10. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Hong Kong Profits Tax	<b>292</b>	–
PRC Enterprise Income Tax	<b>8,301</b>	–
	<b>8,593</b>	–

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits for the period.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 10. INCOME TAX EXPENSE (CONTINUED)

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.

## 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 2017 (six months ended 30 June 2016: nil).

## 12. LOSS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(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>(19,441)</b>	(28,480)
Effect of dilutive potential ordinary shares:		
— Interests on convertible bonds	<b>1,017</b>	1,164
— Loss on change in fair value of derivative financial assets	—	546
— Loss on redemption of convertible bonds	<b>203</b>	—
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 2017

## 12. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2017	2016
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>3,678,453</b>	3,264,806
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>17,804</b>	61,549
Weighted average number of ordinary shares for the purpose of diluted earnings/loss per share	<b>3,696,257</b>	3,326,355

*Note:* Diluted loss per share for the six months ended 30 June 2017 and 30 June 2016 are not presented because the Group sustained a loss for the period and the impact of conversion of convertible bonds, if any, is regarded anti-dilutive.

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group incurred approximately RMB46,000 (six months ended 30 June 2016: RMB499,000) on acquisition of property, plant and equipment.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14. PLANTATION FOREST ASSETS

	Dali Forest	Hengchang Forest	Kunlin Forest	Senbo Forest	Ruixiang Forest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Acquisition during the period	-	-	-	66,119	-	66,119
Other additions	-	776	-	-	-	776
Harvested timber transferred to cost of inventories sold	-	(241)	-	-	-	(241)
Change in fair value less costs to sell	142	(1,359)	(32,821)	12,156	-	(21,882)
At 31 December 2016 and at 1 January 2017 (audited)	18,007	192,021	53,902	78,275	-	342,205
Acquisition during the period	-	-	-	-	117,114	117,114
Change in fair value less costs to sell	1,993	2,755	(1,302)	(5,675)	-	(2,229)
At 30 June 2017 (unaudited)	20,000	194,776	52,600	72,600	117,114	457,090

### (a) Dali 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 (“**Dali Forest**”). The Dali 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 Dali Forest. During the period under review, no timber logs in respect of the Dali Forest were harvested (six months ended 30 June 2016: nil). As at 30 June 2017, the Dali Forest is estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 112 hectares of tree plantations with aged 40 years or older.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14. PLANTATION FOREST ASSETS (CONTINUED)

### (b) Hengchang 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 (“**Hengchang Forest**”). The Hengchang Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Hengchang Forest. During the period under review, no timber logs in respect of the Hengchang Forest were harvested (six months ended 30 June 2016: nil). As at 30 June 2017, the Hengchang 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 (six months ended 30 June 2016: nil). As at 30 June 2017, 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.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14. PLANTATION FOREST ASSETS (CONTINUED)

### (d) Senbo Forest

On 11 October 2016, the Group acquired the entire equity interest in Huxiang International Holdings Limited (“**Huxiang**”) and its subsidiaries (collectively referred to as the “**Huxiang Group**”) which principally holds plantation forest assets in Yixing Town, Jiange County, Sichuan Province, the PRC (“**Senbo Forest**”). The Senbo Forest had a total leasehold land base of approximately 13,218 Chinese Mu (equivalent to approximately 881 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Senbo Forest. During the period under review, no timber logs in respect of the Senbo Forest were harvested. As at 30 June 2017, the Senbo Forest is estimated to comprise of approximately 881 hectares of cypress with approximately 290 hectares of tree plantations aged 40 years or older.

### (e) Ruixiang Forest

On 6 June 2017, the Group acquired the entire equity interest in Garden Glaze Limited (“**Garden Glaze**”) and its subsidiaries (collectively referred to as the “**Garden Glaze Group**”) which principally holds plantation forest assets in Longyuanzhen, Houshiziang and Dianzixiang town, Jiange County of the Sichuan Province in the PRC (“**Ruixiang Forest**”). The Ruixiang Forest had a total leasehold land base of approximately 30,653 Chinese Mu (equivalent to approximately of 2,043.5 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Ruixiang Forest. During the period under review, no timber logs in respect of the Ruixiang Forest were harvested. As at 30 June 2017, the Ruixiang Forest is estimated to comprise approximately 2,043.5 hectares of cypress trees with approximately 14 hectares of tree plantations with aged 40 years or older.

### (f) Valuation of plantation forest assets

The Group’s plantation forest assets, Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest, carried at 30 June 2017 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 discount rate of 17.62%, 16%, 16.81% and 16.81% for the Dali Forest, Hengchang Forest, Kunlin Forest and Senbo 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 2017

## 14. PLANTATION FOREST ASSETS (CONTINUED)

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

No valuation of the Ruixiang Forest as at 30 June 2017 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 are as follows:

*Applicable to all Dali Forest, Hengchang Forest, Kunlin Forest and Senbo Forest*

- The logging permit will be granted by the relevant government authorities.
- The forests are managed on a sustainable basis and sufficient logging quota will be continuously granted by the relevant government authorities.
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishment following harvest, or of land not yet planted.
- The cash flows do not take into account income tax and finance costs.
- 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.
- 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 2017

## 14. PLANTATION FOREST ASSETS (CONTINUED)

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

*Additionally applicable to the Dali Forest*

- Cash flow projection is determined for a forecast period of 8.5 years up to 2022 with the first year of logging activities taken to be from 2018. 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, 7,000 cubic meters in the third to seventh year, and 2,092 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 1.19% per annum for each year, which is in line with the producer price index for industrial producers of timber and paper pulp. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.07% per annum for the forecast period.
- The discount rate applied is 17.62%.
- The inflation rate on other operation costs is 3.07% 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.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14. PLANTATION FOREST ASSETS (CONTINUED)

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

*Additionally applicable to the Hengchang Forest*

- Cash flow projection is determined for a forecast period of 9.5 years up to 2026 with the first year of logging activities taken to be from 2018. Management has assumed that the logging volume during the forecast period is 20,000 cubic meters in the first year, 30,000 cubic meters in the second year, 40,000 cubic meters in the third to eighth year and 33,483 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 2017 and onwards.
- The average increment in log sales prices is expected to be 1.19% per annum for each year, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.07% per annum for the forecast period.
- The discount rate applied is 16%.
- The inflation rate on other operation costs is 3.07% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate for cypress is 66%.

*Additionally applicable to the Kunlin Forest*

- Cash flow projection is determined for a forecast period of 10.5 years up to 2027 with the first year of logging activities taken to be from 2018. Management has assumed that the logging volume during the forecast period is 7,500 cubic meters in the first year, 10,000 cubic meters from the second to ninth year and 6,077 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 obtained certain logging permits for the harvest of timber logs in the year of 2017 and onwards.



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14. PLANTATION FOREST ASSETS (CONTINUED)

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

*Additionally applicable to the Kunlin Forest (Continued)*

- The average increment in log sales prices is expected to be 1.19% per annum for each year, which is in line with the producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.07% per annum for the forest period.
- The discount rate applied is 16.81%.
- The inflation rate on other operation costs is 3.07% per annum.
- The biological growth rate of cypress is 5.43% per annum.
- The yielding rate of cypress is 66%.

*Additionally applicable to the Senbo Forest*

- Cash flow projection is determined for a forecast period of 9.5 years up to 2026 with the first year of logging activities taken to be from 2018. Management has assumed that the logging volume during the forecast period is 7,500 cubic meters, 10,000 cubic meters and 13,000 cubic meters in the first three year, 16,000 cubic meters in the forth to eighth year, and 13,441 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 2017 and onwards.
- The average increment in log sales prices is expected to be 1.19% per annum for each year, which is in line with the producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 3.07% per annum for the forest period.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14. PLANTATION FOREST ASSETS (CONTINUED)

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

*Additionally applicable to the Senbo Forest (Continued)*

- The discount rate applied is 16.81%.
  
- The inflation rate on other operation costs is 3.07% per annum.
  
- The biological growth rate of cypress is 5.43% per annum.
  
- The yielding rate of cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 30 June 2017 and 31 December 2016 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 2017, certain approvals of the logging permits for the Kunlin Forest were obtained by the Group. In the opinion of the directors of the Company, the absence of logging permit of the rest of the Forests 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 2017

## 14. PLANTATION FOREST ASSETS (CONTINUED)

### (g) 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 2017

## 15. TRADE AND OTHER RECEIVABLES

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Trade receivables	<b>44,128</b>	11,068
Other receivables	<b>11,378</b>	11,307
	<b>55,506</b>	22,375

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 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
0–90 days	<b>23,350</b>	8,830
91–180 days	<b>19,906</b>	1,948
181–365 days	<b>872</b>	290
	<b>44,128</b>	11,068

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 16. TRADE AND OTHER PAYABLES

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Trade payables	<b>81</b>	81
Other payables	<b>10,069</b>	5,859
Accrued charges	<b>1,885</b>	2,086
	<b>12,035</b>	8,026

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 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Over 90 days	<b>81</b>	81
	<b>81</b>	81

## 17. PROMISSORY NOTES PAYABLE

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Promissory notes payable		
– issued on 28 May 2013 ( <i>Note a</i> )	<b>22,681</b>	22,691
– issued on 16 August 2016 ( <i>Note b</i> )	<b>46,819</b>	44,620
– issued on 11 October 2016 ( <i>Note c</i> )	–	16,536
– issued on 6 June 2017 ( <i>Note d</i> )	<b>129,920</b>	–
	<b>199,420</b>	83,847

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 17. PROMISSORY NOTES PAYABLE (CONTINUED)

*Notes:*

**(a) Promissory note issued on 28 May 2013 (the “Note A”)**

No part of the Note A was repaid by the Company during the six months ended 30 June 2017 and the Note A with the principal amount of HK\$27,503,000 (31 December 2016: HK\$27,503,000) remained outstanding as at that date.

**(b) Promissory note issued on 16 August 2016 (the “Note B”)**

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

The Note B, which is secured by the pledge of 318,500,000 ordinary shares of the Company held by Wang Yue, the executive director of the Company, carries interest at 10% per annum and is payable on the maturity date of 15 August 2017. No part of the Note B was repaid by the Company during the six months ended 30 June 2017 and the Note B with the principal amount of HK\$50,000,000 (31 December 2016: HK\$50,000,000) remained outstanding.

**(c) Promissory note issued on 11 October 2016 (the “Note C”)**

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

The Note C, which was unsecured, carried interest at 3% per annum and was payable on the maturity date of 10 October 2019. During the year ended 31 December 2016, the Company redeemed part of the Note C with the principal amount of HK\$8,000,000. During the current period, the Company fully redeemed the Note C with the principal amount of HK\$25,000,000.

**(d) Promissory note issued on 6 June 2017 (the “Note D”)**

On 6 June 2017, the Company issued the Note D with the principal amount of HK\$170,000,000 as the consideration of the acquisition of the entire interest in Garden Glaze and its subsidiaries.

The Note D, which is unsecured, carries interest at 5% per annum and is payable on the maturity date on 5 June 2019. No part of the Note D was repaid by the Company during the six months ended 30 June 2017, and the Note D with the principal amount of HK\$170,000,000 (31 December 2016: Nil) remained outstanding.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 18. CORPORATE BONDS PAYABLE

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Unsecured corporate bonds payable:		
– Within one year	–	–
– More than one year, but not exceeding two years	<b>16,728</b>	–
– More than two years, but not exceeding five years	<b>129,597</b>	52,951
– More than five years	<b>42,637</b>	82,581
	<b>188,962</b>	135,532
Less: Amount shown under current liabilities	–	–
Amount shown under non-current liabilities	<b>188,962</b>	135,532

During the six months ended 30 June 2017, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK\$64,500,000, which gave rise to a total proceeds of HK\$64,500,000 (equivalent to RMB55,980,000) (before expense). The corporate bonds, which carry interest at interest rate ranged from 5% to 10% per annum, are wholly repayable by the Company at the end of the maturity period of 2 years to 7.5 years from the respective dates of issue.

During the six months ended 30 June 2017, no part of corporate bonds was repaid by the Company.

## 19. CONVERTIBLE BONDS PAYABLE

During the six months ended 30 June 2016, 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:

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

## 19. 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:

	<b>Liability component</b>	<b>Derivative component</b>	<b>Equity component</b>
	RMB'000	RMB'000	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 ( <i>Note 8</i> )	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 (unaudited)	19,528	(2,307)	4,753
Interest charge for the period	1,676	–	–
Interest paid during the period	(109)	–	–
Converted during the period	(3,591)	–	(1,455)
Loss on change in fair value of derivative financial assets	–	2,122	–
Exchange realignment	788	(21)	–
At 31 December 2016 (audited)	18,292	(206)	3,298
Interest charge for the period ( <i>Note 8</i> )	1,017	–	–
Interest paid during the period	(1,414)	–	–
Redeemed during the period	(17,749)	203	(3,298)
Exchange realignment	(146)	3	–
At 30 June 2017 (unaudited)	–	–	–



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 19. CONVERTIBLE BONDS PAYABLE (CONTINUED)

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.

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

On 11 April 2017, the remaining part of the convertible bonds with the principal amount of HK\$20,000,000 was redeemed at the consideration of HK\$21,600,000 respectively. At 30 June 2017, no convertible bonds remained outstanding (31 December 2016: convertible bonds with an aggregate principal amount of HK20,000,000 remained outstanding).

## 20. SHARE CAPITAL

	Par value HK\$	Number of ordinary shares '000	Nominal amount HK\$'000
<i>Authorised:</i>			
At 1 January 2016 (audited), 30 June 2016 (unaudited) and 31 December 2016 (audited)	0.002	5,000,000	10,000
Increase in authorised share capital	0.002	45,000,000	90,000
At 30 June 2017 (unaudited)	0.002	50,000,000	100,000

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 20. 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 2016 (audited)	0.002	3,016,284	6,033	5,115
Issue of shares on acquisition of subsidiaries ( <i>Note (i)</i> )	0.002	328,283	656	552
Issue of shares on exercise of share options ( <i>Note (ii)</i> )	0.002	27,500	55	47
Issue of shares on conversion of convertible bonds ( <i>Note (iii)</i> )	0.002	51,360	103	86
At 30 June 2016 (unaudited)	0.002	3,423,427	6,847	5,800
Issue of shares on acquisition of subsidiaries ( <i>Note (iv)</i> )	0.002	127,186	254	219
Issue of shares on exercise of share options ( <i>Note (v)</i> )	0.002	112,000	224	193
Issue of shares on conversion of convertible bonds ( <i>Note (vi)</i> )	0.002	15,840	32	27
At 31 December 2016 (audited) and 30 June 2017 (unaudited)	0.002	3,678,453	7,357	6,239

Notes:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) On 9 September 2016, the Company issued 127,186,240 new ordinary shares of the Company for the acquisition of Gorgeous City Investment Limited.
- (v) On 25 July 2016, the Company issued 112,000,000 shares upon the exercise of share options granted at the exercise price of HK\$0.331 per shares, giving rise to a gross proceed of 37,072,000.
- (vi) On 24 August 2016, portion of the convertible bonds with the principal amount of HK\$5,000,000 were converted into approximately 15,840,000 new shares of the Company at the conversion price of HK\$0.315 per share.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 21. PLEDGE OF ASSETS

As at 30 June 2017 and 31 December 2016, there was no pledge of assets of the Group.

## 22. 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.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK\$1 is payable on the grant of an option. The period within which the option must be exercised will be specified by the Company at the time of grant. Such period must expire no later than 10 years from the relevant date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

### Six months ended 30 June 2017

No share options were granted, exercised, forfeited or cancelled during the six months ended 30 June 2017 and no share options remained outstanding as at that date.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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

### Year ended 31 December 2016

No share options were granted by the Company during the year ended 31 December 2016. Movements of the share options granted during the year ended 31 December 2016 by the Company are as follows:

	Exercise price per share HK\$	Date of grant	Number of share options granted					Outstanding at 31 December 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 2017

## 23. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements with leases negotiated for an average term of one to three years (31 December 2016: one to three years) and rentals are fixed over the lease term.

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

### 30 June 2017

	<b>Total RMB'000 (unaudited)</b>
Within one year	<b>2,407</b>
In the second to fifth years inclusive	<b>1,948</b>
More than five years	-
	<b>4,355</b>

### 31 December 2016

	Total RMB'000 (audited)
Within one year	4,107
In the second to fifth years inclusive	3,366
More than five years	-
	7,473

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 24. CAPITAL COMMITMENTS

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
<hr/>		
Contracted but not provided for:		
Acquisition of subsidiaries ( <i>Note</i> )	<b>95,000</b>	–

*Note:* Reference is made to the announcements of the Company dated 2 March 2017, 30 June 2017 and 31 July 2017. On 2 March 2017, the Company entered into an acquisition agreement (the “**Acquisition Agreement**”) with certain third parties, under which the Company has conditionally agreed to sell, the entire equity interest in Xiangyin Chong Sheng Chi Yip Limited 湘陰中箱置業有限公司 (“**Xiangyin Chong Sheng**”), for an aggregate consideration of RMB100,000,000, of which a deposit of approximately RMB5,000,000 was paid by the Company up to 30 June 2017, Xiangyin Chong Sheng was established in the PRC and is principally engaged in maintenance and leasing of container houses. Pursuant to the acquisition agreement, the balance of the purchase consideration of RMB95,000,000 will be satisfied by issue of Promissory Note by the Company.

## 25. RELATED PARTY TRANSACTIONS

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

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

	<b>Six months ended 30 June 2017 RMB'000 (unaudited)</b>	2016 RMB'000 (unaudited)
<hr/>		
Salaries and other allowances	<b>1,576</b>	1,500
Retirement benefits scheme contributions	<b>8</b>	8
	<b>1,584</b>	1,508

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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

- (i) On 20 July 2017, the Company issued 668,913,445 new shares of the Company to not less than six independent third parties at the price of HK\$0.11 per share giving rise to proceeds of approximately HK\$72.99 million (net of expenses).
- (ii) On 1 August 2017, the Company entered into a subscription agreement with an independent private investor, pursuant to which the Company issued to the private investor the corporate bonds with the aggregate principal amount of HK\$10,000,000, bearing interest at 7% per annum and with maturity period of eight years from the date of issue.
- (iii) On 17 August 2017, the Company fully redeemed the Note B (Note 17b) with the principal amount of HK\$50 million for a cash consideration of HK\$52.5 million and the pledge of 318,150,000 shares of the Company held by the executive director of the Company was discharged upon completion of the redemption.

