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)

2018
ANNUAL REPORT

Contents

Corporate Information

DIRECTORS

Executive Directors:

Mr. Lei Zuliang (Resigned with effect from 1 February 2019)
Mr. Wang Yue *(Chairman, appointed on 1 February 2019)*
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. Liu Zhaoxiang
Mr. Lei Zuliang
(Resigned with effect from 1 February 2019)
Mr. Wang Yue (Appointed on 1 February 2019)

NOMINATION COMMITTEE

Mr. Liu Zhaoxiang *(Chairman)*
Mr. Liang Guoxin
Mr. Lei Zuliang
(Resigned with effect from 1 February 2019)
Mr. Wang Yue (Appointed on 1 February 2019)

JOINT COMPANY SECRETARIES

Mr. Ding Liang CGA, ACCA
Mr. Leung Man Kit FCPA

AUTHORISED REPRESENTATIVES

Mr. Lei Zuliang
(Resigned with effect from 1 February 2019)
Mr. Wang Yue (Appointed on 1 February 2019)
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

Room 1701, Building A,
Tianan Chuangxin Technology Square,
Phase 1, Chegongmiao,
Futian District, Shenzhen City
Guangdong Province, China

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

COMPANY WEBSITE

www.chinacaflc.com

STOCK CODE

01069

Financial Highlights

ANNUAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

- Revenue from continuing operations for the financial year ended 31 December 2018 amounted to approximately Renminbi ("**RMB**") 51.4 million (2017: RMB85.6 million), representing a decrease of approximately 40% as compared with corresponding period in 2017.

- Segment revenue from the container house business, forestry business and money lending business for the financial year ended 31 December 2018 were approximately RMB25.1 million (2017: RMB56 million), RMB20.5 million (2017: RMB24 million) and RMB5.7 million (2017: RMB5.6 million) respectively.

- Segment results from the container house business, forestry business and money lending business for the financial year ended 31 December 2018 were loss of approximately RMB48.4 million (2017: loss of RMB29 million), profit of approximately RMB6.3 million (2017: profit of RMB53.7 million) and profit of approximately RMB2.3 million (2017: RMB4.5 million) respectively.

- Loss attributable to the owners of the Company for the financial year ended 31 December 2018 amounted to approximately RMB65.3 million (2017: RMB7.7 million), representing an increase in loss of approximately 748% as compared with corresponding period in 2017.

- Total comprehensive expense attributable to the owners of the Company for the financial year ended 31 December 2018 amounted to approximately RMB78 million (2017: total comprehensive income RMB6 million), representing a decrease of approximately 1,400% as compared with corresponding period in 2017.

- The gearing ratio for the financial year ended 31 December 2018 was approximately 32.5% (2017: 54.7%), representing a decrease of 40.1% as compared with corresponding period in 2017.

- Basic loss per share for the financial year ended 31 December 2018 amounted to RMB0.89 cents (2017: RMB0.18 cents).

- The board (the "**Board**") of directors of the Company (the "**Directors**") does not recommend the payment of a final dividend for the financial year ended 31 December 2018 (2017: nil).

Chairman's Statement

On behalf of the Board, I am pleased to present to our valued shareholders and investors the annual report (the "**Annual Report**") of China Agroforestry Low-Carbon Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 December 2018.

The year of 2018 is a challenge one. Facing a volatile global stock market, the securities market in Hong Kong has been full of ups and downs. Especially in the second half year of 2018, the global and domestic economy slow down its growth due to ongoing US Sino trade argument and downturn in the Chinese economy. The Group believes changes will create opportunities, as a result, the Group continues to channel its resources to development of the existing business segments. The Group will place more resources in providing and improving advanced Financial Solutions and its services to fulfil customer needs and market demand.

To mitigate the market risks in the financial sector as well as to expand our customer base, the Group has been actively seeking opportunity to cooperate with third party business partners in providing sales, trading, manufacturing and processing of wood products which can strengthen the Group's business development capability under the current economic condition. We also consider that the opportunities for the Group to vertically expand its forestry business and the forest management business of the Group. The business of sales, trading, manufacturing and processing of wood products can mutually create synergies as timber logs logged from the Group's existing forest management business can be supplied for its business at competitive cost. The Group expects that the business operation for the coming years will be more cost effective with reducing working capital requirement and more in-depth management concentration.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually. The Group is applying for the relevant annual logging permits for the forest lands in 2019 to commence harvesting work. The production capacity will depend on the approval from relevant government authority and actual conditions of the forest lands.

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

On behalf of the Board
Wang Yue
Chairman, Executive Director and Chief Executive Officer

Shenzhen, the PRC, 29 March 2019

Management Discussion and Analysis

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in the businesses of (a) forestry management; (b) money lending and (c) provision of management and related services for the leases of container houses.

Continuing Operations

Forestry Management Business

As at 31 December 2018, the long-lease forest lands in the PRC owned by the Group were approximately 21,045 Chinese Mu (equivalent to approximately of 1,403 hectares), 9,623 Chinese Mu (equivalent to approximately of 642 hectares), 13,219 Chinese Mu (equivalent to approximately of 881 hectares), 30,653 Chinese Mu (equivalent to approximately 2,044 hectares) and 42,814 Chinese Mu (equivalent to approximately of 2,854 hectares), in 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**"); Longyuanzhen Houshixiang and Dianzixiang town of Jiange County of Sichuan Province (the "**Ruixiang Forest**"); and Kaifeng Town, Yingshui village, Guangping village, Zheba village of Jiange County of Sichuan Province (The "**Wantai Forest**" together with the Hengchang Forest, Kunlin Forest, Ruixiang Forest and Senbo Forest, the "**Forest**"), respectively.

The **Hengchang Forest** is held by China Timbers Limited ("**China Timbers**", together with its subsidiaries "**China Timbers Group**"), through its wholly-owned subsidiaries. China Timbers was acquired by the Group on 28 May 2013. The Group harvested timber logs of approximately 2,837 cubic metres (2017: 10,700 cubic metres) in the Hengchang Forest during the year ended 31 December 2018. As at 31 December 2018, the Hengchang Forest was estimated to comprise of approximately 1,389 hectares of cypress.

The **Kunlin Forest** is held by China Timbers through its wholly-owned subsidiaries. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 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 year under review, approval of the logging permit in respect of the Kunlin Forest was not obtained by the Group and no timber logs were harvested. As at 31 December 2018, the Kunlin Forest is estimated to comprise of approximately 642 hectares of cypress.

The **Senbo Forest** is held by Huxiang International Holdings Limited ("**Huxiang**" together with its subsidiaries "**Huxiang Group**"), through its wholly-owned subsidiaries. Huxiang was acquired by the Group on 11 October 2016. The Senbo Forest had a total leasehold land base of approximately 13,219 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 year under review, timber logs of approximately 2,113 cubic metres (2017: Nil) in respect of Senbo Forest was harvested and the fair value of the timber logs harvested amounted to approximately RMB1,415,000 (2017: Nil), which was estimated by reference to their fair value less costs to sell, was transferred to cost of inventories sold. As at 31 December 2018, the Senbo Forest is estimated to comprise of approximately 881 hectares of cypress with approximately 171 hectares of tree plantations aged 40 years or older.

The **Ruixiang Forest** is held by Garden Glaze Limited ("**Garden Glaze**" together with its subsidiaries "**Garden Glaze Group**"), through its wholly-owned subsidiaries. Garden Glaze was acquired by the Group on 6 June 2017. The Ruixiang Forest had a total leasehold land base of approximately 30,653 Chinese Mu (equivalent to approximately of 2,044 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 year under review, timber logs of approximately 3,125 cubic metres (2017: Nil) in respect of Ruixiang Forest was harvested and the fair value of the timber logs harvested amounted to approximately RMB2,239,000 (2017: Nil), which was estimated by reference to their fair value less costs to sell, was transferred to cost of inventories sold. As at 31 December 2018, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares of cypress with approximately 9 hectares of tree plantations with aged 40 years or older.

On 24 August 2018, the Group acquired the entire equity interest in Today Bridge Limited ("**Today Bridge**") and its subsidiaries (collectively referred to as the "**Today Bridge Group**") which principally holds plantation forest assets in Kaifeng Town, Yingshui village, Guangping village, Zheba village, Jiange County of the Sichuan Province in the PRC ("**Wantai Forest**"). The Wantai Forest had a total leasehold land base of approximately 42,814 Chinese Mu (equivalent to approximately of 2,854 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 Wantai Forest. During the year under review, approval of the logging permit in respect of the Wantai Forest was not obtained by the Group and no timber logs in respect of the Wantai Forest were harvested. As at 31 December 2018, the Wantai Forest is estimated to comprise approximately 2,854 hectares of cypress.

For the year of 2018, the forestry management business of the Group achieved a revenue of RMB20.5 million (2017: RMB24 million), which accounted for 39.9% of the total revenue.

Money Lending Business

The Company's wholly-owned subsidiary, namely, Forever Biosource (Credit) Limited, is engaged in money lending business and recorded a gain of approximately RMB5.7 million (2017: RMB5.6 million) as interest income during the financial year ended 31 December 2018.

Container House Business

Generally, 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 also involved in the forest land business in the foreseeable future, it has the capability to provide sufficient raw materials to satisfy the demand of wood materials in container house business.

During the year under review, the Board noted that there were changes in economic and regulatory environments of container house business in the PRC. To better allocate resources for the Group and to realize the Group's investment in its container house business, as set out in the announcements of the Company dated 7 December 2018 and 14 December 2018, on 14 December 2018, the Group disposed Exceed Target Investment Group Limited and its subsidiaries, including the then operating subsidiary Xiangyin Chong Sheng Chi Yip Limited* (湘陰中箱置業有限公司), which engaged in container house business.

The Group currently conducts container house business through Shenzhen Heng Fu Delaisi Intelligent Housing Limited* (深圳恒富得萊斯智能房屋有限公司) and the relevant PRC subsidiaries.

During the year ended 31 December 2018, the Group achieved a revenue of RMB25.1 million (2017: RMB56 million), which accounted for 48.9% of the total revenue.

* for identification purpose only

SIGNIFICANT INVESTMENT OR ACQUISITIONS AND DISPOSAL

As disclosed in Company's announcements dated 7 December 2018 and 14 December 2018, on 7 December 2018, the Company as the vendor, entered into a sale and purchase agreement with the respective purchaser (as referred to in the said announcement), pursuant to which the Company has agreed to sell and the independent third party purchaser has agreed to purchase the entire issued share capital of Exceed Target Investment Group Limited ("**Exceed Target**", together with its subsidiaries, "**Disposal Group**") at a total consideration of RMB93,000,000 (equivalent to approximately HK$105,629,400) (the "**Disposal**"). The principal business of Exceed Target's indirect wholly-owned subsidiary, Xiangyin Chong Sheng (which was the operating subsidiary in the PRC of the Disposal Group), was maintenance and leasing of container houses, with principal assets of approximately 9,500 container houses in the PRC. The Board noted that there were changes in economic and regulatory environments of container house business in the PRC. The Board is of the view that the Disposal would be better allocation of resources for the Group to realize the Group's investment in its container house business.

As disclosed in the Company's announcements dated 25 May 2018 and 13 August 2018 (the "**13 August Announcement**"), the Company and independent third party vendors (as referred to in the 13 August Announcement) (each the "**Vendor**" and collectively the "**Vendors**") entered into the Acquisition Agreement (as defined in the 13 August Announcement), pursuant to which, among other things, the Company has conditionally agreed to acquire from the Vendors the entire issued shares of Today Bridge at a consideration of HK$166,000,000 ("**Acquisition of Today Bridge**").

Today Bridge is an investment holding company incorporated in British Virgin Islands with limited liability. Through its direct wholly-owned subsidiary, Today Bridge holds the entire equity interest in Xinglonghe Shiye (Shenzhen) Limited* (興隆和實業(深圳)有限公司) ("**Xinglonghe Shiye**"). The principal asset of Xinglonghe Shiye is its entire equity interest in Jiange Wantai Linye Limited* (劍閣縣萬泰林業有限公司), which is principally engaged in the operation of tree plantations, sale and plantation of Chinese herbs, providing consultation services of seedlings technology.

The Board considered that the business of Xinglonghe Shiye and its subsidiary may provide the Group further support and opportunities to develop and expand its forestry business. The Acquisition of Today Bridge is in line with the Group's growth strategies and shall benefit the Group by strengthening its core business and diversifying its revenue sources.

The completion of the Acquisition of Today Bridge took place on 24 August 2018, and Today Bridge became a wholly-owned subsidiary of the Company and accordingly, the financial information of Today Bridge and its subsidiaries has been consolidated into the accounts of the Group.

Save as disclosed above, there were no significant investment held or material acquisitions and disposals of subsidiaries for the year ended 31 December 2018.

* for identification purpose only

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As disclosed in the prospectus of the Company dated 12 July 2018, the Board intends to maintain the Group's principal business as well as to diversify the Group's business to include the design and construction of light steel villas and assembled mobile houses in order to strengthen the Group's income stream and maximise return to its shareholders (the "**Shareholders**"). The Company intends to establish a research and development facility, a factory, a storage yard and a showroom for the light steel villas and assembled mobile houses in the surrounding area of Shenzhen, the PRC, where the light steel villas and assembled mobile houses will also be manufactured. This will diversify the Group's pre-fabricated housing products, in addition to the existing container houses business, to include light steel villas and assembled mobile houses.

Light steel villas and assembled mobile houses are buildings with their components built off-site in a factory and then assembled quickly on-site. These products are intended to be used as (i) leisure villas and guest houses in tourist spots; (ii) temporary housing for disaster relief; (iii) easy assembled motel-like infrastructures along highways; and (iv) functional facilities such as toilets, offices, guard booths and duty rooms.

Save as disclosed above, the Group had no other future plans for material investments or capital assets as at the date of this report.

FUND RAISING ACTIVITIES

During the year ended 31 December 2018, in order to support the acquisition of the new business and the development of the Group's forestry management business and the container house business, the Group has engaged in certain fund raising activities, details of which are set out as follows:

Rights issue

References are made to the announcements of the Company dated 25 January 2018 (the "**25 January 2018 Announcement**") and 2 August 2018, the circular of the Company dated 8 May 2018 and the prospectus of the Company dated 12 July 2018 respectively. On 25 January 2018, the Underwriters (as defined in the 25 January 2018 Announcement) and the Company entered into an underwriting agreement (as supplemented by a supplemental underwriting agreement dated 19 March 2018, the "**Underwriting Agreement**"), pursuant to which, the Underwriters have conditionally agreed to underwrite all the Underwritten Shares (as defined in the 25 January 2018 Announcement) subject to the terms and conditions set out in the Underwriting Agreement. On 25 January 2018, the Board proposed to raise approximately HK$344 million, before expenses, by way of the Rights Issue of 6,614,532,249 Rights Shares (as defined in the 25 January 2018 Announcement) to the Qualifying Shareholders (as defined in the 25 January 2018 Announcement) (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date (as defined in the 25 January 2018 Announcement) up to the Record Date (as defined in the 25 January 2018 Announcement)) at a subscription price of HK$0.052 per Rights Share (as defined in the 25 January 2018 Announcement) on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date. The Rights Issue was approved by the independent Shareholders at the extraordinary general meeting of the Company on 28 June 2018.

As disclosed in the prospectus of the Company dated 12 July 2018, the net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK$334 million. The Company intends to apply net proceeds of approximately HK$334 million as to (i) approximately HK$50 million for the research and development, design and construction of light steel villas and assembled mobile houses; (ii) approximately HK$211 million for the proposed acquisition of forest lands in the PRC; and (iii) approximately HK$73 million for the settlement of promissory notes and corporate bonds.

As at the date of this report, the net proceeds from the Rights Issue of (i) approximately HK$131.9 million were applied for the acquisition of entire equity interest in Today Bridge (which held Wantai Forest through its wholly-owned subsidiaries); and (ii) approximately HK$134.8 million were applied for the settlement of promissory notes.

Issue of promissory note

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.

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 2017, no part of the Note A was redeemed.

Reference is made to the announcement of the Company dated 23 May 2018, the Company and the corresponding Note A holders mutually agreed to extend the maturity date of Note A with the said outstanding principal amount and the said corresponding outstanding interest to 28 August 2018.

Reference is also made to the Company's announcement dated 28 August 2018, all outstanding principal amount of the Note A, being HK$27,503,000 and the corresponding outstanding interest, being HK$892,139.13 have been fully repaid by the Company on 28 August 2018.

Promissory note issued on 6 June 2017 (the "Note D")

On 31 May 2017, the Company and the vendors, six independent third parties entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire the entire issued share capital in Garden Glaze, at total consideration of HK$170,000,000, to be satisfied by the issue of the Promissory Note (being the "**Note D**") to the vendors. Garden Glaze is an investment holding company incorporated in the BVI with limited liability. Through its wholly-owned subsidiaries, Garden Glaze indirectly wholly holds the entire equity interest in Jiange Ruixiang Linye Company Limited, which is principally engaged in the plantation, harvesting and selling of timber in the forests, and possesses the Ruixiang Forest and the right to be engaged in the operations and management of the Ruixiang Forest. The Note D bears an interest at 5% per annum for two years and is payable on the maturity date of 5 June 2019. During the year ended 31 December 2017, the Company redeemed part of the Note D with the principal amount of HK$86,200,000 for cash consideration of HK$86,200,000. During the year ended 31 December 2018, the Company redeemed part of the Note D with the principal amount of HK$60,000,000 for cash consideration of HK$60,000,000. At 31 December 2018, the Note D with the principal amount of HK$23,800,000 remained outstanding.

Promissory note issued on 21 November 2017 (the "Note E")

On 2 March 2017, YuePengDa Forestry (Shenzhen) Limited*, an indirect wholly-owned subsidiary of the Company, and Shenzhen Chong Sheng Chi Yip Limited* (the "**Shenzhen Chong Sheng**") entered into an acquisition agreement, pursuant to which, among other things, the Group has conditionally agreed to acquire the entire issued share capital in Xiangyin Chong Sheng, at total consideration of RMB100,000,000, to be satisfied by (i) RMB5 million in cash; and (ii) RMB95 million by the issue of the Promissory Note (being the "**Note E**") to Shenzhen Chong Sheng. Xiangyin Chong Sheng principally engaged in the business of design, manufacture and distribution of container houses. The Note E bears an interest at 3.5% per annum for two years and is payable on the maturity date of 20 November 2019. During the year ended 31 December 2018, all outstanding principal amount of the Note E, being RMB95,000,000, has been fully repaid by the Company, and the corresponding outstanding interest was agreed to be waived by both parties.

Promissory note issued on 15 August 2018 (the "Note F")

On 15 August 2018, the Company issued the Note F with the principal amount of HK$34,100,000 as part of the consideration for acquisition of the entire interest in Today Bridge and its subsidiaries. The Note F is unsecured, carries interest at 5% per annum and is payable on the maturity date of 14 August 2020. The Company is also entitled to redeem the whole or part of the Note F at any time after the issue date to one day before the maturity date by 7 business days advance notice.

At the end of the reporting period, the Note F with the principal amount of HK$34,100,000 (2017: Nil) remained outstanding.

* for identification purpose only

FINANCIAL REVIEW

Revenue

During the financial year ended 31 December 2018, the Company recorded revenue from continuing operations of approximately RMB51.4 million, representing a decrease of approximately 40% as compared to approximately RMB85.6 million for 2017. Such decrease was mainly due to a significant decrease of the revenue from the container house business during the year ended 31 December 2018.

Revenue from the Company's forestry business for the year ended 31 December 2018 was approximately RMB20.5 million (2017: RMB24 million), representing an approximately 14.6% decrease as compared to the year ended 31 December 2017. Such decrease was due to the Group harvested timber logs of approximately 8,075 cubic metres (2017: 14,700 cubic metres), representing an approximately 45.1% decrease as compared to the year ended 31 December 2017.

The Group also received interest income of approximately RMB5.7 million (2017: RMB5.6 million) from the money lending business engaged by its wholly-owned subsidiary during the financial year ended 31 December 2018.

After the completion of the acquisition of Hengfudelaisi on 9 September 2016, turnover from the Company's container house business for the year ended 31 December 2018 was approximately RMB25.1 million (2017: RMB56 million), which accounted for 48.9% of the total revenue.

Gross Profit

The Group recorded a gross profit from continuing operations of approximately RMB28.1 million for the year ended 31 December 2018 (2017: Gross profit of approximately RMB68 million). Such change was mainly due to the decrease in revenue of the container house business and forestry business.

During the year of 2018, the Group only received the relevant annual logging permit for the Hengchang Forest, the Senbo Forest and the Ruixiang Forest, but not the Kunlin Forest and the Wantai Forest, from the relevant PRC authority in the year ended 31 December 2018.

Loss/gain on change in fair value less costs to sell of plantation forest assets

During the year ended 31 December 2018, the Group recognised a loss on change in fair value of plantation forest assets of approximately RMB5.9 million (2017: gain on change of approximately RMB43.6 million).

Qualifications and independence of the valuer and forestry specialist consultant

Ascent Partners Valuation Service Limited ("**Ascent Partners**" or the "**Independent Valuer**") is an independent professional qualified valuer appointed by the Company for the purpose of preparing the valuation reports dated 28 March 2019 (the "**Valuation Report**") on the fair value of the forest lands with a total site area of approximately 21,045 Chinese Mu, 9,623 Chinese Mu, 13,219 Chinese Mu, 30,653 Chinese Mu and 42,814 Chinese Mu located in 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**", Longyuanzhen Houshixiang and Dianzixiang Town of Jiange County of Sichuan Province (the "**Ruixiang Forest**") and Kaifeng Town, Yingshui village, Guangping village and Zheba village of Jiange County of Sichuan Province (the "**Wantai Forest**"), the PRC, respectively, together with the **Hengchang Forest** and **Kunlin Forest** and **Senbo Forest** and **Ruixiang Forest**, the "**Forests**"). The Independent Valuer has extensive experience in performing valuation of businesses, tangible and intangible assets and financial instruments, and has served as the independent valuer for various forestry projects for listed companies on the Stock Exchange.

Valuation methodology and assumptions

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

Cost Approach — The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost it takes to form the asset. In the opinion of the Independent Valuer, this method is inapplicable to the analysis of the Forests as there is no convincing association of the market value of the subject asset with its cost.

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

However, as an active market for transactions of biological assets with similar characteristics and conditions such as types, sizes, population, environment, etc. does not exist, the market approach is not employed in the valuation of the Forests.

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

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

Material input, included bases and assumptions used in the valuation

Key inputs

The key inputs used in the valuation of the Forests are as follows:

Timber Sale Revenue = Planned Cutting Volume (m^3) X Average Selling Price (RMB/m^3) X Yielding Rate (%) X Price Growth Factor

The experimental form factor formula originally developed by Professor Lin Changgeng ("**Professor Lin**") of Nanjing Forestry University in 1961, to calculate the standing timber volume was adopted as below:

$$V= F * (H+3) * G$$

where V is standing timber stock volume calculated, F is the experimental form factor, H is the average height of trees, and G is the basal area measured by angle gauge. The values of G and H are collected and derived from the raw data collected on-site by Mr. Peng, while the value of F is retrieved from the ArcGIS, a complete geographical system which integrates hardware, software, and data for capturing, managing, analyzing, and displaying all forms of geographically referenced information and related database.

Key assumptions

The key assumptions made by the Independent Valuer in valuing the Forests are as follows:

a. The Independent Valuer has assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of Jiange Hengchang Low-Carbon Forestry Development Co., Ltd*. (劍閣縣恒昌低碳林業開發有限公司) ("**Jiange Hengchang**"), Jiange Kunlin Linye Company* (劍閣縣坤林林業種植有限公司) ("**Jiange Kunlin**"), Jiange Senbo Linye Company* (劍閣縣森博林業有限公司) ("**Jiange Senbo**"), Jiange Ruixiang Linye Company Ltd.* (劍閣縣瑞祥林業有限公司) ("**Jiange Ruixiang**"), and Jiange Wantai Linye Limited* (劍閣縣萬泰林業有限公司) ("**Jiange Wantai**").

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

Discount rate

The income approach is employed, based on the financial projections provided primarily by the Company, to estimate the fair value of the Forests. The fair value of the Forests is developed through the application of the weighted-average-cost-of-capital (WACC) to discount the free cash flows to the firm (FCFFs). The WACC is calculated by taking into account the relative weights of each component of the capital structure. It is computed using the formula below:

$$\text{WACC} = W_e \times R_e + W_d \times R_d \times (1 - t)$$

where:

R_e = *Cost of Equity*

R_d = *Cost of Debt*

W_e = *Weight of Equity Value to Enterprise Value*

W_d = *Weight of Debt Value to Enterprise Value*

t = *Statutory Corporate Tax Rate*

Work performed by Mr. Peng and the Independent Valuer

(A) Work performed by Mr. Peng

Sampling investigation work by random was done by Mr. Peng on the plantation land in the total of 1,214 sub-compartments being divided in accordance to 《森林資源規劃設計調查主要技術規定》(國家林業局，2003年4月) by using a 1:10000 topographic map. In addition, angle gauge sample plot (角規樣地) approach was adopted to determine the timber volume in each sub-compartment.

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

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

* *for identification purpose only*

Based on the said guideline for the determination of the numbers of angle gauge survey sample plots required, 4,194 angle gauge survey sample plots were selected randomly and set up according to the Principal Technical Requirements on Forestry Resources Planning and Design Survey. The stock volume in one sub-compartment can be derived by multiplying the stock volume per unit ha to the area of the sub-compartment. Such sample size is sufficient in ascertaining the stock volume of the Forests which enables to draw the conclusions of the Forests according to the abovementioned guideline in the determination of the numbers of angle gauge survey sample plots required in the forests for sampling purpose.

(i) Hengchang Forest

The survey of a total of 1,403 hectare (equivalent to 21,045 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 1 town and 6 administrative villages, which comprises of 6 compartments and 182 sub-compartments.

(ii) Kunlin Forest

The survey of a total of 642 hectare (equivalent to 9,623 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 1 town and 3 administrative villages, which comprises of 3 compartments and 51 sub-compartments.

(iii) Senbo Forest

The survey of a total of 881 hectare (equivalent to 13,219 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 1 town and 4 administrative villages, which comprises of 4 compartments and 194 sub-compartments.

(iv) Ruixiang Forest

The survey of a total of 2,044 hectare (equivalent to 30,653 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 3 towns and 16 administrative villages, which comprises of 78 compartments and 435 sub-compartments.

(v) Wantai Forest

The survey of a total of 2,854 hectares (equivalent to 42,814 Chinese Mu) has been completed and all of them belong to the forest lands. The surveying area involves 4 towns and 15 administrative villages, which comprises 352 sub-compartments.

(B) Work performed by Independent Valuer

The Independent Valuer has visited the Forests for this fiscal year. They have confirmed with the Company that there is no material change with the stock volume and conditions of the forest plantations. The Independent Valuer has relied on the technical report provided by Mr. Peng as basis for the valuation of the Forests.

Selling Price

Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest

According to the search of websites in the internet, the tree price in the sales contract is reliable. RMB2,500 per cubic meter is adopted as estimation of the market price of the cypress timber. As the market price is based on the dimension of the tree log rather than the age of the trees, in particular the diameter of the tree log, the weighted average is derived by taking into the account of the diameter at breast height distribution which affects the price of cypress log, and hence the valuations of the Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest. Accordingly, the age of the trees is not being considered in the valuation of the Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest.

Major costs in the cash flow projections

(i) ***Hengchang Forest***

- Timber operational cost rate: (1) RMB0/Chinese Mu for maintenance cost, (2) RMB0/m^3 for timber logging cost: (3) RMB0/Chinese Mu for road construction and maintenance cost, (4) RMB0/m^3 for timber transportation cost and (5) RMB126/Chinese Mu for registration fee and other cost;
- Corporate tax: 0% (waived); and
- Management & staff cost: RMB344,420 per year

(ii) ***Kunlin Forest***

- Timber operational cost rate: (1) RMB0/Chinese Mu for maintenance cost, (2) RMB0/m^3 for timber logging cost, (3) RMB0/Chinese Mu for road construction and maintenance cost, (4) RMB0/m^3 for timber transportation cost and (5) RMB126/Chinese Mu for registration fee and other cost;
- Corporate tax: 0% (waived); and
- Management & staff cost: RMB157,489 per year

(iii) ***Senbo Forest***

- Timber operational cost rate: (1) RMB0/Chinese Mu for maintenance cost, (2) RMB0/m^3 for timber logging cost, (3) RMB0/Chinese Mu for road construction and maintenance cost, (4) RMB0/m^3 for timber transportation cost and (5) RMB126/Chinese Mu for registration fee and other cost;
- Corporate tax: 0% (waived); and
- Management & staff cost: RMB216,337 per year

(iv) ***Ruixiang Forest***

- Timber operational cost rate: (1) RMB0/Chinese Mu for maintenance cost, (2) RMB0/m^3 for timber logging cost, (3) RMB0/Chinese Mu for road construction and maintenance cost, (4) RMB0/m^3 for timber transportation cost and (5) RMB126/Chinese Mu for registration fee and other cost;
- Corporate tax: 0% (waived); and
- Management & staff cost: RMB501,655 per year

(v) ***Wantai Forest***

- Timber operational cost rate: (1) RMB0/Chinese Mu for maintenance cost, (2) RMB0 m^3 for timber logging cost, (3) RMB0/Chinese Mu for road construction and maintenance cost, (4) RMB0/m^3 for timber transportation cost and (5) RMB126/Chinese Mu for registration fee and other cost.
- Corporate tax: 0% (waived); and
- Management & staff cost: RMB700,677 per year

Expected yield of the biological assets

Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest

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

Sensitivity analysis for the fair value

The following sensitivity analysis shows the effect on fair values of the biological assets for unobservable and significant inputs.

Sensitivity Analysis

(i) ***Hengchang Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	20.16%	RMB160,550,794	–15.26%
2%	19.16%	RMB169,419,671	–10.58%
1%	18.16%	RMB179,029,890	–5.51%
0%	17.16%	RMB189,460,461	0.00%
–1%	16.16%	RMB200,800,334	5.99%
–2%	15.16%	RMB213,149,823	12.50%
–3%	14.16%	RMB226,622,252	19.61%

Cypress market price

Variance	Market price per m^3	Fair value	% Change
15%	RMB2,875	RMB220,626,187	16.45%
10%	RMB2,750	RMB210,237,612	10.97%
5%	RMB2,625	RMB199,849,036	5.48%
0%	RMB2,500	RMB189,460,461	0.00%
–5%	RMB2,375	RMB179,071,886	–5.48%
–10%	RMB2,250	RMB168,683,310	–10.97%
–15%	RMB2,125	RMB158,294,735	–16.45%

Estimation of cypress volume

Variance	Volume per m^3	Fair value	% Change
15%	275,159	RMB201,450,704	6.33%
10%	263,196	RMB197,821,166	4.41%
5%	251,232	RMB193,829,392	2.31%
0%	239,269	RMB189,460,461	0.00%
–5%	227,306	RMB184,698,066	–2.51%
–10%	215,342	RMB179,524,255	–5.24%
–15%	203,379	RMB173,919,157	–8.20%

Estimation of cypress growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.43%	RMB212,785,825	12.31%
2%	7.43%	RMB204,779,527	8.09%
1%	6.43%	RMB196,929,416	3.94%
0%	5.43%	RMB189,460,461	0.00%
–1%	4.43%	RMB182,352,129	–3.75%
–2%	3.43%	RMB175,647,516	–7.29%
–3%	2.43%	RMB169,307,030	–10.64%

(ii) ***Kunlin Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	21.07%	RMB48,555,107	–12.17%
2%	20.07%	RMB50,654,077	–8.37%
1%	19.07%	RMB52,892,126	–4.32%
0%	18.07%	RMB55,280,970	0.00%
–1%	17.07%	RMB57,833,491	4.62%
–2%	16.07%	RMB60,563,865	9.56%
–3%	15.07%	RMB63,487,715	14.85%

Cypress market price

Variance	Market price per m^3	Fair value	% Change
15%	2,875	RMB64,751,327	17.13%
10%	2,750	RMB61,594,541	11.42%
5%	2,625	RMB58,437,756	5.71%
0%	2,500	RMB55,280,970	0.00%
–5%	2,375	RMB52,124,185	–5.71%
–10%	2,250	RMB48,967,399	–11.42%
–15%	2,125	RMB45,810,614	–17.13%

Estimation of cypress volume

Variance	Volume per m^3	Fair value	% Change
15%	74,357	RMB59,795,696	8.17%
10%	71,124	RMB58,368,963	5.59%
5%	67,891	RMB56,913,316	2.95%
0%	64,658	RMB55,280,970	0.00%
–5%	61,425	RMB53,642,738	–2.96%
–10%	58,192	RMB51,899,814	–6.12%
–15%	54,959	RMB49,964,710	–9.62%

Estimation of cypress growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.43%	RMB61,753,808	11.71%
2%	7.43%	RMB59,465,800	7.57%
1%	6.43%	RMB57,337,951	3.72%
0%	5.43%	RMB55,280,970	0.00%
–1%	4.43%	RMB53,443,204	–3.32%
–2%	3.43%	RMB51,726,378	–6.43%
–3%	2.43%	RMB50,018,071	–9.52%

(iii) ***Senbo Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	21.07%	RMB52,781,888	–16.38%
2%	20.07%	RMB55,919,299	–11.41%
1%	19.07%	RMB59,353,027	–5.97%
0%	18.07%	RMB63,119,593	0.00%
–1%	17.07%	RMB67,260,905	6.56%
–2%	16.07%	RMB71,825,163	13.79%
–3%	15.07%	RMB76,867,944	21.78%

Cypress market price

Variance	Market price per m^3	Fair value	% Change
15%	RMB2,875	RMB73,372,832	16.24%
10%	RMB2,750	RMB69,955,086	10.83%
5%	RMB2,625	RMB66,537,340	5.41%
0%	RMB2,500	RMB63,119,593	0.00%
–5%	RMB2,375	RMB59,701,847	–5.41%
–10%	RMB2,250	RMB56,284,100	–10.83%
–15%	RMB2,125	RMB52,866,354	–16.24%

Estimation of cypress volume

Variance	Volume per m^3	Fair value	% Change
15%	109,841	RMB65,538,247	3.83%
10%	105,065	RMB64,860,414	2.76%
5%	100,290	RMB64,060,932	1.49%
0%	95,514	RMB63,119,593	0.00%
–5%	90,738	RMB62,030,679	–1.73%
–10%	85,963	RMB60,820,997	–3.64%
–15%	81,187	RMB59,428,727	–5.85%

Estimation of cypress growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.43%	RMB67,320,448	6.66%
2%	7.43%	RMB66,714,192	5.69%
1%	6.43%	RMB65,013,369	3.00%
0%	5.43%	RMB63,119,593	0.00%
–1%	4.43%	RMB61,177,462	–3.08%
–2%	3.43%	RMB59,274,025	–6.09%
–3%	2.43%	RMB57,392,888	–9.07%

(iv) ***Ruixiang Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	21.07%	RMB118,682,456	–15.64%
2%	20.07%	RMB125,462,159	–10.82%
1%	19.07%	RMB132,777,277	–5.62%
0%	18.07%	RMB140,680,258	0.00%
–1%	17.07%	RMB149,229,549	6.08%
–2%	16.07%	RMB158,490,367	12.66%
–3%	15.07%	RMB168,535,589	19.80%

Cypress market price

Variance	Market price per m^3	Fair value	% Change
15%	RMB2,875	RMB164,413,736	16.87%
10%	RMB2,750	RMB156,502,577	11.25%
5%	RMB2,625	RMB148,591,417	5.62%
0%	RMB2,500	RMB140,680,258	0.00%
–5%	RMB2,375	RMB132,769,099	–5.62%
–10%	RMB2,250	RMB124,857,940	–11.25%
–15%	RMB2,125	RMB116,946,781	–16.87%

Estimation of cypress volume

Variance	Volume per m^3	Fair value	% Change
15%	221,548	RMB151,100,391	7.41%
10%	211,915	RMB147,916,934	5.14%
5%	202,283	RMB144,333,408	2.60%
0%	192,650	RMB140,680,258	0.00%
–5%	183,018	RMB136,765,996	–2.78%
–10%	173,385	RMB132,371,673	–5.91%
–15%	163,753	RMB127,942,735	–9.05%

Estimation of cypress growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.43%	RMB159,897,966	13.66%
2%	7.43%	RMB153,218,424	8.91%
1%	6.43%	RMB146,764,509	4.32%
0%	5.43%	RMB140,680,258	0.00%
–1%	4.43%	RMB134,985,197	–4.05%
–2%	3.43%	RMB129,653,335	–7.84%
–3%	2.43%	RMB124,421,426	–11.56%

(v) ***Wantai Forest***

Discount rate

Variance	Discount Rate	Fair value	% Change
3%	21.07%	RMB101,935,254	–18.79%
2%	20.07%	RMB109,055,112	–13.11%
1%	19.07%	RMB116,883,034	–6.88%
0%	18.07%	RMB125,515,005	0.00%
–1%	17.07%	RMB135,062,997	7.61%
–2%	16.07%	RMB145,658,046	16.05%
–3%	15.07%	RMB157,454,010	25.45%

Cypress market price

Variance	Tree Price	Fair value	% Change
15%	RMB2,875	RMB149,748,405	19.31%
10%	RMB2,750	RMB141,670,605	12.87%
5%	RMB2,625	RMB133,592,805	6.44%
0%	RMB2,500	RMB125,515,005	0.00%
–5%	RMB2,375	RMB117,437,206	–6.44%
–10%	RMB2,250	RMB109,359,406	–12.87%
–15%	RMB2,125	RMB101,281,606	–19.31%

Estimation of cypress volume

Variance	Volume per m^3	Fair value	% Change
15%	268,125	RMB128,900,114	2.70%
10%	256,467	RMB128,052,444	2.02%
5%	244,810	RMB126,939,442	1.13%
0%	233,152	RMB125,515,005	0.00%
–5%	221,494	RMB123,751,592	–1.40%
–10%	209,837	RMB121,616,839	–3.11%
–15%	198,179	RMB119,036,860	–5.16%

Estimation of cypress growth rate

Variance	Growth Rate	Fair value	% Change
3%	8.43%	RMB129,409,183	3.10%
2%	7.43%	RMB129,409,183	3.10%
1%	6.43%	RMB128,510,017	2.39%
0%	5.43%	RMB125,515,005	0.00%
–1%	4.43%	RMB122,024,412	–2.78%
–2%	3.43%	RMB118,400,642	–5.67%
–3%	2.43%	RMB114,659,116	–8.65%

Administrative Expenses

The administrative expenses from continuing operations decrease by approximately 42.9% from approximately RMB70.2 million for the year ended 31 December 2017 to approximately RMB40.1 million for the year ended 31 December 2018. The decrease in administrative expenses from continuing operations was mainly attributable to administrative costs associated with the container houses business and the decrease of the cost for issue of corporate bonds during the year.

Impairment loss recognised in respect of trade receivables

No impairment loss was recognised in respect of trade receivables for the year ended 31 December 2018 (2017: Nil).

Finance Costs

The finance costs from continuing operations include mainly interests on (i) the promissory notes (being the Note A as stated above) bearing 8% interest rate per annum with the principal amount of HK$144,000,000 issued on 28 May 2013; (ii) the promissory notes (being the Note D as stated above), bearing 5% interest rate per annum with the principal amount of HK$170,000,000 issued on 6 June 2017; (iii) the promissory notes (being the Note E as stated above), bearing 3.5% interest rate per annum with the principal amount of RMB95,000,000 issued on 21 November 2017; (iv) the corporate bonds with the aggregate principal amounts of HK$253,200,000 bearing interest rates ranged from 4% to 10% per annum; and (v) The promissory notes (being the Note F as stated above) bearing 5% interest rate per annum with the principal amount of HK$34,100,000 issued on 15 August 2018.

Income Tax Credit

For the year ended 31 December 2018, the income tax credit from continuing operations was approximately RMB11.9 million (2017: RMB4.8 million), which was attributable to the Hong Kong Profits Tax and the PRC tax imposed on profits of the subsidiaries less the deferred tax credit.

Loss/Profit and Total Comprehensive Income/Expenses Attributable to Owners of the Company

As a result of the above changes, the Company has recorded a loss of approximately RMB65.3 million, representing an increase of approximately 748% as compared to a loss of approximately RMB7.7 million for the year ended 31 December 2017. The total comprehensive loss attributable to owners of the Company was approximately RMB77.8 million for the year ended 31 December 2018, which represents a decrease of approximately 1,400% compared to the total comprehensive income approximately RMB6 million for the year ended 31 December 2017.

Basic Loss per Share

Basic loss per share from continuing operations for the financial year ended 31 December 2018 amounted to RMB0.89 cents (2017: RMB0.18 cents), representing an increase of approximately 394% as compared to that for the previous financial year.

LOANS RECEIVABLE

Certain of the loans receivable with the total principal amount of HK$117,000,000 (2017: HK$56,500,000) are secured by machineries and goods held by other borrowers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total of 57 employees (61 as at 31 December 2017). Total staff costs for the year under review, including the Directors' remuneration and termination benefits, amounted to approximately RMB9.2 million (2017: approximately RMB8.5 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of the performance and the level of experience of each individual employee. Other employee benefits include contributions to social insurance scheme.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows, fundraising activities and bank borrowings. As at 31 December 2018, the Group had total assets of approximately RMB889 million (2017: RMB852 million) and net assets of approximately RMB601 million (2017: RMB386 million). The Group's cash and bank balances as at 31 December 2018 amounted to approximately RMB7.4 million (2017: RMB22.3 million). As at 31 December 2018, there were no unutilised banking facilities (2017: nil).

As discussed above, the Group has engaged in certain fund raising activity during the year, including the rights issue of the Company.

Taking into account the cash reserves and internally generated cash flows from its operating activities, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and seek other opportunities in order to achieve its business objectives.

PLEDGE ON ASSETS

During the year ended 31 December 2018, no pledges of the Company's entire equity interest in all subsidiaries.

COMMITMENTS

The Group had no capital commitments at the end of the reporting period.

The Group leases certain of its office and motor vehicle under operating lease arrangements with leases negotiated for an average term of three to five years (2017: three to five years) and rentals are fixed over the lease term. At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	2,273	3,948
In the second to fifth year inclusive	835	7,744
	3,108	11,692

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: Nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB, being the functional currencies of relevant group entities. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the financial year ended 31 December 2018, the Group did not experience significant exposure to the exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

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 container house industries.

During the year under review, the Board noted that there were changes in economic and regulatory environments of container house business in the PRC. To better allocate resources for the Group and to realize the Group's investment in its container house business, as set out in the announcements of the Company dated 7 December 2018 and 14 December 2018, on 14 December 2018, the Group disposed Exceed Target Investment Group Limited and its subsidiaries, including the then operating subsidiary Xiangyin Chong Sheng Chi Yip Limited* (湘陰中箱置業有限公司), which engaged in container house business. The Board will continue to assess the economic and regulatory environments and formulate suitable strategies of the Group's current container house business in the PRC.

Maintenance works of the Forest of the Group have been ongoing and the respective logging and transportation permits for the respective Forest are being applied for. Harvesting of forest stock in the respective Forest could be commenced when the respective permits are obtained, with production capacity expected to grow gradually in 2019.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 32.5% as at 31 December 2018 (31 December 2017: 54.7%).

As at 31 December 2018, promissory notes with the principal amount of HK$57.9 million remained outstanding and the corporate bonds with the principal amount of HK$253.2 million remained outstanding.

CAPITAL STRUCTURE

The share capital of the Group comprises only ordinary shares. As at 31 December 2018, the total number of the ordinary shares of the Company in issue was 11,024,220,415 shares (31 December 2017: 4,409,688,166 shares). The total equity attributable to the owners of the Company was approximately RMB600.6 million (31 December 2017: approximately RMB386.4 million).

UPDATE OF THE PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF HENGFUDELAISI

References are made to the announcements of the Company dated 22 April 2016, 21 June 2016 and 15 July 2016, and the circular of the Company dated 27 June 2016 concerning the acquisition of Shenzhen Heng Fu Delaisi Intelligent Housing Limited* (深圳恒富得萊斯智能房屋有限公司) ("**Hengfudelaisi**"). The Directors considered that the acquisition could provide an opportunity for the Group to diversify its business into the container house business so as to further enhance its revenue sources as well as to bring positive return to the Shareholders. The acquisition required minimal amount of initial cash outlay given substantial amount of the consideration is to be satisfied by the allotment and issue of the consideration shares. In particular, out of the entire consideration of RMB250,000,000, a total sum of RMB210,000,000 would be payable by stage by the Company on a half-yearly basis after Hengfudelaisi has achieved the profit guarantee in a sum which is equal to the amount of the part of the consideration payable; and the vendors have to compensate up to RMB40,000,000 to the Company if the accumulated audited net profit of Hengfudelaisi after taxation during the guaranteed period is less than RMB210,000,000. As such, capital can be preserved for the development of the existing business of the Group.

Reference is made to the Company's interim report 2017, the profit guarantee of RMB24,500,000 for the period from 1 January 2017 to 30 June 2017 was met. The Company has paid 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.

Reference is also made to the Company's annual report 2017, the profit guarantee of RMB31,500,000 for the period from 1 July 2017 to 31 December 2017 was not met. As Gorgeous City Investment Limited (the ultimate holding company of Hengfudelaisi) failed to meet 70% of the profit guarantee for the period from 1 July 2017 to 31 December 2017, no consideration or any part thereof was paid to the respective vendors for the period from 1 July 2017 to 31 December 2017 in accordance with the terms of the agreement of the acquisition dated 22 April 2016.

Reference is also made to the Company's announcement dated 17 August 2018, the profit guarantee of RMB38,500,000 for the period from 1 January 2018 to 30 June 2018 was not met. As Gorgeous City Investment Limited failed to meet 70% of the profit guarantee for the period 1 January 2018 to 30 June 2018, no consideration or any part thereof was paid to the respective vendors for the period from 1 January 2018 to 30 June 2018 in accordance with the terms of the agreement of the acquisition dated 22 April 2016.

* for identification purpose only

Reference is also made to the Company's announcement dated 13 March 2019, the profit guarantee of RMB45,500,000 for the period from 1 July 2018 to 31 December 2018 was not met. As Gorgeous City Investment Limited failed to meet 70% of the profit guarantee for the period 1 July 2018 to 31 December 2018, no consideration or any part thereof was paid to the respective vendors for the period from 1 July 2018 to 31 December 2018 in accordance with the terms of the agreement of the acquisition dated 22 April 2016.

SUMMARY OF FIVE-YEAR FINANCIAL INFORMATION

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

Results

	For the year ended 31 December				
	2014	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	26,837	10,132	20,114	85,572	**51,359**
Gross profit/(loss)	4,189	(3,312)	14,654	67,984	**28,128**
Loss before tax	(85,201)	(61,773)	(52,736)	(18,797)	**(77,113)**
Loss attributable to owners of the Company	(90,322)	(59,854)	(52,452)	(7,739)	**(65,251)**

Assets and Liabilities

	As at 31 December				
	2014	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non–current assets	264,676	280,553	528,340	664,183	**713,910**
Current assets	67,134	59,737	105,444	188,061	**175,552**
Current liabilities	77,314	17,694	89,496	99,603	**90,718**
Net assets	151,586	198,519	311,900	386,394	**600,620**

EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

In addition to those disclosed in note 46 to the consolidated financial statements, the following event took place subsequent to year ended 31 December 2018:

— The termination of the proposed acquisition of the entire equity interest of Jiange Jianmen Muye Limited* (劍閣縣劍門木業有限公司).

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Yue ('Mr. Wang"), aged 36, is an executive Director and the chief executive officer of the Company. He obtained a bachelor's degree in Business and Economics from the University of Leeds in the United Kingdom in 2004. He has been the general manager of Hunan Kai Xuan Real Estate Development Company Limited*（湖南凱軒房地產開發有限公司）since 2005.

Professor Fei Phillip ("Professor Fei"), aged 62, is an executive Director of the Company. He is the professor of International Economic Department of the University of International Relations (國際關係學院), the Peoples Republic of China. Currently he is the council member of the Chinese Overseas Friendship Association (中華海外聯誼會理事) and the China Council for the Promotion of Peaceful National Reunification (中國和平統一促進會). He is also the specially invited committee member of the Hebei Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese and Foreign Affairs* (河北港澳台僑和外事委員會). He has over 10 years of experience in the international finance, trading business and economic researches.

Non-Executive Directors

Professor Liu Zhikun ("Professor Liu"), aged 63, is a non-executive Director. He graduated with a master's degree in timber logging and transportation at the Northeast Forestry University in the PRC in 1990 and graduated with a bachelor's degree in Central South University of Forestry and Technology in 1982. He is a professor, co-supervisor for doctoral candidates, supervisor for graduates and the vice president for National Engineering and Technology Research Center of Wood-based Resources Comprehensive Utilization in Zhejiang Agricultural and Forestry University. He has been teaching, researching and performing administrative management duties since 1990. Professor Liu's main research works focus on the efficient use of raw material resources, such as wood, bamboo, plywood and etc. He has completed various national and provincial level research projects, and possessed in-depth technical knowledge and achieved fruitful result in the forest industry.

Independent Non-Executive Directors

Ms. Tian Guangmei ("Ms. Tian"), aged 57, is an independent non-executive Director. She graduated in accounting at Beijing Trade Finance and Commerce College (北京財貿金融學院) in 1988. Subsequently in 1999, Ms. Tian was awarded the certificate to certify the middle level of specialty in economics — finance by Shenzhen Zhi Cheng Guan Li Office (深圳市職稱管理辦公室). Since 1983, Ms. Tian has held positions in various commercial firms. She is currently the finance manager of Shenzhen Urban Construction Company Limited (深圳市城建集團有限公司).

Mr. Liang Guoxin ("Mr. Liang"), aged 56, is an independent non-executive Director. He graduated with a master's degree in the technical economics from the Harbin Institute of Technology in 1992 and graduated with a bachelor's degree in mechanization of harvesting transportation from Jilin Forestry College in 1984. Mr. Liang has been a senior economist certified by Guangdong Provincial Personnel Department (廣東省人事廳) since 2000. Mr. Liang has extensive experiences in project development and project management. He was the management of Shenzhen Yantian District Urban Development Co. (深圳市鹽田區城建開發公司), from 1999 to 2005. Since 2005, he has been the person in charge of the construction of two golf courses, clubhouse and villa projects of Shenzhen OCT East Co., Ltd. (深圳東部華僑城有限公司).

* *for identification purpose only*

Mr. Liu Zhaoxiang ("Mr. Liu"), aged 71, is an independent non-executive Director. He graduated with a Bachelor degree in industrial economics and management at the Economics Management and Journal Union University (經濟管理刊授聯合大學) of the PRC in 1986. Mr. Liu has been a member of the Chinese Institute of Certified Public Accountants since 18 March 2000. He has more than 42 years of experience in accounting and auditing, and worked at various stated-owned enterprises, government departments at municipal level and an accounting firm in Hubei Province of the PRC. From 2005 to 2012, Mr. Liu had been a partner of Wongga Partners Certified Public Accountants (SZ) (深圳皇嘉會計師事務所) and since 2012, he has been a chief auditor of the said accounting firm.

Senior Management

Mr. Ding Liang ("Mr. Ding"), aged 46, joined the Group in June 2013 and is the chief financial officer and a joint company secretary of the Company. Mr. Ding holds a bachelor's degree in economics from Shanghai Institute of Foreign Trade (now known as Shanghai University of International Business and Economics) in 1998. Mr. Ding is a fellow member of the Association of Chartered Certified Accountants and a Certified General Accountant of the Association of Canada. Mr. Ding has over 11 years' experience in auditing, accounting and finance industry. He is currently the assistant company secretary of the Company. Prior to joining the Company, he has served as a financial controller of a company listed on the TSX Venture Exchange in Canada.

Mr. Leung Man Kit ("Mr. Leung"), aged 42, joined the Group in March 2014 and is the assistant to Chairman, project director, a joint company secretary and an authorised representative of the Company. Mr. Leung is a Fellow Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants as well as a Fellow Member of the Association of International Accountants, Fellow Member of the Taxation Institute of Hong Kong and also an Associate Member of The Society of Chinese Accountants and Auditors. He obtained a Master Degree of Business Administration in Financial Management from The University of Hull in the United Kingdom. Mr. Leung has over 13 years of audit and tax experience from various listed and private companies in Hong Kong and the PRC. He is also experienced in carrying out compliance duties of companies listed on the Stock Exchange. Mr. Leung was an executive director of Modern Beauty Salon Holdings Limited (Stock Code: 919), a company listed on the Main Board of the Stock Exchange, from 15 September 2010 to 13 February 2014.

Directors' Report

The Directors are pleased to present this Annual Report together with the audited financial statements of the Group for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 45 to the consolidated financial statements. In 2018, the Group has positioned the forestry management business, container houses business, and money lending business as its core businesses. As at 31 December 2018, the long and medium lease forest lands in the PRC owned by the Group were approximately 21,045 Chinese Mu, 9,623 Chinese Mu, 13,219 Chinese Mu, 30,653 Chinese Mu and 42,814 Chinese Mu in the **Hengchang Forest**, the **Kunlin Forest**, the **Senbo Forest**, **Ruixiang Forest** and **Wantai Forest,** respectively.

The Group harvested timber logs of approximately 8,075 cubic metres (2017: 14,700 cubic metres) in the **Hengchang Forest**, **Senbo Forest** and **Ruixiang Forest** during the year ended 31 December 2018. Regarding the container house business, the Group achieved a revenue of RMB25.1 million of the total revenue for the year ended 31 December 2018.

An analysis of the Group's performance for the financial year ended 31 December 2018 by business and geographical segments is set out in Note 6 to the consolidated financial statements of this Annual Report.

FINANCIAL RESULTS

The performance of the Group for the year ended 31 December 2018 and the Group's financial position at that date are set out in the consolidated financial statements on pages 73 to 176 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2018 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for (%)
Purchase	
— the largest supplier	50%
— the five largest suppliers combined	91%
Sales	
— the largest customer	40%
— the five largest customers combined	70%

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the financial year ended 31 December 2018 are set out in Note 16 to the consolidated financial statements of this Annual Report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements of this Annual Report.

BORROWINGS

The Group has no secured bank borrowings as at 31 December 2018. Details of promissory notes, corporate bonds payable and convertible bonds payable by the Group are set out in Note 27, Note 28 and Note 29 respectively.

GROUP FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past 5 financial years is set out in the section of "Summary of Five-Year Financial Information" of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

Currency risk

No revenue derived by the Group in respect of the years ended 31 December 2018 and 2017 were denominated in foreign currencies. Substantially all of the costs incurred for both of the years ended 31 December 2018 and 31 December 2017 were denominated in functional currencies of the group entities.

At 31 December 2018, the Group had some significant monetary assets and liabilities which were denominated in foreign currencies. The Group did not have significant monetary assets and liabilities which were denominated in foreign currencies at 31 December 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 31 December 2018, 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.

Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The Group has concentration of credit risk as 67% (2017: 35%) and 100% (2017: 54%) of the total trade receivables was due from the Group's largest customer and the five largest customers. The Group's concentration of credit risk by geographical location is mainly in the PRC which accounted for all of the total trade receivables as at 31 December 2018 and 31 December 2017.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

FUTURE DEVELOPMENT OF THE BUSINESS

In the coming year, the Group targets to develop an innovative business model and expand the target clients and scope of corporate services. The operation team of the Group is make ongoing efforts to seek appropriate projects for the development of the Group's business, along with continuous investments and expansion of its forestry management and container house business capacity.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors knowledge, at least 25% of the Company's issued shares was held by the public throughout the year ended 31 December 2018.

RESERVES

Details of movements in the reserves of the Company and the Group during the financial year ended 31 December 2018 are set out in Note 44 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company does not have any reserve available for distribution to owners (2017: nil).

DIRECTORS

The list of Directors during the year and up to the date of this Annual Report is set out in the "Board Composition" section of this Annual Report. Information about the Board, including board members' appointments and retirements, and their interests in Company's shares, is set out in the "Corporate Governance Report" of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management as at the date of this Annual Report are set out in the "Biographical Information of Directors and Senior Management" section of this Annual Report.

DIRECTORS' SERVICE AGREEMENT

None of the Directors, including those retired or to be re-elected at the forthcoming annual general meeting, has a service agreement which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the directors and five individuals with highest emoluments are set out in Note 12 to the consolidated financial statements.

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

As at 31 December 2018, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position/short position in shares of the Company

Name	Capacity	Long position/ short position	Number of ordinary shares	Percentage of issued share capital (Note 1)
Liang Guoxin	Beneficial owner	Long Position	30,000	0.01
Tian Guangmei	Beneficial owner	Long Position	790,000	0.01
Wang Yue	Beneficial owner	Long Position	3,197,023,920	28.99

Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 31 December 2018 i.e. 11,024,220,415 shares.

Save as disclosed above, as at 31 December 2018, 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.

ANNUAL DIVIDEND

The Board does not recommend the payment of an annual dividend for the financial year ended 31 December 2018 (2017: nil).

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

No transactions were entered into by the Group during the year ended 31 December 2018, which constitute connected transactions under the Listing Rules.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the financial year, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

SHARE OPTION SCHEME

In the extraordinary general meeting of the Company held on 15 June 2016, the ordinary resolution (the "**2016 Scheme Limit Refreshment Resolution**") as set out in the notice of the Company dated 23 May 2016 was duly passed by its Shareholders to refresh and renew the existing scheme mandate limit of the share option scheme adopted by the Company on 15 September 2009 (the "**Scheme**").

Following the 2016 Scheme Limit Refreshment Resolution, as set out in the announcement of the Company dated 1 December 2017, on 1 December 2017, shares options were granted to certain eligible participants (the "**Grantees**") to subscribe for up to an aggregate of 339,842,722 ordinary Shares of the Company of HK$0.087 each in the share capital of the Company under the Scheme, which represented 10% of issued share capital of the Company as at the date of the 2016 Scheme Limit Refreshment Resolution.

As further disclosed in the Company's prospectus dated 12 July 2018 and the Company's announcement dated 2 August 2018 in relation to the Rights Issue, and in accordance with the terms and conditions of the Scheme and Rule 17.03(13) of the Listing Rules, upon completion of the Rights Issue, on 3 August 2018, the exercise price of the then outstanding share options granted on 1 December 2017 was adjusted to HK$0.082 per Share and the number of Shares to be allotted and issued upon full exercise of subscription rights attaching to the then outstanding share options granted on 1 December 2017 was adjusted to 360,564,839 Shares. All share options granted on 1 December 2017 have been lapsed on 1 December 2018.

In the extraordinary general meeting of the Company held on 24 October 2018, the ordinary resolution (the "**2018 Scheme Limit Refreshment Resolution**") as set out in the notice of the Company dated 9 October 2018 was duly passed by its Shareholders to refresh and renew the existing scheme mandate limit of the Scheme.

Following the 2018 Scheme Limit Refreshment Resolution, no further share options were granted by the Company as at the date of this Annual Report.

Summary of the Scheme is set out as follows:

(a) Purpose of the Scheme

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

(b) Participants of the Scheme

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

(c) Total Number of Shares Available for Issue under the Scheme as at 31 December 2018

(i) The maximum number of shares in respect of which options may be granted under the Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10% of the issued share capital of the Company on 24 October 2018, the date on which was duly passed by the Shareholders to refresh and renew the existing scheme mandate limit of the share option scheme adopted by the Company on 15 September 2009.

(ii) The maximum number of shares in respect of which options may be granted to grantees under the Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

(iii) As at 31 December 2018, there was no outstanding share options under the Scheme.

(d) Maximum Entitlement of Each Participant under the Scheme

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

(e) Option Period

One year

(f) Consideration and Acceptance of the option

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

(g) Basis of Determining the Exercise Price

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

(h) The remaining life of the share options granted under the Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further options will be offered or granted.

Details of the share options movements during the year of 2018 under the Scheme are as follows:

Name	Date of grant of share options	Exercise price (HK$)	Outstanding as at 1 January 2018	Exercised in 2018	Cancelled/ Lapsed in 2018	Outstanding as at 31 December 2018	Exercise period	% of the total issued share capital
Directors								
Mr. Lei Zuliang (resigned with effect from 1 February 2019)	1 December 2017	0.082	1,060,976	0	1,060,976	0	1 December 2017– 30 November 2018	0
Mr. Wang Yue	1 December 2017	0.082	4,243,902	0	4,243,902	0	1 December 2017– 30 November 2018	0
Professor Fei Phillip	1 December 2017	0.082	1,060,976	0	1,060,976	0	1 December 2017– 30 November 2018	0
Professor Liu Zhikun	1 December 2017	0.082	1,060,976	0	1,060,976	0	1 December 2017– 30 November 2018	0
Ms. Tian Guangmei	1 December 2017	0.082	1,060,976	0	1,060,976	0	1 December 2017– 30 November 2018	0
Mr. Liang Guoxin	1 December 2017	0.082	1,060,976	0	1,060,976	0	1 December 2017– 30 November 2018	0
Mr. Liu Zhaoxiang	1 December 2017	0.082	1,060,976	0	1,060,976	0	1 December 2017– 30 November 2018	0
Subtotal			10,609,758	0	10,609,758	0	1 December 2017– 30 November 2018	0
Others	1 December 2017	0.082	349,955,081	0	349,955,081	0	1 December 2017– 30 November 2018	0
Total			360,564,839	0	360,564,839	0		0

Note: On 25 January 2018, the Company announced to implement a rights issue of the new shares of the Company at the subscription price of HK$0.052 per rights share on the basis of three rights shares for every two existing shares held. In August 2018, 6,614,532,249 new shares of HK$0.002 each were issued by the Company pursuant to the terms of the rights issue, giving rising to gross proceeds from shares issue of approximately HK$343,956,000 (before expenses). Upon completion of the rights issue of shares, the exercise price of the outstanding share options and the number of shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options were adjusted to HK$0.082 per share and 360,564,839 shares respectively with effect from 3 August 2018.

For the value of options granted and the accounting policy adopted for the share options, please refer to Note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in Note 34 to the consolidated financial statements.

CORPORATE GOVERNANCE

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

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company will be published on the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkex.com.hk and the website of the Company at www.chinacaflc.com, as well as despatched to shareholders of the Company in due course.

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2018 were audited by CCTH CPA Limited, who would retire at the forthcoming AGM of the Company and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the AGM for Shareholders to re-appoint CCTH CPA Limited as auditors of the Company.

On behalf of the Board
Wang Yue
Chairman, Executive Director and Chief Executive Officer

Shenzhen, the PRC, 29 March 2019

SCOPE AND REPORTING PERIOD

This is the third Environmental, Social, and Governance ("ESG") report by the China Agroforestry Low-Carbon Holdings Limited (together with its subsidiaries, as "the Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in following operations from 1 January 2018 to 31 December 2018, unless otherwise stated:

(i) forestry business (i.e. plantation, logging and sale of timber related products) in Sichuan provinces in the People's Republic of China ("PRC"), a total of five forests were included in the report.

The following forest is subtropical humid forest, Asia (continental >20y);

1. Hengchang forest

The following four forests are tropical moist deciduous forest, Asia (continental >20y):

2. Kunlin forest
3. Senbo forest
4. Ruixiang forest
5. Wantai forest

(ii) container house leasing business in the PRC

(iii) overall management of the Group's business in the Shenzhen office

The Group's forestry management accounts for approximately 78 million m^2 of forest land during this Reporting Period, including the above two different types of forests in five locations. The Group involves the procurement and sale of container houses but does not directly manage the production processes. For container house leasing business, only warehouse areas were designated for inventory storage with limited water and electricity consumption. The Group's Shenzhen office overseas and manages the key business in forestry and container house leasing. The office was relocated during the Reporting Period, and remained in Shenzhen.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Key stakeholders such as board members, managers, employees, forestry workers, regulators, external experts continue to be involved in regular engagement sessions to discuss and to review areas of attention via various communication channels. For example, the Group organized regional panel discussions, site visits and survey communication with various stakeholders on a quarterly basis. In addition, senior managers, employees' representatives and shareholders' representatives hold annual and quarterly meetings to understand stakeholder needs and suggestions.

Issues raised by various stakeholders are followed up within three months interval and are accommodated where reasonable and justifiable. Key topics raised by stakeholders and suggested to be addressed included forestry land management, office operation management, work process optimization, strategic development and future direction for the Group.

Through the stakeholder surveys carried out during this Reporting Period, key material issues raised were found to be evenly distributed on various environmental and social aspects. Followings topics have been deemed as the most important by stakeholders:

- Energy
- Air Emissions
- Waste and Effluent
- Occupational Health and Safety
- Anti-corruption

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at info@chinacaflc.com.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

The Group ensures strict compliance with any applicable regulations, laws, guidelines, and standards. Furthermore, the Group strives to achieve the optimum balance to achieve maximum profit, responsibility and satisfaction for stakeholders. The Group does not consider ESG as a marketing tool, nor it is about making public donations or merely issuing corporate social responsibility reports. It should be inherently integrated within daily operation and business decision making. The key message of the Group's sustainability mission is to reinforce the positive correlation between risk management and governance, followed by product innovation and management innovation.

A key mission of the Group is to extend the environmental protection and social welfare. The group highly considers factors such as environment, society and corporate governance into the decision-making processes. The Group appreciates the financial and non-financial benefits that positive engagement of ESG can bring and believes that continuous investment in ESG activities can help to achieve long-term business resilience through:

- Learning to adopt sustainable forestry management practices, striving to optimizes the whole life cycle of timber products by integrating the upstream forestry industry and downstream container houses businesses in the PRC;
- Fostering cooperative relationships based on mutual respect with business partners and local communities by creating economic benefits and sustainable value chains;
- Ensuring the health and safety of our employees, contractors and sub-contractors, seasonal workers, and communities in which we operate; and
- Promoting the sustainable production and consumption of timber products in responding to developing low-carbon economy in the PRC.

The Group will consider further the discussion with internal key stakeholders in the hope of establishing an ESG working group in the upcoming years. At this stage, the Group is actively seeking various stakeholders' input on establishing the working group to ensure that appropriate and effective ESG risk management and internal control system are in place. Leading by the top management, the working group is aimed to help the Group continuously identify opportunities for improving performance and creating values for all stakeholders.

A. Environmental

Direct and indirect environmental impacts generated by the Group during the Reporting Period mainly included the following activities: 1) consumption of gasoline for Group-owned vehicles; 2) consumption of purchased electricity; and 3) processing of freshwater and sewage. Their corresponding emissions were calculated and presented in section A1. The intensity of environmental indicators was not calculated and reported in this report for two reasons: 1) Shenzhen office was relocated during this Reporting Period with different office areas, thus intensity will not be reported because of lack of comparability; and 2) the forest areas are extremely large while requiring only minimal resource/manpower input, thus the intensity calculation will not be appropriate based on either forest areas or headcount.

The Group strictly abide by applicable laws such as the Environmental Protection Law of the PRC. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste had been identified during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

Forestry, container house leasing business, as well as Shenzhen office did not generate major air emissions. Direct air emissions, including both greenhouse gas ("GHG") and non-GHG were generated from the consumption of gasoline for group-owned vehicles. Indirect GHG emissions were also generated from the consumption of purchased electricity, processing of freshwater and sewage, business air travel, and landfilling of waste paper.

Vehicle Operation and Emissions

Passenger cars operated on gasoline was used for daily business operations. Their combustion generated several air emissions include nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("PM").

	Air emissions (non-GHG) from the vehicle operations		
Mobile fuel source	**NOx (kg)**	**PM (kg)**	**SOx (kg)**
Gasoline	1.96	0.23	0.19

Note: Emission factors for calculations on environmental parameters throughout the report were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

A1.2 Greenhouse Gas (GHG) Emissions

There were 60.95 tonnes of carbon dioxide equivalent ($CO_{2eq.}$) GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation during the Reporting Period. The GHG reported included the following activities and scopes:

- Direct (scope 1) GHG emissions from the consumption of gasoline;
- Energy indirect (scope 2) GHG emissions from purchased electricity; and
- Other indirect (scope 3) GHG emissions from municipal freshwater and sewage processing, and business air travel.

Other indirect GHG emissions during the Reporting Period such as those from waste paper landfilling were not reported due to lack of data.

Activity	GHG emissions (tonnes of $CO_{2eq.}$)	%
Scope 1 Direct GHG emission[1]		
Gasoline	35.21	58%
Scope 1 total	35.21	
Scope 2 Energy indirect GHG emission		
Purchased electricity[2]	11.07	18%
Scope 2 total	11.07	
Scope 3 Other indirect GHG emission		
Freshwater and sewage processing	0.41	24%
Business air travel[3]	14.25	
Scope 3 total	14.67	
Total GHG	**60.95**	**100%**

Note 1: Emission factors were made with reference to Appendix 27 to the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factor (EF) of 0.63 and 0.65 kg $CO2_{eq.}$/kWh was used for purchased electricity in southern and central China, respectively.

Note 3: Emissions were calculated using the online tool provided by International Civil Aviation Organization.

In addition to the GHG emissions stated above, it is very likely that the Group is a carbon sink due to the biomass accumulation in its managed forest. The Intergovernmental Panel on Climate Change's ("IPCC") gain-loss method (from 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 4: Agriculture, Forestry and Other Land Use, Chapter 4 Forest Land) was used to estimate the annual increase in carbon stocks due to biomass growth, which was then converted to CO_2 sequestration. Due to lack of data, the annual decrease in carbon stocks due to biomass loss (e.g., from wood removal, transferring of biomass to dead organic matters, carbon loss due to mortality) was not calculated during this Reporting Period.

There were 28,094 tonnes of CO_2 sequestrated from the Group's forest operation during the Reporting Period, with a lower uncertainty value calculated at 26,374 tonnes of CO_2.

A1.3 Hazardous Waste

Forestry, container house leasing business, as well as Shenzhen office did not generate significant amount of hazardous waste, other than few electronic wastes. Toner cartridge for printers were all recycled by the suppliers. Due to the minimum generation amount and consequent impacts, the Group did not record the amount.

A1.4 Non-hazardous Waste

Non-hazardous waste generated by the Group's business operation mainly included: waste office paper, and general office waste. Waste office paper was reused by employees and due to its minimum waste generation, the Group did not record the amount. A total of 3.94 tonnes of non-hazardous waste were generated during the Reporting Period and all were handled and treated by municipal waste treatment facilities.

A1.5 Measures to Mitigate Emissions

Due to the minimum direct emissions generated by the Group's operation, various controlling and mitigation schemes have been focused on promoting pro-environmental behaviours among staff, such as providing training to employees, advocating double-sided printing as far as possible, reusing printing papers, and sharing office supplies by all employees.

As one of largest emission sources, the Group strives to reduce emissions from vehicles. Employees are encouraged to use public transport or taking hybrid-fuel vehicles for business trips. When outsourcing or renting vehicles, hybrid or other energy-efficient vehicles are chosen on a priority basis.

For indirect emissions, the largest source of GHG emissions for the Group was due to employees' business air travel. To reduce its emissions, the Group promotes telework whenever possible and encourages employees to take buses and trains for short- and medium-distance travel.

A1.6 Wastes Reduction and Initiatives

The Group's business operation did not generate significant amount of waste thus no formal waste reduction schemes have been established. Nevertheless, similar to resource saving and emission reduction practices, the Group promoted environmental awareness via unwritten norms and sustainable corporate culture. For example, teleworking is highly encouraged to reduce the consumption of paper, and if necessary, double-sided printing is preferred. The Group will consider formulating formal policies to improve the waste management system.

A2. Use of Resources

A2.1 Energy Consumption

The Group consumed two types of energy: electricity and gasoline, with a total consumption of 133,662 Kilowatt-hour (kWh).

Energy source	Direct consumption	Consumption in kWh unit
Electricity	17,920 kWh	17,920 kWh
Gasoline	13,061 liters	115,742 kWh

Note: Conversion factors were made reference to IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

A2.2 Water Consumption

The Group did not consume a significant amount of water for its business activities. The total water consumption for the Group was 680 m^3. No issues on sourcing water were reported during the Reporting Period. Forestry business relies on natural precipitation. Container house leasing business used a small amount of water for cleaning purposes. Shenzhen office paid water bills to the building management office and did not involve directly management of water resource.

A2.3 Energy Use Efficiency Initiatives

The Group's business operation did not involve any significant use of energy. Forestry and container house leasing business only consumed a very insignificant amount of electricity for lighting purposes. For Shenzhen office, electricity was also the major type of energy the Group consumed, thus, employees are reminded to switch off lights, air conditioners, computers, monitors and equipment before leaving work.

A2.4 Water Use Efficiency Initiatives

The Group's business operation did not involve any significant use of water. Forestry business did not consume processed water and did not establish formal water use efficiency initiatives. Container house leasing business recycled water for cleaning purposes. Shenzhen office does not directly control and/or manage water consumption thus does not initiate any water use efficiency initiatives. Nevertheless, water-saving signs were put in office tea rooms and toilets to remind staff to save water, water faucets with automatic water-saving functions were installed.

A2.5 Packaging Material

The Group's business operation did not involve any significant use of packaging materials and not recorded during this Reporting Period.

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

The nature of the Group's business limits any major negative environmental impacts. Instead, proper management of the forest resources and the use of forest products can contribute substantially to reductions in GHG. The forests contain carbon in living trees and plants, organic matter and soil. While forest management activities such as harvesting, thinning, planting, natural decaying, controlling forest fires and insects have impacts on the environment, the continuous growth and regeneration of the forests, as well as the absorption of CO_2 and nutrients by other animals and organisms, takes up large amounts of carbon from the atmosphere. The Group continuously promote environmental protection to ensure the minimum impacts on surrounding environment and ecosystem.

Resource Conservation

The forestry business continues to adopt practices such as following logging permit requirement, applying selective logging, and implementing monthly inspection and annual evaluation. Overall, local government bodies centrally manage the local forestry resource conservation and involve extensively with the Group's logging activities.

The Group adopts selective logging and when necessary, written application (including information on logging site, tree species, quantity etc.) is submitted to forestry administrative department, whom will issue the logging permit after careful examination. The examination and approval criteria are confirmed by the Forest Resources Management Unit and the Forestry Investigation Team. The annual permittable logging activities is determined by the method of logging, the forest growth rate, as well as the area of harvesting. The frequency of logging is also determined by the Forest Resources Management Unit according to the local environment, tree growth cycle and growth rate.

No fertilizers, tree growth accelerator have been applied during the Reporting Period. Pest and disease control have been centrally managed by the district forestry management department, whom performed overall arrangement on pest control for all forest areas within the county.

In addition to the low carbon business model under operation, the Group and its external consultants continue to learn and try to adopt best industry practices on sustainable forest management, for example:

- management of forest for sustainable timber production including extending rotation cycles, reducing damage to remaining trees, reducing logging waste, implementing soil conservation practices;

- regrowing forests by managing the areas being harvested to ensure the natural function, structure, health and diversity of the forests are recovered for future generations to enjoy; current regrowth rate is 3 to 1 (replanting three trees for each one cut) during the Reporting Period;

- promoting continuity in forest structure and biological legacies for the benefit of biodiversity and sustained ecological function at different spatial scales; and

- planning and responding to fire and other emergencies; controlling and preventing any spread of pests, diseases and noxious weeds, and undertaking weed, pest and disease assessments regularly.

The ultimate aims are to maintain forest health and vitality, to improve the forest biodiversity, to create habitat for a range of forest-dwelling species, to protect soil structure and water quality, and to optimize highest value timber product recovery.

B. Social

1. Employment and labour practices

B1. Employment

The Group stringently complies with national and local laws and regulations concerning employment and labour practices, such as Labour Law of the PRC and Labour Contract Law of the PRC. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.

Employees' rights and benefits, including public holidays, annual paid leave, sick leave, maternity leave have been formulated and executed per the Labour Law of the PRC, Labour Contract Law of the PRC, and Salary Payment Regulations of the PRC. Employees have been provided with social insurance and housing provident fund in the PRC. The Group offers other benefits such as free afternoon tea, fruit and snack on each working day. In addition, extra red pockets were provided to all employees to following seven holidays in the PRC: Women's Day, Labour Day, Dragon Boat Festival, Mid-Autumn Festival, National Day, New Year's Day, and Spring Festival.

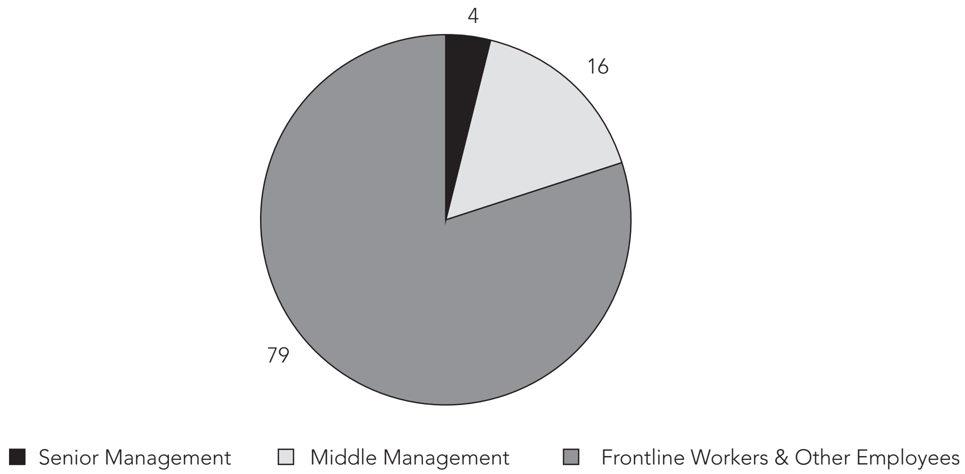
The Group makes reference to market average salary to formulate the rewarding system. Individual employee's personal contribution to the Group is also a major factor when adjusting salary. Overall, employees' salary is divided into three categories: regular salary adjustment, seniority salary adjustment, and post salary adjustment.

The recruitment procedure has not updated during this Reporting Period. The appraisal, promotion, and rewarding and penalty system have not gone through major changes. A minor change during this Reporting Period is that Shenzhen office begins to offer monthly monetary incentives to those who do not commit absenteeism, late arrival or early leave. All employees have the opportunity to be promoted if they show the talents and suitability for a certain position and promotion is first given to internal employees with external engagement as a secondary method.

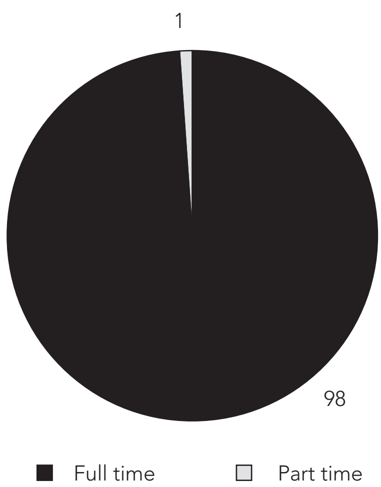
Equal opportunity is provided to all employees in respect of promotion, appraisal, training, development and other aspects. Employees are not discriminated against or deprived of opportunities based on gender, nationality, ethnic background, religion, political affiliation, age, marital status, and physical disability.

The Group had employed a total number of 99 employees (including previously employed employees of Shenzhen office) during the financial year ended 31 December 2018. All of them are full time employees except one employee at Shenzhen office. As at 31 December 2018, the Group had a total of 57 employees.

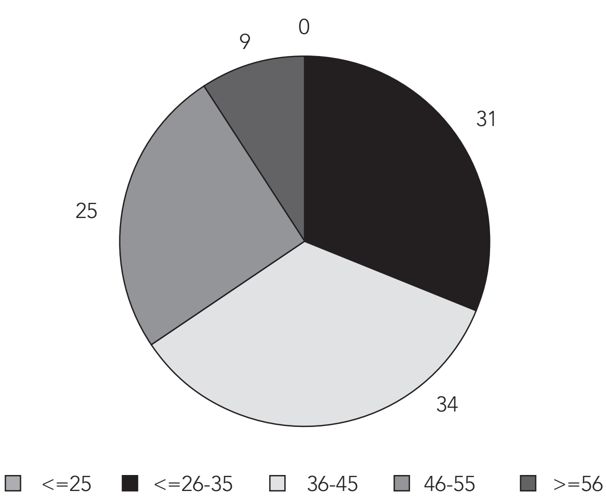
Total Workforce (number of employees) by Employee Category



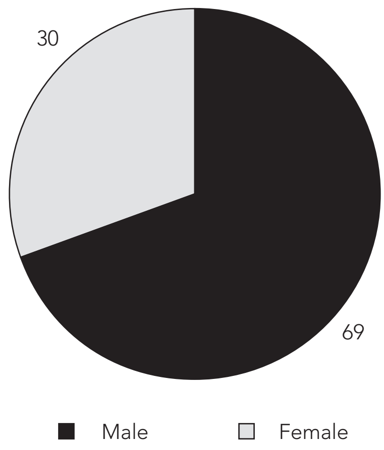
Total Workforce (number of employees) by Employee Type



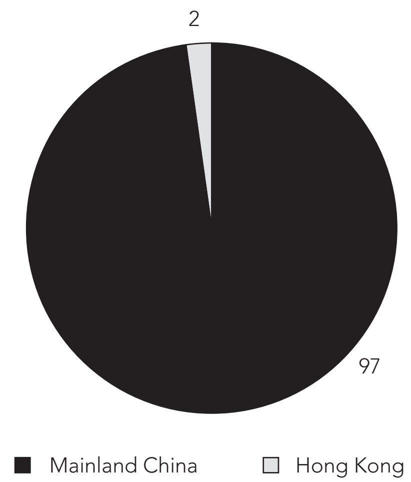
Total Workforce (number of employees) by Age



Total Workforce (number of employees) by Gender



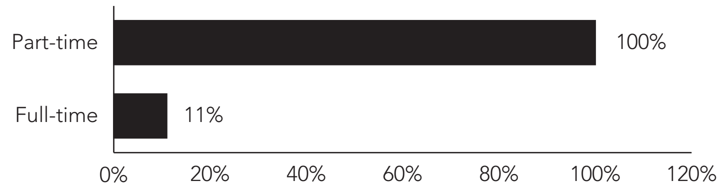
Total Workforce (number of employees) by Region



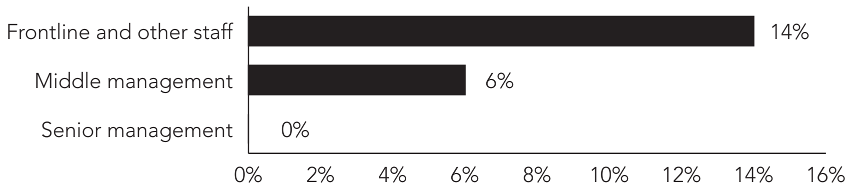
Note: The total number of employees presented here aligns with the scope of the ESG report, including all employees previously employed at Shenzhen office, for container house leasing business. The Group has disposed part of the container house leasing business during the Reporting Period. As at 31 December 2018, the Group had a total of 57 employees.

The overall staff turnover rate was 12% during the Reporting Period.

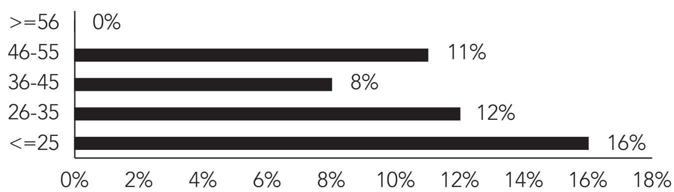
Turnover rate by Employee Type



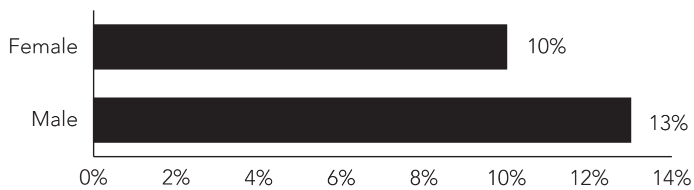
Turnover rate by Employee Category



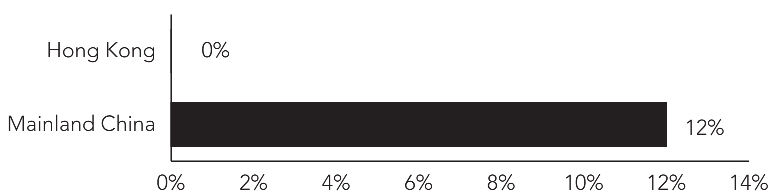
Turnover rate by Age



Turnover rate by Gender



Turnover rate by Region



B2. *Employee Health and Safety*

The Group strives to provide employees with a safe workplace. The Group strictly follows relevant laws and regulations such as Law of the PRC on the Prevention and Control of Occupational Diseases. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to occupational health and safety had been identified during the Reporting Period.

The Group organizes employees' health examination to ensure their physical and mental health are in good condition. Employees have the right to request corrections and/or to report to their department head upon confronting any acts that could endanger their health. Clear instructions on fire safety and labelling are provided for Shenzhen office building. Sufficient fire extinguishers are placed in the office area. Fire safety knowledge lectures and fire drills are conducted each year for all office workers.

All contracted loggers are examined to ensure they are in good physical conditions to perform the forestry management activities and are equipped with appropriate safety protection gears and safety guidelines. Designated staff from forest workstations shall be on site to instruct and supervise all logging activities. When making the inspection tour in forest, strict route planning shall be made in advance and followed, relevant safety protection is also carried out to make sure workers' personal safety.

In addition to the health and safety management to its own employees, the Group also collaborates with local forest workstations and police stations to promote forest protection and fire prevention knowledge to nearby residents. This joint mechanism ensures that the awareness of forest protection has been thoroughly propagated in the local villages, to avoid any occurrence of forest destruction incidents from the root causes.

No work-related fatality or injuries cases were reported during the Reporting Period.

B3. *Development and Training*

The Human Resources department manages all employee development and training, guiding orientation training and on-the-job training activities. General training sessions provided to all newly engaged employees included topics such as basic information of the Group, personal job duties training and other related training. According to the Group's development needs, professional knowledge training has also been offered to targeted employees, in order to improve the team cooperation ability and professional skills.

During the Reporting Period, 8,670 training hours were completed for a total of 99 employees, with an average training hour of 88 hours per employee.

Detailed breakdown of training provided to employees		
By employee category		
Frontline and other staff	Percentage of employees trained	100%
	Average training hours completed per employee	89
Middle management	Percentage of employees trained	100%
	Average training hours completed per employee	94
Senior Management	Percentage of employees trained	100%
	Average training hours completed per employee	25
By gender		
Female	Percentage of employees trained	100%
	Average training hours completed per employee	80
Male	Percentage of employees trained	100%
	Average training hours completed per employee	91

B4. Labour Standards

The Group strictly follows the Labour Law of the PRC, the labour Contract Law of the PRC, the Law on the Protection of Minors to manage labour practices.

Background checks were conducted for new employees and all employees must show their original Identity Card to prove their legal identity. In case of any child or forced labour encountered, labour contract will be ceased immediately, and the case will be reported to the local legal entity. According to the situation, the person(s) involved in the case may be sent to the hospital for medical examination, to ensure his/her health has not been affected by the work. The Group's top management will also take appropriate punishment measurement to those who are responsible for the causes of violations and negligence.

During the Reporting Period, no non-compliance in relation to labour standards as required by related laws and regulations was noted, and there was no child nor forced labour in the Group's business operation.

2. *Operating Practices*

B5. Supply Chain Management

One major supplier from the PRC was engaged during the Reporting Period, who was responsible for providing transportation for forestry business. The Group has standard procedures for engaging suppliers and contractors related to its business operation and encourage them to maintain a high standard on business ethics and conducts, with satisfactory environmental and social performance.

For the forestry business, the Group has signed agreement with local district for setting up designated forest workstations to handle forest management practices. The Group conducts annual assessment on the performance of contracted forest workstations, in which the Group would adjust the contract fee with forest workstations accordingly.

B6. Product Responsibility

Product Labelling, Health and Safety, and Advertising
The Group's business operation did not involve activities on product labelling etc. and no non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided had been identified during the Reporting Period.

Quality Assurance
The Group's major product is logs produced from the forest. Due to the business nature, no relevant policies on quality assurance and/or complaint handling procedures have been established. The Group does not carry out further processing on raw logs harvested. Customers visit and select logs on-site per their business needs and arrange further transportation, whom also hold the responsibility for their own selected product quality.

Customer Data Protection
The Group acknowledges the importance of protecting privacy and confidentiality of relevant stakeholders and prohibits the use of any personal information of customers by other parties.

The Group implements various schemes to prevent data leakage and misuse or abuse of customer sensitive information. For example, anti-virus software and firewall are installed on office networked servers and constantly updated to prevent virus attack and external hacking. File transmission are carried out via internal mailbox to prevent data intruding by hackers. Up-to-date, no leakage of customer information has been reported.

Intellectual Property
The Group's business operation did not involve in Intellectual Property rights protection. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to intellectual property rights had been identified during the Reporting Period.

B7. Anti-corruption

The Group is committed to managing all businesses without undue influence and has regarded honesty, integrity, and fairness as its core values. All parties shall also conform to the Law Against Unfair Competition of the PRC, Criminal Law of the PRC, and other laws, regulations and regulatory documents related to commercial bribery.

Upon finding any suspicious activities, employees at any level have the responsibility and right to report directly to the top management team of the Group. The Group ensures that no one suffers any detrimental treatment as a result of refusing to accept or offer a bribe or other corrupt activities or because they reported a concern relating to potential acts of bribery or corruption.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Period.

B8. Community Investment

The Group encourages its employees to participate in voluntary activities. The Group has not participated in formal community engagement activities in the Reporting Period and will consider potential focus areas and resources for community contribution in the coming years.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the code provisions (the "**Code Provisions**") contained in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules as the Company's code of corporate governance. Throughout the year ended 31 December 2018, 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 exception of Code Provisions A.1.8 and A.4.1 as addressed below:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this report, the Company has not arranged to purchase any Directors and Officers' Liability Insurance, which covers in respect of legal action against the Directors. While the Company is committed to achieving high standards of corporate governance and to complying with the code provisions, the Company decided to delay the compliance with such code provision as the Board is currently considering quotations from different underwriters and will select the Directors and Officer's Liability insurance with the most cost-efficient.

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 to allow flexibility and they are subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company's articles of association.

   The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the Code Provisions during the year of 31 December 2018. The key corporate governance principles and practices of the Company are summarised in this Annual Report.

3. Upon the appointment of Mr. Wang as the chairman of the Board, Mr. Wang would perform both the roles of chairman of the Board and the chief executive officer of the Company, such arrangement constitutes a deviation from code provision A.2.1 of the Corporate Governance Code as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**CG Code**"), which requires that the roles of chairman of the Board and chief executive officer of the Company should be separated and should not be performed by the same individual. The Board is of the view that the current structure of vesting the roles of chairman of the Board and chief executive officer of the Company in the same individual will not impair the balance of power and authority between the Board and the management of the Company and can help to maintain the continuity of the policies and stability of the operations of the Company and will provide a strong and consistent leadership to the Company. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision by the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

THE BOARD

Roles and Responsibilities

The Board is responsible for overseeing the overall development of the Company's businesses with the objective of enhancing shareholders' value including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance half-yearly and developing and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its Shareholders.

Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The non-executive Directors (including the independent non-executive Directors) serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings.

Board Composition

The Board structure is governed by the Company's articles of association. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

As at the date of this Annual Report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors:
Mr. Wang Yue *(Chairman)*
Professor Fei Phillip

Non-executive Director:
Professor Liu Zhikun

Independent non-executive Directors:
Ms. Tian Guangmei
Mr. Liang Guoxin
Mr. Liu Zhaoxiang

The biographical details of the Directors and the relationship among the members of the Board are set out in the "Biographical Information of Directors and Senior Management" on pages 27 to 28 of this Annual Report.

Appointment, Re-Election and Removal of Directors

On 18 January 2019, Mr. Lei Zuliang resigned as an executive Director, the chairman of the Board, a member of The Nomination Committee and Remuneration Committee of the Company and one of the authorized representatives of the Company with effect from 1 February 2019, due to his early retirement.

As set out in the announcement of the Company dated 18 January 2019, with effect from 1 February 2019, Mr. Wang Yue has been appointed as the chairman of the Board, a member of the Nomination Committee and the Remuneration Committee and an authorised representative of the Company.

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, none of the non-executive Directors has been appointed for a specific term.

Notwithstanding the aforesaid deviation, one-third of the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at each of the Company's annual general meeting and every Director shall be subject to retirement by rotation at least once in every three years in compliance with the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line with the underlying intentions of Code Provision A.4.1 of the CG Code.

During the year ended 31 December 2018, the Board complied at all times with the requirement of the Listing Rules relating to the appointment of at least 3 independent non-executive directors representing at least one-third of the board and at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

Mr. Liu Zhaoxiang, as independent non-executive Directors, have the relevant accounting qualifications and experience.

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election. Pursuant to the Company's articles of association, all Directors are all eligible for re-appointment and three of them shall retire from office at the coming AGM, who shall be eligible for re-election.

The members of the Board have no financial, business, family or other material/relevant relationship with each other.

The Board also takes up the corporate governance functions pursuant to the Code. During the year under review, the work performed by the Board on corporate governance function is summarized as follows:

(a) developed and reviewed policies and practices on corporate governance;

(b) reviewed and monitored the training and continuous professional development of directors and senior management;

(c) reviewed and monitored the policies and practices on compliance with legal and regulatory requirements;

(d) developed, reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

Delegation to Management

Day-to-day operational responsibilities are specifically delegated by the Board to the management under the leadership of the Chief Executive Officer ("**CEO**"). Major matters include implementation of the strategies and decisions approved by the Board and the management assumes full responsibility to the Board for operations of the Group.

Directors' Participation in Continuous Professional Trainings

Code Provision A.6.5 of the Code provides that all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. All Directors have been required to provide the Company with their training records. During the year under review, the Company organized training courses to the Directors or provided written materials to develop and refresh their professional skills on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. Some Directors participated in continuous professional development by attending other professional training courses or by reading relevant materials in relation to corporate governance matter. The Company has received from the relevant Directors the confirmations on taking continuous professional training course during the year under review as follows:

Mr. Wang Yue	Participation in training courses
Professor Fei Phillip	Reading material
Professor Liu Zhikun	Reading material
Ms. Tian Guangmei	Participation in training courses
Mr. Liang Guoxin	Reading material
Mr. Liu Zhaoxiang	Reading material

Code Provision A.6.7

Code Provision A.6.7 provides that Independent Non-executive Directors and other Non-executive Directors of the Company should attend general meetings and develop a balanced understanding of the views of the shareholders.

Mr. Liang Guoxin, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 28 June 2018 due to personal reason.

Mr. Liu Zhaoxiang, an Independent Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 28 June 2018 due to personal reason.

Professor Liu Zhikun, a Non-executive Director of the Company, was absent from the Annual General Meeting of the Company held on 28 June 2018 due to personal reason.

Independence of non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the non-executive Directors is independent. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence.

Induction and Development

Every newly appointed Director will be given an induction training so as to ensure that he has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organised by professional bodies or chambers in Hong Kong. All the Directors are requested to provide the Company with their respective training records pursuant to the CG Code.

All Directors have participated in appropriate continuous professional development to refresh their knowledge and skills during the year. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars and self-reading which are relevant to the business or directors duties.

Board Meetings

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. The Board normally has four scheduled meetings a year at quarterly interval and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend.

The following table is the attendance record of each of the Directors at the meetings held during the year of 2018:

Directors	Attendance/Number of meetings
Executive Directors	
Mr. Lei Zuliang *(Resigned with effect from 1 February 2019)*	18/18
Mr. Wang Yue *(Chairman)*	18/18
Professor Fei Phillip	6/18
Non-executive Director	
Professor Liu Zhikun	5/18
Independent non-executive Directors	
Ms. Tian Guangmei	18/18
Mr. Liang Guoxin	6/18
Mr. Liu Zhaoxiang	6/18

Board papers are circulated at least 3 days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

All Directors have full and timely access to all relevant information as well as the advice and service of the Joint Company Secretaries to ensure Board procedures and all applicable rules and regulations are followed.

The Joint Company Secretaries prepare minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Joint Company Secretaries also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

DELEGATION BY THE BOARD

Board Committees

The Board has delegated authority to 3 standing Committees with specific roles and responsibilities. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

The Board delegates the responsibility of implementing its strategies and the day-to-day activities to the management of the Company with department heads responsible for different aspects of the business. Management of the Company is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval.

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the Code:

- Remuneration Committee
- Nomination Committee
- Audit Committee

Each Committee has authority to engage outside consultants or experts as it considers necessary to discharge the Committee's responsibilities. Minutes of all committees meetings are circulated to their members. To further reinforce independence and effectiveness, all Audit Committee members are INEDs, and the Nomination and Remuneration Committees have been structured with a majority of INEDs as members.

Nomination Committee

The Company established a nomination committee in September 2009 with written terms of reference (updated and revised on 18 January 2019) in compliance with the Code Provisions. The principal duties of the nomination committee are to identify and nominate suitable candidates for the appointment of the Directors and make recommendations to the Board on succession planning for the Directors. As at the date of this Annual Report, the nomination committee comprised one executive Director, namely Mr. Wang Yue and two independent non-executive Directors namely Mr. Liu Zhaoxiang and Mr. Liang Guoxin. Mr. Liu Zhaoxiang has been appointed as the chairman of the nomination committee.

The following table is the attendance record of each of the nomination committee members at the meetings held during the financial year ended 31 December 2018:

	Attendance/Number of meetings
Mr. Liu Zhaoxiang *(Chairman)*	1/1
Mr. Liang Guoxin	1/1
Mr. Lei Zuliang *(Resigned with effect from 1 February 2019)*	1/1
Mr. Wang Yue *(Appointed on 1 February 2019)*	0/1

During the year under review, the Nomination Committee met once.

The work performed by the Nomination Committee during the year under review is summarized as follows:

a. reviewed the structure, size and composition of the Board;

b. discussed the maximum term of office for INEDs;

c. assessed the independence of INEDs;

d. considered the re-appointment of Mr. Liang Guoxin and Mr. Liu Zhaoxiang and made recommendations to the Board; and

e. considered the resignation of Mr. Lei Zuliang and the appointments of Mr. Wang Yue as a chairman of the board and made recommendations to the board.

f. reference is made to the announcement of the Company dated 18 January 2019, the terms of reference for the Nomination committee was updated and revised.

Remuneration Committee

The Company established a remuneration committee in September 2009 with written terms of reference (updated and revised on 18 January 2019) in compliance with the Code Provisions. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management. The remuneration committee comprises one executive Director, namely, Mr. Wang Yue and two independent non-executive Directors, namely Mr. Liu Zhaoxing and Mr. Liang Guoxin. Mr. Liang Guoxin has been appointed as the chairman of the remuneration committee.

The following table is the attendance record of each of the remuneration committee members at the meetings held during the financial year ended 31 December 2018:

	Attendance/Number of meetings
Mr. Liang Guoxin *(Chairman)*	1/1
Mr. Liu Zhaoxiang	1/1
Mr. Lei Zuliang *(Resigned with effect from 1 February 2019)*	1/1
Mr. Wang Yue *(Appointed on 1 February 2019)*	0/1

During the year under review, the Remuneration Committee met once.

The work performed by the Remuneration Committee during the year under review is summarized as follows:

a. reviewed remuneration policy, organizational structure and human resources deployment;

b. consulted the Board Chairman about remuneration proposals for other Executive Directors;

c. approved the remuneration package of Directors and Management;

d. reviewed performance and remuneration of Executive Directors and senior management for the year under review; and

e. reviewed the compensation and benefits for directors and senior management for the year under review.

f. reference is made to the announcement of the Company dated 18 January 2019, the terms of reference for the Remuneration Committee was updated and revised.

Audit Committee

The Company established an audit committee in September 2009 with written terms of reference (updated and revised on 18 January 2019) in compliance with Rules 3.21 to 3.23 of the Listing Rules, which were reviewed from time to time by the Board to keep them in line with the most up-to-date requirements. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. As at the date of this report, the audit committee has three members comprising our three independent non-executive Directors, namely Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang. Ms. Tian Guangmei has been appointed as the chairman of the audit committee.

The audit committee reviews the interim and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audit committee has reviewed the accounting principles and practices adopted by the Company, the annual results of the Group during the year ended 31 December 2018 as well as auditing, internal control and financial reporting matters, including the consolidated financial statements for the year ended 31 December 2018. The audit committee is of the view that the Group's consolidated financial statements for the year under review are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The audit committee met two times during the reviewed period, and the attendance records of individual committee members are set out below:

	Attendance/Number of meetings
Ms. Tian Guangmei *(Chairman)*	2/2
Mr. Liang Guoxin	2/2
Mr. Liu Zhaoxiang	2/2

The work performed by the Audit Committee during the year under review is summarized as follows:

a. approved the remuneration and terms of engagement of CCTH as the external auditor of the Company;

b. reviewed the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

c. reviewed the audit planning for the annual results circulated to them;

d. reviewed and considered the proposal of payment of final dividends for the year ended 31 December 2017 and the interim dividend proposal for the six months ended 30 June 2018 and made recommendations to the Board;

e. reviewed and discussed the financial results of the Group for the year ended 31 December 2017 and the first quarter ended 31 March 2018;

f. reviewed and discussed the interim results for the six months ended 30 June 2018, including the interim results announcement and interim report, and made recommendations to the Board;

g. reviewed the interim and annual financial statements before submission to the Board; and

h. reviewed the audit programme of the internal audit function and risk management systems.

i. reference is made to the announcement of the Company dated 18 January 2019, the terms of reference for the Audit Committee was updated and revised.

The Audit Committee had reviewed and approved the Group's annual results for the year under review prior to their approval by the Board.

JOINT COMPANY SECRETARIES

The joint company secretaries report to the Chairman on Board governance matters, and are responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with Shareholders and management.

The Joint Company Secretaries' biographies are set out in the Board of Directors and senior management section of this Annual Report. In compliance with Rule 3.29 of the Listing Rules, each of Mr. Ding Liang ("**Mr. Ding**") and Mr. Leung Man Kit ("**Mr. Leung**") has undertaken no less than 15 hours of relevant professional training during the financial year ended 31 December 2018.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. Details of the remuneration committee and other relevant information are set out in the section of Remuneration Committee of this Annual Report.

The remuneration paid or payable to nine directors and senior management by band for the year under review is set out below:

Remuneration bands (HK$)	Number of persons
HK$Nil to HK$1,000,000	9
HK$1,000,001 to HK$2,000,000	–
Over HK$2,000,000	–

Further particulars regarding Director's remuneration and the five highest paid employees are set out in Notes 12(a) and 12(b) to the financial statements, respectively.

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

COMPLIANCE WITH THE MODEL CODE FOR 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 Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the year ended 31 December 2018.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs, results, and cash flow of the Group for the year. The consolidated financial statements set out on pages 73 to 176 were prepared on a historical cost basis. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board:

(a) adopted HKFRSs, which conform to the International Financial Reporting Standards in all material respects;

(b) selected suitable accounting policies and applied them consistently;

(c) made prudent and reasonable judgments and estimates; and

(d) ensured that the financial statements were prepared on a historical cost basis.

For the year ended 31 December 2018, the remuneration paid to the auditors in respect of audit services amounted to RMB940,000 and non-audit service assignment (agreed-upon procedures regarding interim financial information for the six months ended 30 June 2018 and certain professional services) amounted to RMB423,000.

The reporting responsibilities of the Company's auditor, CCTH CPA Limited, are set out in the Independent Auditors' Report on pages 66 to 72.

Internal Controls and Risk Management

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries.

The Board is responsible for maintaining a sound and effective system of internal controls in the Group and for reviewing its effectiveness through the Audit Committee. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has delegated to executive management the design, implementation and ongoing assessment of such systems of internal controls, while the Board through its Audit Committee oversees and reviews the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. Qualified personnel throughout the Group maintain and monitor these systems of controls on an ongoing basis.

Based on the results of evaluations and representations made by the senior management, the Audit Committee is satisfied that:

- The Board has overall responsibilities for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

- During the year under review, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects of the Group. The systems were considered effective and adequate.

- The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

- The internal audit function of the Group is governed by an appointed professional. With the appointment of Chief Audit Executive, the effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses from the audits will be provided, so as to resolve material internal control defects.

- Regarding the handling and dissemination of inside information, the Group has practice policy in place.

SHAREHOLDER RELATIONS

Shareholder Engagement and Communication

The Board gives high priority to balanced, clear, and transparent communications which allow Shareholders and investors to understand the Group's prospects and the market environment in which it operates. The Company engages with Shareholders and investors in a number of different ways to help ensure that their views and concerns are understood and addressed in a constructive way.

(a) Convening a Extraordinary General Meeting on Requisition by Shareholders

Shareholders shall have the right to request the Board to convene an extraordinary general meeting ("**EGM**") of the Company. Two or more Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company which carries the right of voting at the general meeting of the Company may send a written request to the Board of the Company to request for a EGM. The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the registered office of the Company.

(b) ***Putting Forward Proposals at General Meetings***

A shareholder shall make a written requisition to the Board or the Joint Company Secretaries of the Company at the principal place of business address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

(c) ***Making Enquiry to the Board***

Shareholders may send written enquiries, either by post or by email, together with his/her contact details, such as postal address, email or fax, addressing to the principal place of business address of the Company at the following address or facsimile number or via the website of the Company:

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

Website: www.chinacaflc.com

All enquiries shall be collected by the Joint Company Secretaries who shall report to the Executive Directors periodically on the enquiries collected. The Executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Joint Company Secretaries will collect the answers for the Executive Directors' review and approval. The Joint Company Secretaries shall then be authorised by the Executive Directors to reply all enquiries in writing.

INVESTOR RELATION

Constitutional Documents

There was no change to the Company's Memorandum and Articles of Association during the financial year ended 31 December 2018. A copy of the Memorandum and Articles of Association is posted on the websites of the Company and the Stock Exchange.

CHANGES AFTER CLOSURE OF THE FINANCIAL YEAR

This Annual Report takes into account the changes that have occurred since the end of the financial year ended 2018 to the date of approval of this Annual Report.

On behalf of the Board
Wang Yue
Chairman, Executive Director and Chief Executive Officer

Shenzhen, the PRC, 29 March 2019

Independent Auditor's Report

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
CHINA AGROFORESTRY LOW-CARBON HOLDINGS LIMITED
中國農林低碳控股有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Agroforestry Low-Carbon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 176, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key matter
Valuation of plantation forest assets	
Refer to Note 18 to the consolidated financial statements.	
Management has estimated the fair value less costs to sell of the Group's plantation forest assets at 31 December 2018 to be RMB574,400,000 with loss on change in fair value of RMB5,900,000 recognised in profit or loss in respect of the year then ended. The assessment of the fair value less costs to sell involves management and external valuers making a number of judgments on the key assumptions and assertions used in the cash flow projections prepared based on financial budgets covering the logging periods, and significant estimates with respect to growth rate, discount rate and the underlying cash flow. We identified the valuation of plantation forest assets as a key audit matter as the magnitude of the plantation forest assets is significant and the valuation involves management's estimates and judgments.	Our procedures in relation to assessing the appropriateness of the valuation of the plantation forest assets included: • We obtained an understanding of the management's internal controls and basis of valuation of the Group's plantation forest assets. • We evaluated the external valuers' competency, capabilities and objectivity. • We obtained an understanding of the valuation methodology and key assumptions used for the valuation. • We discussed with the external valuers, tested the results of their work and, with assistance of our valuation specialists, assessed the reasonableness of the valuation methodology and assumptions used and judgments exercised by management and the external valuers for the valuation based on our knowledge of the forestry industry.

Key audit matter	How our audit addressed the key matter
Impairment assessments of other intangible assets Refer to Note 21 to the consolidated financial statements. The Group recognised other intangible assets amounted to RMB134,000,000 in connection with the acquisition of container houses business during the prior year ended 31 December 2016. Management conducted the impairment assessments of the other intangible assets on the basis of the value in use of the cash-generating unit of this business and impairment losses for the year ended 31 December 2018 amounted to RMB34,327,000 have been recognised on these intangible assets. We identified the impairment assessments of other intangible assets as a key audit matter as the magnitude of the other intangible assets is significant and the assessments involve management's judgments and estimates about the future results of the business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rate applied to future cash flow forecast.	Our procedures in relation to the impairment assessments of other intangible assets included: • We obtained an understanding of the management's basis of impairment assessments of the intangible assets. • We challenged the key assumptions including revenue growth rate and gross profit margin by comparing the current period actual results with the future plans. We considered the appropriateness of the long-term growth rate and the discount rate adopted by management. • We checked the arithmetical calculation and assessed the reasonableness of the future cash flow projection of the container houses business on which the value in use of the cash-generating unit is based. • We checked the calculation of the impairment loss on the other intangible assets which are prepared by the management.

Key audit matter	How our audit addressed the key matter
Valuation of contingent consideration payable	
Refer to Note 30 to the consolidated financial statements.	
The Group recognised contingent consideration payable in connection with the acquisition of a subsidiary during the prior year ended 31 December 2016. The contingent consideration payable is settled upon fulfillment of profit guarantee of the subsidiary as specified in the related acquisition agreement. The contingent consideration payable is carried at fair value at 31 December 2018 amounted to Nil with the gain on change in fair value amounted to RMB30,253,000 recognised in profit or loss in respect of the year ended 31 December 2017. We identified the valuation of contingent consideration payable as a key audit matter as the magnitude of the contingent consideration payable is significant and the valuation involves management's estimates and judgments.	Our procedures in relation to assessing the appropriateness of the valuation of the contingent consideration payable included: • We obtained an understanding of the management's internal controls and basis of valuation of the contingent consideration payable. • We discussed with the management, tested the results of their works and assessed the reasonableness of the valuation methodology and assumptions used and judgments exercised by management.

Key audit matter	How our audit addressed the key matter

Recoverability of loans receivable and trade and other receivables

Refer to Notes 19 and 23 to the consolidated financial statements.

As at 31 December 2018, the Group had loans receivable amounted to approximately RMB124,035,000. As at that date, the Group had trade and other receivables amounted to approximately RMB126,889,000. A provision of impairment amounted to RMB1,572,000 has been made for the loans receivable and no provision of impairment has been made for trade and other receivables as that date.

Recoverability of the loans receivable and trade and other receivables involved management judgment in assessing the allowance for doubtful debts for individual receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty.

We have identified impairment assessment of loans receivable and trade and other receivables as a key audit matter as the magnitude of the receivables is significant and the assessment involves management's estimation and judgments of the recoverable amounts of these receivables.

Our procedures in relation to management's impairment assessment of loans receivable and trade and other receivables included:

- We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts.
- We reviewed the agreements and other relevant documents relating to the loans made by the Group.
- We assessed the classification and accuracy of individual balances in trade receivables ageing report by testing the underlying invoices on a sample basis.
- We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluated the allowance for doubtful debts made by management for these individual balances.
- We assessed the historical accuracy of the estimates made by the management for the allowance for doubtful debts.
- We assessed the appropriateness of the expected credit loss positioning methodology, by examining the key data inputs on a sample bases, to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2019

Lee Chi Hang
Practising Certificate Number: P01957

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Continuing Operations			
Revenue	5	**51,359**	85,572
Cost of sales and services		**(23,231)**	(17,588)
Gross profit		**28,128**	67,984
Investment and other income	7	**2,466**	3,137
Other gains and losses	8	**(39,098)**	8,244
Selling and distribution expenses		**(122)**	–
Administrative expenses		**(40,098)**	(70,238)
Finance costs	9	**(28,389)**	(27,924)
Loss before tax		**(77,113)**	(18,797)
Income tax credit	10	**11,862**	4,829
Loss for the year from continuing operations	11	**(65,251)**	(13,968)
Discontinued Operations			
Net gain for the year from discontinued operations	13	**–**	6,229
Loss for the year		**(65,251)**	(7,739)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**(12,471)**	13,121
Reclassification adjustments relating to foreign operations disposed during the year		**(29)**	739
Other comprehensive (expense) income for the year		**(12,500)**	13,860
Total comprehensive (expense) income for the year		**(77,751)**	6,121

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Loss for the year from continuing operations attributable to owners of the Company		**(65,251)**	(13,968)
Loss for the year from continuing and discontinued operations attributable to owners of the Company		**(65,251)**	(7,739)
Total comprehensive (expense)/income for the year attributable to owners of the Company		**(77,751)**	6,121

	Notes	2018 RMB cent	2017 RMB cent (restated)
Loss per share:	15		
From continuing and discontinued operations			
Basic		**(0.89)**	(0.18)
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(0.89)**	(0.33)
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	16	**1,017**	83,152
Prepaid land lease payments	17	**48,291**	27,868
Plantation forest assets	18	**574,400**	470,700
Loans receivable	19	**89,952**	35,260
Goodwill	20	**–**	–
Other intangible assets	21	**–**	47,203
Deferred tax assets	31	**250**	–
		713,910	664,183
Current assets			
Inventories	22	**1,096**	–
Trade and other receivables	23	**126,889**	124,096
Loans receivable	19	**34,083**	36,609
Deposits and prepayments	24	**4,459**	4,212
Prepaid land lease payments	17	**1,463**	821
Derivative financial instruments	29	**–**	–
Income tax recoverable		**175**	–
Bank balances and cash	25	**7,387**	22,323
		175,552	188,061
Current liabilities			
Trade and other payables	26	**21,176**	73,323
Promissory notes payable	27	**21,872**	22,560
Corporate bonds payable	28	**47,670**	–
Convertible bonds payable	29	**–**	–
Contingent consideration payable	30	**–**	–
Current tax payable		**–**	3,720
		90,718	99,603
Net current assets		**84,834**	88,458
Total assets less current liabilities		**798,744**	752,641

Consolidated Statement of Financial Position (continued)

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Promissory notes payable	27	**23,783**	145,872
Corporate bonds payable	28	**174,341**	208,574
Deferred tax liabilities	31	**–**	11,801
		198,124	366,247
Net assets		**600,620**	386,394
Capital and reserves			
Share capital	32	**19,016**	7,501
Reserves		**581,604**	378,893
Total equity		**600,620**	386,394

The consolidated financial statements on pages 73 to 176 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Wang Yue *Director*	**Professor Fei Phillip** *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000 (Note 33)	Convertible bonds reserve RMB'000 (Note 29)	Translation reserve RMB'000	Other reserves RMB'000 (Note)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	6,239	459,963	–	3,298	(7,427)	18,038	(168,211)	311,900
Loss for the year	–	–	–	–	–	–	(7,739)	(7,739)
Other comprehensive income for the year	–	–	–	–	13,860	–	–	13,860
Total comprehensive income (expenses) for the year	–	–	–	–	13,860	–	(7,739)	6,121
Recognition of equity-settled share-based payments	–	–	5,476	–	–	–	(5,476)	–
Issue of shares upon:								
— Shares placement and subscription	1,156	62,422	–	–	–	–	–	63,578
— Fulfilment of profit guarantee (Note 30)	106	5,203	–	–	–	–	–	5,309
Share issue expenses	–	(514)	–	–	–	–	–	(514)
Convertible bonds redeemed during the year	–	–	–	(3,298)	–	–	3,298	–
At 31 December 2017 and 1 January 2018	7,501	527,074	5,476	–	6,433	18,038	(178,128)	386,394
Loss for the year	–	–	–	–	–	–	**(65,251)**	**(65,251)**
Other comprehensive expense for the year	–	–	–	–	**(12,500)**	–	–	**(12,500)**
Total comprehensive expenses for the year	–	–	–	–	**(12,500)**	–	**(65,251)**	**(77,751)**
Share options lapsed during the year	–	–	**(5,476)**	–	–	–	**5,476**	–
Issue of shares upon rights issue	**11,515**	**287,871**	–	–	–	–	–	**299,386**
Share issue expenses	–	**(7,409)**	–	–	–	–	–	**(7,409)**
At 31 December 2018	**19,016**	**807,536**	–	–	**(6,067)**	**18,038**	**(237,903)**	**600,620**

Note:

Other reserves at 31 December 2018 and 31 December 2017 comprise the following:

— Merger reserve arising from common control combination for entity acquired in December 2010;

— Surplus from the share capital of the subsidiaries, acquired pursuant to the group reorganisation over acquisition consideration; and

— Difference between the nominal value of the shares of a subsidiary, acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Operating activities			
Loss for the year		**(65,251)**	(7,739)
Adjustments for:			
Income tax credit recognised in profit or loss		**(11,862)**	(4,829)
Finance costs		**28,389**	27,924
Net loss (gain) on change in fair value less costs to sell of plantation forest assets		**5,905**	(43,631)
Amortisation of prepaid land lease payments		**1,035**	684
Amortisation of other intangible assets		**12,876**	26,810
Depreciation of property, plant and equipment		**6,645**	1,371
Harvested timber transferred from plantation forest assets to cost of inventories sold		**5,849**	12,151
Loss on change in fair value of derivative financial instruments		**–**	199
Loss on early repayment of promissory notes		**14,501**	13,728
Impairment losses recognised in respect of:			
— inventories		**–**	33
— goodwill		**–**	357
— other intangible assets		**34,327**	51,051
— loans receivable		**1,514**	–
Bank interest income		**(17)**	(32)
Gain on change in fair value of contingent consideration payable		**–**	(30,253)
Gain on disposal of subsidiaries	37	**(16,192)**	(7,957)
Loss on disposal of property, plant and equipment		**43**	294
Net exchange (gains) losses		**(3,590)**	1,881
Operating cash flows before movements in working capital		**14,172**	42,042
(Increase) decrease in inventories		**(1,096)**	77
(Increase) decrease in loans receivable		**(48,499)**	5,492
Decrease (increase) in trade and other receivables		**90,202**	(27,686)
(Increase) decrease in deposits and prepayments		**(44)**	1,130
Decrease (increase) in trade and other payables		**(55,231)**	1,930
Cash (used in) from operations		**(496)**	22,985
Income taxes paid		**(4,090)**	(13,774)
Net cash (used in) from operating activities		**(4,586)**	9,211

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(981)**	(58)
Additions to plantation forest assets		**(332)**	–
Proceeds on disposal of property, plant and equipment		**–**	9
Acquisition of subsidiaries	36	**(115,397)**	(3,589)
Disposal of subsidiaries	37	**(543)**	11,215
Interests received		**17**	32
Net cash (used in) from investing activities		**(117,236)**	7,609
Financing activities			
Interest paid	38	**(14,255)**	(14,533)
Proceeds from issue of shares, net of issue expenses		**292,709**	63,064
Proceeds from issue of corporate bonds, net of issue expenses	38	**–**	79,668
Repayment of promissory notes	38	**(171,879)**	(139,745)
Redemption of convertible bonds	38	**–**	(17,749)
Net cash from (used in) financing activities		**106,575**	(29,295)
Net decrease in cash and cash equivalents		**(15,247)**	(12,475)
Cash and cash equivalents at beginning of the year		**22,323**	35,938
Effect of foreign exchange rate changes		**311**	(1,140)
Cash and cash equivalents at end of the year, represented by:			
Bank balances and cash		**7,387**	22,323

1. GENERAL INFORMATION

China Agroforestry Low-Carbon Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and principal place of business are Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Rooms 1002–1003, 10th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong respectively. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in forestry management, provision of services in relation to management, leasing, sale and installation of container houses, money lending and investment holding. In the prior year, the Group was also engaged in the production and sale of biomass fuel products.

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

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

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

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

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

The application of the HKFRS 15 has no significant impact on the timing and amounts of revenue in the accumulated losses, classification of assets, liabilities and other components of equity at 1 January 2018.

HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually with outstanding significant balances, the remaining balances are grouped based on past due analysis.

ECL for other financial assets at amortised cost, including bank balances and other receivables, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

The application of the ECL model of HKFRS 9 has no material impact on the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on loans receivable and trade and other receivables.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

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

The application of the other new and revised HKFRSs applied in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that·have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for HKFRS 16 mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group as lessee has non-cancellable operating lease commitments of RMB3,108,000 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

HKFRS 16 "Leases" (Continued)

In addition, the Group currently considers refundable rental deposits paid of RMB1,313,000 and refundable rental deposits received of RMB1,039,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for plantation forest assets and certain financial instruments that are measured at fair values less costs to sell and at fair value respectively at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date when the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income/expenses are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income/expenses of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income/expenses in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

— deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance, obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method
The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold, net of discounts and sales related taxes, services rendered and interest income from money lending business.

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

— the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the Group; and

— the cost incurred or to be incurred in respect of the transaction can be measured reliably.

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

Income from provision of services is recognised when the relevant services have been rendered by the Group.

Rental income is recognised on a straight line basis over the lease terms.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

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

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

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, and a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Share-based payment transactions

Share-based payment transactions of the Company

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

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

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Plantation forest assets

Plantation forest assets predominately consist of standing trees in a forest on which the Group undertakes agricultural activities to transform the standing trees into agricultural produce for sale. The forest establishment and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Plantation forest assets are stated at fair value less costs to sell at the end of each reporting period and the gain or loss arising from the changes in the fair value less costs to sell of the plantation forest assets is recognised in profit or loss in the period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plantation forest assets (Continued)

If an active market exists for standing trees, reference to the distribution of the forest area by age-class, land tenure, forest health, expected growth and yield of the tree crops are adopted for determining the fair value of these assets. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

At the time the tree is harvested, the agricultural produce is measured at its fair value less costs to sell at the point of harvest. It is taken out of the plantation forest assets (non-current assets) and accounted for under inventories (current assets).

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of assets, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets (other than goodwill)

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"). except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loans receivable, trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurs. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans receivables are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (before application of HKFRS on 1 January 2018)

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling in the near term; or

— it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— if forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in other gains or losses in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans receivable, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, promissory notes payable and corporate bonds payable) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds

The convertible bonds contain three elements: liability component, derivative component and equity component which are classified in accordance with the substance of the contractual arrangements and the definitions of a financial liability, a derivative financial instrument and an equity instrument. Early redemption option that entitles the Company to redeem the convertible bonds before their maturity is regarded as derivative financial instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The derivative component is measured at fair value at the date of issue and subsequent to that date with any change in fair value recognised in profit or loss. The fair value of the equity component at the date of issue is recognised and included in equity, net of income tax effects, if any, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

Derivative financial instruments

Derivative are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Approval of logging permits for the plantation forest assets

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment.

Up to the date of approval of the consolidated financial statements, the permits for logging of the Group's plantation forest assets in the year 2019 and onwards have not been granted by the PRC government authorities. In the opinion of the directors of the Company, the absence of the logging permits does not impair the value of the forest assets to the Group as the Group has legally obtained ownership title to such assets, is qualified to make the relevant application of the logging permits which is expected to be granted by the PRC government shortly after application.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Fair value of plantation forest assets

The Group's plantation forest assets are stated at fair value less costs to sell. In determining the fair value of the plantation forest assets, the net present value approach has been adopted which requires a number of key assumptions and estimates to be made such as the successful application of logging permits, discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation forest assets significantly. Management reviews the assumptions and estimates periodically to identify any significant change in the fair value less costs to sell of the plantation forest assets. The carrying amount of the Group's plantation forest assets as at 31 December 2018 is approximately RMB574,400,000 (2017: RMB470,700,000).

(b) Impairment of property, plant and equipment and prepaid lease payments

Management of the Group determines on a regular basis whether the property, plant and equipment and prepaid lease payments are impaired. Impairment losses for property, plant and equipment and prepaid lease payments are recognised when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on higher of fair value less costs of disposal and value in use. The value in use calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2018, the carrying amounts of property, plant and equipment and prepaid land lease payments are approximately RMB1,017,000 (2017: RMB83,152,000) and RMB49,754,000 (2017: RMB28,689,000) respectively. No impairment loss of property, plant and equipment and prepaid land lease payments was recognised in respect of both of the years presented.

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charges for the future years.

(d) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, each a difference may impact the amortisation charges for the future years.

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

Key sources of estimation uncertainty (Continued)

(e) *Impairment of loans receivable*

Management regularly reviews the recoverability of the loans receivable. Appropriate impairment loss for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flows discounted using the original effective interest rate. As at 31 December 2018, the carrying amount of loans receivable is RMB124,035,000 (2017: RMB71,869,000). Impairment loss of approximately RMB1,514,000 (2017: Nil) has been recognised on the loans receivable in respect of the year.

(f) *Impairment of trade and other receivables*

The Group performs ongoing credit evaluations of its customers and other debtors and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors and make allowance for doubtful debts on outstanding receivables by reference to historical experience and debtors' financial position. As at 31 December 2018, the carrying amount of trade and other receivables is approximately RMB126,889,000 (2017: RMB124,096,000). No allowance for doubtful debts has been recognised in profit or loss in respect of both of the years presented.

(g) *Impairment of other tangible and intangible assets (other than goodwill)*

If circumstances indicate that the carrying amount of tangible and intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to their recoverable amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates and judgements relating to level of future income and operating costs. Changes in these estimates could have significant impact on the carrying amounts of these assets and could result in additional impairment change or reversal of impairment, if any, in future periods. As at 31 December 2018, the carrying amount of other intangible assets is approximately RMBNil (2017: RMB47,203,000). Impairment loss of approximately RMB34,327,000 (2017: RMB51,051,000) has been recognised in profit or loss in respect of the year.

(h) *Fair value measurements of financial liabilities*

Some of the Group's financial liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the financial liabilities. Notes 43(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value.

5. REVENUE

An analysis of the Group's revenue is as follows:

	Continuing Operations		Discontinued Operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from sales of goods	**20,509**	24,046	**–**	105	**20,509**	24,151
Sales and installation of container houses	**7,766**	–	**–**	–	**7,766**	–
Income from provision of services	**10,627**	55,416	**–**	–	**10,627**	55,416
Rental income from container houses	**6,738**	570	**–**	–	**6,738**	570
Interest income from money lending business	**5,719**	5,540	**–**	–	**5,719**	5,540
	51,359	85,572	**–**	105	**51,359**	85,677

Revenue from sales of goods and sales and installation of container houses is recognised at a point in time when the control of the goods and container houses are transferred to customers.

Revenue from provision of services in relation to management and leasing of container houses is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

6. SEGMENT INFORMATION

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

The Group's reportable, operating and discontinued segments are analysed as follows:

Continuing operations:

(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) Money Lending Business — provision of money lending services.

6. SEGMENT INFORMATION (Continued)

Discontinued operations:

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

Information regarding the above segments for the years ended 31 December 2018 and 2017 is presented below.

Segment revenues and results

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

For the year ended 31 December 2018

	Continuing Operations				Discontinued Operations	
	Forestry Business RMB'000	Container Houses Business RMB'000	Money Lending Business RMB'000	Sub-total RMB'000	Biomass Fuel Business RMB'000	Total RMB'000
Segment revenue	20,509	25,131	5,719	51,359	–	51,359
Segment profit (loss)	6,321*	(48,421)#	2,301	(39,799)	–	(39,799)
Bank interest income						17
Other unallocated income						2,449
Gain on disposal of subsidiaries						16,192
Gain on change in fair value of contingent consideration payable						–
Loss on early redemption on promissory notes						(14,501)
Loss on change in fair value of derivative financial instruments						–
Other unallocated expenses						(13,082)
Finance costs						(28,389)
Loss before tax						(77,113)
Income tax credit						11,862
Loss for the year						(65,251)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2017

	Continuing Operations				Discontinued Operations	
	Forestry Business RMB'000	Container Houses Business RMB'000	Money Lending Business RMB'000	Sub-total RMB'000	Biomass Fuel Business RMB'000	Total RMB'000
Segment revenue	24,046	55,986	5,540	85,572	105	85,677
Segment profit (loss)	53,716*	(29,280)#	4,517	28,953	(1,947)	27,006
Bank interest income						32
Other unallocated income						3,323
Gain on disposal of subsidiaries						7,957
Gain on change in fair value of contingent consideration payable						30,253
Loss on early redemption on promissory notes						(13,728)
Loss on change in fair value of derivative financial instruments						(199)
Other unallocated expenses						(39,288)
Finance costs						(27,924)
Loss before tax						(12,568)
Income tax credit						4,829
Loss for the year						(7,739)

		2018 RMB'000	2017 RMB'000
*	Segment profit of Forestry Business before change in fair value less costs to sell of plantation forest assets	**12,226**	10,085
	Net (loss) gain on change in fair value less costs to sell of plantation forest assets	**(5,905)**	43,631
	Segment profit of Forestry Business	**6,321**	53,716
#	Segment (loss) profit of Container Houses Business before amortisation and impairment	**(1,218)**	48,938
	Amortisation of other intangible assets	**(12,876)**	(26,810)
	Impairment on goodwill and other intangible assets	**(34,327)**	(51,408)
	Segment loss of Container Houses Business	**(48,421)**	(29,280)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represent the profit/loss earned from each segment without allocation of central administrative costs including directors' salaries and other corporate administrative costs, bank interest and sundry income, gain on disposal of subsidiaries, gain on change in fair value of contingent consideration payable, loss on change in fair value of derivative financial instruments, loss on early repayment of promissory notes and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	2018 RMB'000	2017 RMB'000
Segment assets		
Forestry Business	**645,658**	540,834
Container Houses Business	**14,577**	178,256
Money Lending Business	**124,510**	71,877
Total segment assets	**784,745**	790,967
Unallocated assets	**104,717**	61,277
Consolidated assets	**889,462**	852,244

	2018 RMB'000	2017 RMB'000
Segment liabilities		
Forestry Business	**3,302**	3,083
Container Houses Business	**5,015**	1,026
Money Lending Business	**87**	52,664
Total segment liabilities	**8,404**	56,773
Unallocated liabilities	**280,438**	409,077
Consolidated liabilities	**288,842**	465,850

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

— all assets are allocated to operating segments other than bank balances and cash and other assets for corporate use including certain property, plant and equipment, other receivables and deposits and prepayments, and derivative financial instruments. Assets used jointly by segments are allocated on the basis of the revenue earned by individual segments; and

— all liabilities are allocated to operating segments other than promissory notes payable, corporate bonds payable, convertible bonds payable, contingent consideration payable, current tax payable, deferred tax liabilities and certain other payables. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2018

	Continuing Operations				Discontinued Operations		
	Forestry Business RMB'000	Container Houses Business RMB'000	Money Lending Business RMB'000	Sub-total RMB'000	Biomass Fuel Business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss/profit or segment assets							
Additions to non-current assets (Note)	115,454	975	–	116,429	–	6	116,435
Depreciation of property, plant and equipment	3	6,639	2	6,644	–	1	6,645
Amortisation of prepaid land lease payments	1,035	–	–	1,035	–	–	1,035
Amortisation of other intangible assets	–	12,876	–	12,876	–	–	12,876
Loss on disposal of property, plant and equipment	–	43	–	43	–	–	43
Net loss on change in fair value less costs to sell of plantation forest assets	5,905	–	–	5,905	–	–	5,905
Impairment losses recognised in respect of							
— inventories	–	–	–	–	–	–	–
— goodwill	–	–	–	–	–	–	–
— other intangible assets	–	34,327	–	34,327	–	–	34,327
— loans receivable	–	–	1,514	1,514	–	–	1,514

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2017

	Continuing Operations				Discontinued Operations		
	Forestry Business RMB'000	Container Houses Business RMB'000	Money Lending Business RMB'000	Sub-total RMB'000	Biomass Fuel Business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment loss/profit or segment assets							
Additions to non-current assets (Note)	117,114	83,818	7	200,939	–	4	200,943
Depreciation of property, plant and equipment	16	822	–	838	533	–	1,371
Amortisation of prepaid land lease payments	685	–	–	685	–	–	685
Amortisation of other intangible assets	–	26,810	–	26,810	–	–	26,810
Loss on disposal of property, plant and equipment	–	–	–	–	294	–	294
Net gain on change in fair value less costs to sell of plantation forest assets	43,631	–	–	43,631	–	–	43,631
Impairment losses recognised in respect of							
— inventories	–	–	–	–	33	–	33
— goodwill	–	357	–	357	–	–	357
— other intangible assets	–	51,051	–	51,051	–	–	51,051
— loans receivable	–	–	–	–	–	–	–

Note: The additions to non-current assets exclude the financial assets.

Geographical information

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

	Continuing operations		Discontinued operations		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
PRC	**45,640**	80,032	**–**	105	**45,640**	80,137
Hong Kong	**5,719**	5,540	**–**	–	**5,719**	5,540
	51,359	85,572	**–**	105	**51,359**	85,677

Information about the Group's non-current assets based on the geographical location of the assets is not presented as the Group's non-current assets (excluding loans receivable) are substantially located in the PRC.

6. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

	Revenue generated from	2018 RMB'000	2017 RMB'000
Customer A	Forestry Business	**20,509**	24,046
Customer B	Container Houses Business	**9,682**	N/A

The revenue from the Customer B for the prior year ended 31 December 2017 did not contribute over 10% of the total Group's revenue for that year.

7. INVESTMENT AND OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Bank interest income	**17**	14	**–**	18	**17**	32
Sundry income	**2,449**	3,123	**–**	200	**2,449**	3,323
	2,466	3,137	**–**	218	**2,466**	3,355

8. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Gain on change in fair value of contingent consideration payable	**–**	30,253	**–**	–	**–**	30,253
Gain on disposal of subsidiaries	**16,192**	–	**–**	–	**16,192**	–
Net (loss) gain on change in fair value less costs to sell of plantation forest assets	**(5,905)**	43,631	**–**	–	**(5,905)**	43,631
Loss on change in fair value of derivative financial instruments	**–**	(199)	**–**	–	**–**	(199)
Loss on early repayment of promissory notes	**(14,501)**	(13,728)	**–**	–	**(14,501)**	(13,728)
Loss on disposal of property, plant and equipment	**(43)**	–	**–**	(294)	**(43)**	(294)
Impairment losses recognised in respect of:						
— goodwill	**–**	(357)	**–**	–	**–**	(357)
— other intangible assets	**(34,327)**	(51,051)	**–**	–	**(34,327)**	(51,051)
— loan receivables	**(1,514)**	–	**–**	–	**(1,514)**	–
— inventories	**–**	–	**–**	(33)	**–**	(33)
Exchange gains (losses), net	**1,000**	(305)	**–**	559	**1,000**	254
Other gains (losses), net	**(39,098)**	8,244	**–**	232	**(39,098)**	8,476

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest on:						
— promissory notes payable	**12,119**	12,749	**–**	–	**12,119**	12,749
— corporate bonds payable	**16,270**	14,177	**–**	–	**16,270**	14,177
— convertible bonds payable	**–**	998	**–**	–	**–**	998
	28,389	27,924	**–**	–	**28,389**	27,924

10. INCOME TAX CREDIT

	Continuing operations		Discontinued operations		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Current tax charge (credit)						
Hong Kong Profits Tax	**237**	547	**–**	–	**237**	547
PRC Enterprise Income Tax	**(48)**	14,089	**–**	–	**(48)**	14,089
Current tax charge, net	**189**	14,636	**–**	–	**189**	14,636
Deferred tax credit (Note 31)	**(12,051)**	(19,465)	**–**	–	**(12,051)**	(19,465)
Income tax credit	**(11,862)**	(4,829)	**–**	–	**(11,862)**	(4,829)

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

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

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

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 RMB'000	2017 RMB'000
(Loss) profit before tax from:		
Continuing operations	**(77,113)**	(18,797)
Discontinued operations (Note 13)	**–**	6,229
Loss before tax	**(77,113)**	(12,568)
Tax credit at applicable income tax rate	**(18,144)**	(11,266)
Tax effect of expenses not deductible for tax purpose	**9,635**	18,440
Tax effect of income not taxable for tax purpose	**(3,529)**	(12,142)
Tax effect of tax losses not recognised	**622**	139
Tax effect of deductible temporary differences not recognised	**(250)**	–
Others	**(196)**	–
Income tax credit for the year	**(11,862)**	(4,829)

11. LOSS FOR THE YEAR

	Continuing Operations		Discontinued Operations		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loss for the year has been arrived at after charging:						
Directors' emoluments (Note below)	**1,646**	1,831	**–**	–	**1,646**	1,831
Other staff costs	**7,527**	5,402	**–**	1,280	**7,527**	6,682
Total staff costs	**9,173**	7,233	**–**	1,280	**9,173**	8,513
Auditors' remuneration						
— audit services	**960**	1,034	**–**	–	**960**	1,034
— non-audit services	**558**	424	**–**	–	**558**	424
Cost of inventories recognised and timber harvested	**12,783**	12,151	**–**	77	**12,783**	12,228
Depreciation of property, plant and equipment	**6,645**	838	**–**	533	**6,645**	1,371
Amortisation of prepaid land lease payments	**1,035**	685	**–**	–	**1,035**	685
Amortisation of other intangible assets	**12,876**	26,810	**–**	–	**12,876**	26,810
Impairment loss on inventories	**–**	–	**–**	33	**–**	33
Share-based payment expenses (Note below)	**–**	5,476	**–**	–	**–**	5,476
Operating lease rentals in respect of:						
— land and building	**4,006**	5,470	**–**	61	**4,006**	5,531
— motor vehicles	**506**	–	**–**	–	**506**	–

Note:

No share-based payment expenses were incurred by the Group in respect of the year ended 31 December 2018. Included in the share-based payment expenses totalled RMB5,476,000 for the year ended 31 December 2017 are the amount of RMB198,000 attributable to the directors of the Company and are also included in the directors' emoluments, with the remaining amount of RMB5,278,000 attributable to parties other than the staff of the Group.

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

(a) Directors and chief executive

The emoluments paid or payable to each of the directors and chief executive were as follows:

For the year ended 31 December 2018

	Fees RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Lei Zuliang#	591	–	–	–	591
Professor Fei Phillip	202	–	–	–	202
Mr. Wang Yue	537	–	–	–	537
Non-executive director:					
Professor Liu Zhikun	36	–	–	–	36
Independent non-executive directors:					
Ms. Tian Guangmei	199	–	–	–	199
Mr. Liang Guoxin	51	–	–	–	51
Mr. Liu Zhaoxiang	30	–	–	–	30
Total	1,646	–	–	–	1,646

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

(a) Directors and chief executive (Continued)

For the year ended 31 December 2017

	Fees RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Lei Zuliang#	603	–	20	–	623
Professor Fei Phillip	208	–	20	–	228
Mr. Wang Yue	520	–	78	–	598
Non-executive director:					
Professor Liu Zhikun	36	–	20	–	56
Independent non-executive directors:					
Ms. Tian Guangmei	185	–	20	–	205
Mr. Liang Guoxin	52	–	20	–	72
Mr. Liu Zhaoxiang	31	–	20	–	51
Total	1,635	–	198	–	1,833

Resigned on 1 February 2019

There were no arrangement under which the directors of the Company waived or agreed to waive any remuneration during the year.

During the year ended 31 December 2017, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company. Details of the share options granted are set out in Note 33 to the Group's consolidated financial statements.

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

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company whose emoluments are included in the above disclosures. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other allowances	**1,793**	1,940
Retirement benefits scheme contributions	**29**	30
	1,822	1,970

These three highest paid employees (2017: three employees) whose remuneration fell within the following bands are as follows:

	2018	2017
Nil to HK$1,000,000	**3**	3
	3	3

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emolument during the years ended 31 December 2018 and 2017.

13. DISCONTINUED OPERATIONS

On 27 December 2017, the Company entered into an agreement with a third party, pursuant to which the Company has agreed to dispose of the entire issued share capital of Rongxuan Forestry Investment Holdings Limited ("**Rongxuan**") at a consideration of RMB1,800,000. The disposal of Rongxuan was completed on 29 December 2017. Upon the completion of the disposal, the Group ceased its operations of manufacture and sale of biomass fuel products. An analysis of the gain for the year ended 31 December 2017 from the discontinued operations is as follows:

	2017 RMB'000
Loss for the period from discontinued business (Note below)	(1,728)
Gain on disposal of subsidiaries undertaking Biomass Fuel Business	7,957
Net gain for the year from discontinued operations	6,229

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

	1 January 2017 to 28 December 2017 RMB'000
Revenue (Note 5)	105
Cost of sales	(77)
Gross profit	28
Investment and other income (Note 7)	218
Other gains or losses (Note 8)	232
Selling and distribution expenses	(2)
Administrative expenses	(2,204)
Loss before tax	(1,728)
Income tax expense (Note 10)	–
Loss for the year attributable to owners of the Company (Note 11)	(1,728)

The cash flows from the discontinued operations are analysed as follows:

	1 January 2017 to 28 December 2017 RMB'000
Net cash outflow from operating activities	(786)
Net cash inflow from investing activities	28
Net cash inflow from financing activities	82
Net cash outflow	(676)

14. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2018 (2017: Nil) nor had any dividend been proposed since the end of the reporting period (2017: Nil).

15. LOSS PER SHARE

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

	Continuing and Discontinued Operations		Continuing Operations	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss				
Loss for the purpose of basic loss per share				
Loss for the year attributable to owners of the Company	**(65,251)**	(7,739)	**(65,251)**	(13,968)
Effect of dilutive potential ordinary shares:				
— Interest expense on convertible bonds	**–**	998	**–**	998
— Loss on change in fair value of derivative financial instruments	**–**	199	**–**	199
Loss for the purpose of diluted loss per share	**N/A**	N/A	**N/A**	N/A

	Continuing and Discontinued Operations		Continuing Operations	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**7,316,748**	4,259,409	**7,316,748**	4,259,409
Effect of dilutive potential ordinary shares:				
— Convertible bonds	**–**	19,031	**–**	19,031
Weighted average number of ordinary shares for the purposes of diluted loss per share	**7,316,748**	4,278,440	**7,316,748**	4,278,440

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for 2018 and 2017.

The weighted average number of ordinary shares for the year ended 31 December 2017 shown above has been adjusted to take account of the effect arising from the rights issue of shares of the Company made during the current year. Comparative information of the loss per share for the year ended 31 December 2017 has been restated accordingly.

15. LOSS PER SHARE (Continued)

As the Group sustained a loss for both of the years presented, diluted loss per share for these years are not presented as the effects of conversion of the convertible bonds are regarded anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Container houses RMB'000	Total RMB'000
COST						
At 1 January 2017	8,272	641	4,002	689	–	13,604
Acquisition of subsidiaries (Note 36(b))	–	–	–	–	83,771	83,771
Additions	–	58	–	–	–	58
Disposals	(615)	(76)	–	–	–	(691)
Derecognised on disposal of subsidiaries (Note 37(b))	(7,657)	(214)	(3,098)	(689)	–	(11,658)
Exchange realignment	–	(2)	(59)	–	–	(61)
At 31 December 2017 and 1 January 2018	**–**	**407**	**845**	**–**	**83,771**	**85,023**
Additions	**–**	**6**	**–**	**–**	**975**	**981**
Disposals	**–**	**–**	**–**	**–**	**(48)**	**(48)**
Derecognised on disposal of subsidiaries (Note 37(a))	**–**	**–**	**–**	**–**	**(83,723)**	**(83,723)**
Exchange realignment	**–**	**3**	**42**	**–**	**–**	**45**
At 31 December 2018	**–**	**416**	**887**	**–**	**975**	**2,278**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2017	7,141	394	4,002	681	–	12,218
Depreciation provided for the year	477	134	–	–	760	1,371
Eliminated on disposals	(312)	(76)	–	–	–	(388)
Eliminated on disposal of subsidiaries (Note 37(b))	(7,306)	(184)	(3,101)	(681)	–	(11,272)
Exchange realignment	–	(2)	(56)	–	–	(58)
At 31 December 2017 and 1 January 2018	**–**	**266**	**845**	**–**	**760**	**1,871**
Depreciation provided for the year	**–**	**69**	**–**	**–**	**6,576**	**6,645**
Eliminated on disposals	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Eliminated on disposal of subsidiaries (Note 37(a))	**–**	**–**	**–**	**–**	**(7,295)**	**(7,295)**
Exchange realignment	**–**	**3**	**42**	**–**	**–**	**45**
At 31 December 2018	**–**	**338**	**887**	**–**	**36**	**1,261**
CARRYING AMOUNTS						
At 31 December 2018	**–**	**78**	**–**	**–**	**939**	**1,017**
At 31 December 2017	–	141	–	–	83,011	83,152

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Machinery	4–10 years
Office equipment, furniture and fixtures	2–10 years
Leasehold improvement	30 years or over the relevant lease, whichever is shorter
Motor vehicles	4–5 years
Container houses	10–13 years

17. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Prepaid lease payments in respect of land under medium-term lease in Sichuan of the PRC	**49,754**	28,689
Analysed for reporting purposes as:		
Non-current asset	**48,291**	27,868
Current asset	**1,463**	821
	49,754	28,689
Movements during the year are as follows:		
At 1 January	**28,689**	17,200
Acquired on acquisition of subsidiaries (Note 36)	**22,100**	13,380
Amortised for the year	**(1,035)**	(685)
Derecognised on disposal of subsidiaries (Note 37(b))	**–**	(1,206)
At 31 December	**49,754**	28,689

Notes:

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

(ii) The prepaid land lease payments in Sichuan are amortised over the terms of relevant land lease ranging from 34 to 40 years (2017: 36 to 63 years).

18. PLANTATION FOREST ASSETS

	Dali Forest RMB'000	Hengchang Forest RMB'000	Kunlin Forest RMB'000	Senbo Forest RMB'000	Ruixiang Forest RMB'000	Wantai Forest RMB'000	Total RMB'000
At 1 January 2017	18,007	192,021	53,902	78,275	–	–	342,205
Acquisition of subsidiaries (Note 36(b))	–	–	–	–	117,114	–	117,114
Harvested timber transferred to cost of inventories sold	–	(9,033)	(3,117)	–	–	–	(12,150)
Changes in fair value less costs to sell (Note 8)	2,093	23,012	4,615	(11,975)	25,886	–	43,631
De-recognised on disposal of subsidiaries (Note 37(b))	(20,100)	–	–	–	–	–	(20,100)
At 31 December 2017 and 1 January 2018	–	206,000	55,400	66,300	143,000	–	470,700
Acquisition of subsidiaries (Note 36(a))	–	–	–	–	–	115,122	115,122
Other additions during the year	–	332	–	–	–	–	332
Harvested timber transferred to cost of inventories sold	–	(2,195)	–	(1,415)	(2,239)	–	(5,849)
Changes in fair value less costs to sell (Note 8)	–	(15,137)	(100)	(1,785)	239	10,878	(5,905)
At 31 December 2018	–	189,000	55,300	63,100	141,000	126,000	574,400

Notes:

(a) **Dali Forest**

On 11 July 2012, the Group acquired the entire equity interest in Rongxuan Forestry Investment Holdings Limited ("Rongxuan") and its subsidiaries (collectively referred to as the "Rongxuan Group") which principally holds plantation forest assets in Dali, Yunnan Province, the PRC ("**Dali Forest**").

The **Dali Forest** was disposed of during the year ended 31 December 2017.

(b) **Hengchang Forest**

On 28 May 2013, the Group acquired the entire equity interest in China Timbers Limited ("China Timbers") and its subsidiaries (collectively referred as to the "China Timbers Group") which are principally engaged in the operation and management of the forest in Jiange County, Sichuan Province, 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 year under review, timber logs of approximately 2,837 cubic metres (2017: 10,700 cubic metres) in respect of the **Hengchang Forest** was harvested and the fair value of the timber logs harvested amounted to approximately RMB2,195,000 (2017: RMB9,033,000), which was estimated by reference to their sale prices less costs to less, was transferred to cost of inventories sold. As at 31 December 2018, the **Hengchang Forest** is estimated to comprise approximately 1,389 hectares of cypress with no tree plantations aged 40 years or older.

18. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(c) Kunlin Forest

On 26 February 2016, the Group acquired the entire equity interest in Exceed Target Investment Group Limited ("Exceed Target") and its subsidiaries (collectively referred to as the "Exceed Target Group") which are principally engaged in the operation and management of the forest in Zhengxing Town, Jiange County, Sichuan Province, the PRC ("**Kunlin Forest**"). Jiange Kunlin Linye Company Limited was transferred from Exceed Target Group to China Timbers Group on 14 November 2018. The **Kunlin Forest** had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 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 year under review, approval of the logging permit in respect of the Kunlin Forest was not obtained by the Group and no timber logs were harvested. In 2017, timber logs of approximately 4,000 cubic metres in respect of **Kunlin Forest** was harvested and the fair value of the timber logs harvested amounted to approximately RMB3,117,000, which was estimated by reference to their sale prices less costs to sales, was transferred to cost of inventories sold. As at 31 December 2018, the **Kunlin Forest** is estimated to comprise of approximately 642 hectares of cypress with no tree plantations aged 40 years or older.

(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 13,219 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 year under review, timber logs of approximately 2,113 cubic metres (2017: Nil) in respect of **Senbo Forest** was harvested and the fair value of the timber logs harvested amounted to approximately RMB1,415,000 (2017: Nil), which was estimated by reference to their sale prices less costs to less, was transferred to cost of inventories sold. As at 31 December 2018, the **Senbo Forest** is estimated to comprise of approximately 881 hectares of cypress with approximately 171 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, Houshixiang 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 2,044 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 year under review, timber logs of approximately 3,125 cubic metres (2017: Nil) in respect of **Ruixiang Forest** was harvested and the fair value of the timber logs harvested amounted to approximately RMB2,239,000 (2017: Nil), which was estimated by reference to their sale prices less costs to less, was transferred to cost of inventories sold. As at 31 December 2018, the **Ruixiang Forest** is estimated to comprise approximately 2,044 hectares of cypress with approximately 9 hectares of tree plantations with aged 40 years or older.

(f) Wantai Forest

On 24 August 2018, the Group acquired the entire equity interest in Today Bridge Limited ("Today Bridge") and its subsidiaries (collectively referred to as the "Today Bridge Group") which principally holds plantation forest assets in Kaifeng Town, Yingshui Village, Guangping Village, Zheba Village, Jiange County of the Sichuan Province in the PRC ("**Wantai Forest**"). The **Wantai Forest** had a total leasehold land base of approximately 42,814 Chinese Mu (equivalent to approximately of 2,854 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 **Wantai Forest**. During the year under review, approval of the logging permit in respect of the **Wantai Forest** was not obtained by the Group and no timber logs in respect of the **Wantai Forest** were harvested. As at 31 December 2018, the **Wantai Forest** is estimated to comprise approximately 2,854 hectares of cypress with no tree plantations with aged 40 years or older.

(g) Valuation of Plantation Forest Assets

The Group's plantation forest assets are regarded as biological assets and are carried at 31 December 2018 at fair value less costs to sell, which were valued by Ascent Partners Valuation Service Limited ("Ascent Partners"), independent professional valuers. In view of the non-availability of market value for tree plantations in the PRC, the professional valuers have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at 17.16%, 18.07%, 18.07%, 18.07% and 18.07% for the **Hengchang Forest**, **Kunlin Forest**, **Senbo Forest, Ruixiang Forest** and **Wantai Forest** respectively, to arrive at the fair value of the plantation forest assets.

18. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(g) Valuation of Plantation Forest Assets (Continued)

The principal valuation methodology and assumptions adopted are as follows:

Applicable to all of ***Hengchang Forest****,* ***Kunlin Forest****,* ***Senbo Forest****,* ***Ruixiang Forest*** *and* ***Wantai 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 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 as determined by management. The costs are current average costs. No allowance has been made for cost improvements in future operations.

— The discount rates used in the valuation of the plantation forest assets are determined based on weighted average of cost of capital (WACC).

— The account receivable's period and account payable's period are 60 days and 30 days respectively.

Applicable to ***Hengchang Forest***

— Cash flow projection is determined for a period of 16 years up to 2034 which involved 16 years of logging activities with the first year of logging activities taken to be from 2019. Management have assumed that the logging volume during the forecast period is 8,000 cubic meters in 2019, 10,000 cubic meters in 2020, 15,000 cubic meters in 2021, 20,000 cubic meters in 2022, 24,000 cubic meters in 2023, 27,000 cubic meters in 2024, 30,000 cubic meters for the years from 2025 to 2033 and 7,731 cubic meters in 2034 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2019 and onwards.

— The average increment in log sales prices is expected to be 1.24% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 17.16%.

— The inflation rate on other operation costs is 2.70% per annum.

— The biological growth rate of cypress is 5.43%.

— The yielding rate for cypress is 66%.

— The expected selling price has been derived from market information.

18. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(g) Valuation of Plantation Forest Assets (Continued)

Applicable to ***Kunlin Forest***

— Cash flow projection is determined for a period of 12 years up to 2030 which involved 12 years of logging activities with the first year of logging activities taken to be from 2019. Management have assumed that the logging volume during the forecast period is 5,000 cubic meters in 2019, 5,500 cubic meters in 2020, 6,000 cubic meters in 2021, 7,000 cubic meters in 2022, 8,000 cubic meters in 2023, 9,000 cubic meters in 2024, 10,000 cubic meters for the years from 2025 to 2029 and 644 cubic meters in 2030 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2019 and onwards.

— The average increment in log sales prices is expected to be 1.24% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 18.07%.

— The inflation rate on other operation costs is 2.70% per annum.

— The biological growth rate of cypress is 5.43%.

— The yielding rate for cypress is 66%.

— The expected selling price has been derived from market information.

Applicable to ***Senbo Forest***

— Cash flow projection is determined for a period of 20 years up to 2038 which involved 20 years of logging activities with the first year of logging activities taken to be from 2019. Management have assumed that the logging volume during the forecast period is 2,500 cubic meters in 2019, 3,500 cubic meters in 2020, 5,000 cubic meters in 2021, 6,000 cubic meters in 2022, 7,500 cubic meters in 2023, 9,000 cubic meters in 2024, 10,000 cubic meters for the years from 2025 to 2037 and 5,530 cubic meters in 2038 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2019 and onwards.

— The average increment in log sales prices is expected to be 1.24% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 18.07%.

— The inflation rate on other operation costs is 2.70% per annum.

— The biological growth rate of cypress is 5.43%.

— The yielding rate for cypress is 66%.

— The expected selling price has been derived from market information.

18. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(g) Valuation of Plantation Forest Assets (Continued)

Applicable to ***Ruixiang Forest***

— Cash flow projection is determined for a period of 14 years up to 2032 which involved 14 years of logging activities with the first year of logging activities taken to be from 2019. Management have assumed that the logging volume during the forecast period is 5,000 cubic meters in 2019, 7,500 cubic meters in 2020, 10,000 cubic meters in 2021, 14,000 cubic meters in 2022, 19,000 cubic meters in 2023, 24,000 cubic meters in 2024, 30,000 cubic meters for the years from 2025 to 2031 and 10,102 cubic meters in 2032 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2019 and onwards.

— The average increment in log sales prices is expected to be 1.24% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 18.07%.

— The inflation rate on other operation costs is 2.70% per annum.

— The biological growth rate of cypress is 5.43%.

— The yielding rate for cypress is 66%.

— The expected selling price has been derived from market information.

Applicable to ***Wantai Forest***

— Cash flow projection is determined for a period of 24 years up to 2042 which involved 24 years of logging activities with the first year of logging activities taken to be from 2019. Management have assumed that the logging volume during the forecast period is 6,000 cubic meters in 2019, 10,000 cubic meters in 2020, 14,000 cubic meters in 2021, 17,000 cubic meters in 2022, 20,000 cubic meters for the years from 2023 to 2041 and 13,722 cubic meters in 2042 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the year of 2019 and onwards.

— The average increment in log sales prices is expected to be 1.24% per annum, which is in line with the long-term producer price index of forestry product.

— The discount rate applied is 18.07%.

— The inflation rate on other operation costs is 2.70% per annum.

— The biological growth rate of cypress is 5.43%.

— The yielding rate for cypress is 66%.

— The expected selling price has been derived from market information.

The fair value less costs to sell of the plantation forest assets at 31 December 2018 and 31 December 2017 have been determined based on Level 3 fair value measurement. There has been no change from the valuation technique used in the prior year. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

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

18. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(h) Other risks associated with the plantation forest assets

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

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. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

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 is 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.

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.

19. LOANS RECEIVABLE

	2018 RMB'000	2017 RMB'000
Loans and interests thereon receivable		
— within one year	**34,747**	36,609
— in the second to fifth years	**90,860**	35,260
	125,607	71,869
Less: Impairment loss recognised	**(1,572)**	–
	124,035	71,869

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes:		
Classified under		
— Non-current assets	**89,952**	35,260
— Current assets	**34,083**	36,609
	124,035	71,869

Movements during the year are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**71,869**	82,574
Loan made by the Group	**73,815**	–
Interest on loans receivable	**5,719**	5,540
Loan and interest repaid	**(31,035)**	(11,032)
Impairment loss recognised	**(1,572)**	–
Exchange realignment	**5,239**	(5,213)
At 31 December	**124,035**	71,869

19. LOANS RECEIVABLE (Continued)

Movements of impairment loss on loans receivable are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	–	–
Impairment loss recognised (Note 8)	1,514	–
Exchange realignment	58	–
At 31 December	1,572	–

Details of the loans receivable outstanding at 31 December 2018 are as follows:

Loan principal amount HK$'000	Interest rate per annum	Maturity date	Security pledged
12,500	6%	15 June 2019	Note b
12,500	6%	10 June 2019	Note b
12,000	6%	6 July 2019	Note b
12,000	6%	3 July 2020	Note c
9,300	6%	25 July 2020	Note c
40,000	6%	6 August 2020	Note b
25,000	6%	9 August 2020	Note b
15,000	6%	19 September 2020	Note b
213	8%	12 September 2019	Nil
138,513			

Notes:

(a) Loans and interests thereon will be settled by the borrowers at the respective maturity dates.

(b) These loans with the aggregate principal amount of HK$117,000,000 are secured by certain goods and machineries owned by the borrowers.

(c) The loans are secured by guarantees given by certain PRC individuals.

20. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost		
At beginning and end of the year	**357**	357
Impairment		
At beginning of the year	**(357)**	–
Provided for the year (Note 8)	**–**	(357)
At end of the year	**(357)**	(357)
Carrying amounts		
At end of the year	**–**	–

Goodwill has been allocated for impairment testing purposes to the cash-generating unit ("CGU") of provision of services in relation to management, leasing, sale and installation of container houses and related business and impairment loss on this goodwill was recognised in profit or loss in respect of the prior year.

21. OTHER INTANGIBLE ASSETS

	Trademark RMB'000	Patent RMB'000	Total RMB'000
Cost			
At 1 January 2017, 31 December 2017 and 31 December 2018	80,000	54,000	134,000
Accumulated amortisation and impairment			
At 1 January 2017	5,079	3,857	8,936
Amortisation charge provided for the year	15,238	11,572	26,810
Impairment loss recognised for the year (Note 8)	30,940	20,111	51,051
At 31 December 2017	51,257	35,540	86,797
Amortisation charge provided for the year	7,332	5,544	12,876
Impairment loss recognised for the year (Note 8)	21,411	12,916	34,327
At 31 December 2018	80,000	54,000	134,000
Carrying amount			
At 31 December 2018	–	–	–
At 31 December 2017	28,743	18,460	47,203

21. OTHER INTANGIBLE ASSETS (Continued)

The intangible assets were acquired during the year ended 31 December 2016 following the acquisition by the Group of certain subsidiaries which are engaged in the provision of services in relation to management, leasing, sale and installation of container houses and related business.

The following useful lives are used in the calculation of amortisation of intangible assets:

Trademark	5.25 years
Patent	4.67 years

The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

In view that the subsidiaries sustained significant losses arising from business operations, impairment losses on other intangible assets totalled RMB34,327,000 (2017: RMB51,051,000) have been recognised for the current year, which is calculated based on the recoverable amounts of the CGU attributable to the business of the subsidiaries, as determined on value in use basis.

The carrying amounts of the trademark and patent at 31 December 2017 was to be amortised over the remaining useful lives of 3.92 years and 3.33 years respectively as from that date.

22. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Raw materials	**1,096**	–

23. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**30,436**	36,077
Other receivables	**96,453**	88,019
	126,889	124,096

(a) Trade receivables

	2018 RMB'000	2017 RMB'000
Trade receivables, gross amount	**30,436**	36,077
Less: allowance for doubtful debts	**–**	–
Trade receivables, net of allowance for doubtful debts	**30,436**	36,077

The Group generally allows an average credit period of 90 days (2017: 90 days) to its trade customers, where partial 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 invoice dates:

	2018 RMB'000	2017 RMB'000
0–90 days	**26,938**	28,182
91–180 days	**3,251**	3,082
181–365 days	**247**	4,523
more than 365 days	**–**	290
Total	**30,436**	36,077

23. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

An aged analysis of the Group's trade receivables, that are past due but not impaired, is as follows:

	2018 RMB'000	2017 RMB'000
Past due:		
0–90 days	**3,251**	3,082
More than 90 days	**247**	4,813
Total	**3,498**	7,895

The trade receivables that are past due but not impaired related to a number of customers. Having considered the credit quality of the customers and past experience of debts settlement, management of the Group is of the view that these trade receivables are fully recoverable and impairment loss on the receivables is not required to be made.

Movements of allowance of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**–**	335
Eliminated on disposal of subsidiaries	**–**	(335)
At 31 December	**–**	–

(b) Other receivables

An analysis of other receivables is as follows:

	2018 RMB'000	2017 RMB'000
Amounts due from former subsidiaries (Note i)	**–**	86,508
Proceeds receivable from disposal of subsidiaries (Note ii)	**93,000**	–
Sundry receivables	**3,453**	1,511
	96,453	88,019
Less: allowance for doubtful debts	**–**	–
	96,453	88,019

23. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables (Continued)

Notes:

(i) The amounts represent receivables from certain subsidiaries of Rongxuan, which was disposed of by the Group during the year ended 31 December 2017 (Note 13). Such amounts are unsecured, interest free and was fully settled during the current year.

(ii) The proceeds receivable from disposal of subsidiaries amounted to RMB93,000,000 at 31 December 2018 are unsecured and interest free. Such proceeds receivable to the extent of RMB40,000,000 will be settled within six months from 14 December 2018, being the date of completion of the disposal, with the remaining balance of RMB53,000,000 which will be settled within one year from 14 December 2018.

Movements of allowance of other receivables are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**–**	500
Eliminated on disposal of subsidiaries	**–**	(500)
At 31 December	**–**	–

24. DEPOSITS AND PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Other deposits paid	**1,316**	1,301
Prepayments	**3,143**	2,911
	4,459	4,212

25. BANK BALANCES AND CASH

At 31 December 2018, the Group's bank balances and cash denominated in RMB amounted to approximately RMB749,000 (2017: RMB16,405,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The bank balances carry interests at rates of 0.125% to 0.385% (2017: 0.001% to 0.385%) per annum.

26. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables (Note ii)	**3,443**	–
Consideration payable for acquisition of subsidiary	**7,350**	7,350
Other payables (Note iii)	**7,423**	6,349
Deposits received	**1,039**	–
Amounts due to former subsidiaries (Note iv)	**–**	57,604
Accrued charges	**1,921**	2,020
	21,176	73,323

Notes:

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

(ii) The following is an aged analysis of trade payables presented based on invoice dates:

	2018 RMB'000	2017 RMB'000
0–30 days	**342**	–
31–90 days	**1,472**	–
Over 90 days	**1,629**	–
	3,443	–

(iii) Included in other payables is payable amounted to RMB732,000 to Mr. Wang Yue, a director of the Company, for underwriting commission in connection with the rights issue of shares made by the Company during the year.

(iv) The amount represents payables to certain subsidiaries of Rongxuan, which was disposed of by the Group during the year ended 31 December 2017 (Note 13). Such amounts are unsecured, interest free and was fully settled during the year.

27. PROMISSORY NOTES PAYABLE

	2018 RMB'000	2017 RMB'000
Promissory notes payable:		
— issued on 28 May 2013 (Note a)	**–**	22,560
— issued on 6 June 2017 (Note d)	**21,872**	65,475
— issued on 21 November 2017 (Note e)	**–**	80,397
— issued on 15 August 2018 (Note f)	**23,783**	–
	45,655	168,432

27. PROMISSORY NOTES PAYABLE (Continued)

	2018 RMB'000	2017 RMB'000
Carrying amount payable		
— Within one year	**21,872**	22,560
— More than two years, but not exceeding five years	**23,783**	145,872
	45,655	168,432
Less: Amount shown under current liabilities	**21,872**	22,560
Amount shown under non-current liabilities	**23,783**	145,872

(a) 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 the entire interest in China Timbers and its subsidiaries.

Under the agreement relating to the Note A, the Note A, which is unsecured, carries interest at 3% per annum for the first two years from the date of issue and 8% per annum thereafter, and is payable on the maturity date of 28 May 2018 at its principal amount. The Company is also entitled to redeem the whole or part of the Note A at the principal amount at any time before the maturity date.

As at 1 January 2017 and 31 December 2017, the Note A with the principal amount of HK$27,503,000 remained outstanding.

On 23 May 2018, the Company entered into a supplemental deed to amend certain terms and conditions of the Note A, pursuant to which the parties thereto agreed to extend the maturity date of the Note A with the principal amount of HK$27,503,000 from 28 May 2018 to 28 August 2018.

During the year ended 31 December 2018, the Company fully redeemed the Note A with the principal amount of HK$27,503,000 for a total cash consideration of HK$17,740,000 and RMB8,000,000 (equivalent to a total of RMB23,201,000).

(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.

Under the agreement relating to the Note B, 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.

During the year ended 31 December 2017, the Company fully redeemed the Note B with the principal amount of HK$50,000,000 for cash consideration of HK$50,000,000 (equivalent to RMB43,345,000) and the pledge of 318,500,000 ordinary shares of the Company were released.

27. PROMISSORY NOTES PAYABLE (Continued)

(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.

Under the agreement relating to the Note C, the Note C is unsecured, carries interest at 3% per annum and is payable on the maturity date of 10 October 2019. The Company is also entitled to redeem the whole or part of the Note C at the principal amount at any time before the maturity date.

As at 1 January 2016, the Note C with the principal amount of HK$25,000,000 remained outstanding. During the year ended 31 December 2017, the Company fully redeemed the Note C with the principal amount of HK$25,000,000 for cash consideration of HK$25,000,000 (equivalent to RMB21,673,000).

(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 for acquisition of the entire interest in Garden Glaze and its subsidiaries (Note 36(b)(i)).

Under the agreement relating to the Note D, the Note D is unsecured, carries interest at 5% per annum and is payable on the maturity date of 5 June 2019. The Company is also entitled to redeem the whole or part the Note D at any time before the maturity date by 7 business days advance notice.

The fair value of the Note D at the date of its issue was estimated to be HK$148,516,000 (equivalent to RMB129,473,000) as valued by Ascent Partners, using the effective interest rate of 12.21% per annum.

During the current year, the Company redeemed part of the Note D with the principal amount of HK$60,000,000 (2017: HK$86,200,000) for a total cash consideration of HK$60,000,000 (equivalent to RMB50,616,000) (2017: HK$86,200,000, equivalent to RMB74,727,000) and the Note D with the principal amount of HK$23,800,000 (2017: HK$83,800,000) remained outstanding as at 31 December 2018. The effective interest rate in respect of the Note D at 31 December 2018 is 12.21% per annum (31 December 2017: 12.21% per annum).

(e) Promissory note issued on 21 November 2017 (the "Note E")

On 21 November 2017, the Company issued the Note E with the principal amount of RMB95,000,000 as part of the consideration for acquisition of the entire interest in Xiangyin Chong Sheng Chi Yip Limited (Note 36(b)(ii)).

Under the agreement relating to the Note E, the Note E is unsecured, carries interest at 3.5% per annum and is payable on the maturity date of 20 November 2019. The Company is also entitled to redeem the whole or part of the Note E at any time after the issue date to one day before the maturity date by 10 business days advance notice.

The fair value of the Note E at the date of its issue was estimated to be RMB79,239,000 as valued by Ascent Partners, using the effective interest rate of 13.34% per annum.

As at 31 December 2017, the Note E with the principal amount of RMB95,000,000 remained outstanding.

During the year ended 31 December 2018, the Company fully redeemed the Note E with the principal amount of RMB95,000,000 for a total cash consideration of HK$116,242,000 (equivalent to RMB98,062,000).

(f) Promissory note issued on 15 August 2018 (the "Note F")

On 15 August 2018, the Company issued the Note F with the principal amount of HK$34,100,000 as part of the consideration for acquisition of the entire interest in Today Bridge and its subsidiaries (Note 36(a)).

Under the agreement relating to the Note F, the Note F is unsecured, carries interest at 5% per annum and is payable on the maturity date of 14 August 2020. The Company is also entitled to redeem the whole or part of the Note F at any time after the issue date to one day before the maturity date.

27. PROMISSORY NOTES PAYABLE (Continued)

(f) Promissory note issued on 15 August 2018 (the "Note F") (Continued)

The fair value of the Note F at the date of its issue was estimated to be HK$24,934,000 (equivalent RMB21,825,000) as valued by B.I. Appraisals, an external valuer, using the effective interest rate of 23.27% per annum.

At the end of the reporting period, the Note F with the principal amount of HK$34,100,000 (2017: Nil) remained outstanding. The effective interest rate in respect of the Note F at 31 December 2018 is 23.27% per annum (2017: Nil).

(g) Movement of the Company's promissory notes payable for both of the years presented are as follows:

	Note A RMB'000	Note B RMB'000	Note C RMB'000	Note D RMB'000	Note E RMB'000	Note F RMB'000	Total RMB'000
At 1 January 2017	22,691	44,620	16,536	–	–	–	83,847
Issue of promissory notes for acquisition of subsidiaries (Note 36(b))	–	–	–	129,473	79,239	–	208,712
Interest charge for the year (Note 9)	3,313	2,270	32	5,953	1,181	–	12,749
Interest paid during the year	(1,907)	(2,167)	(185)	–	–	–	(4,259)
Promissory notes repaid during the year	–	(43,345)	(21,673)	(74,727)	–	–	(139,745)
Loss on early repayment of promissory notes (Note (ii))	–	–	5,800	7,928	–	–	13,728
Exchange realignment	(1,537)	(1,378)	(510)	(3,152)	(23)	–	(6,600)
At 31 December 2017 and 1 January 2018	22,560	–	–	65,475	80,397	–	168,432
Issue of promissory notes for acquisition of subsidiaries (Note 36(a))	–	–	–	–	–	21,825	21,825
Interest charge for the year (Note 9)	1,677	–	–	2,647	5,931	1,864	12,119
Interest paid during the year	(1,244)	–	–	–	–	–	(1,244)
Promissory notes repaid during the year	(23,201)	–	–	(50,616)	(98,062)	–	(171,879)
Loss on early repayment of promissory notes (Note (i))	–	–	–	5,245	9,256	–	14,501
Interest payable included in trade and other payables	–	–	–	(2,295)	–	–	(2,295)
Exchange realignment	208	–	–	1,416	2,478	94	4,196
At 31 December 2018	–	–	–	21,872	–	23,783	45,655

Notes:

(i) During the current year, the Note D and Note E with the principal amount of HK$60,000,000 and RMB95,000,000 respectively were repaid by the Company. The loss on repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK$176,242,000 (equivalent to RMB148,678,000) over the carrying amount of the notes repaid at the dates of repayments, amounted to RMB14,501,000 which has been recognised to profit or loss for the year (Note 8).

(ii) During the year ended 31 December 2017, the Note C and Note D with the aggregate principal amount of HK$111,200,000 were repaid by the Company. The loss on repayment of promissory notes, which represents the excess of the aggregate of the consideration paid of HK$111,200,000 (equivalent to RMB96,400,000) over the carrying amount of the notes repaid at the dates of repayments, amounted to RMB13,728,000 which has been recognised to profit or loss for that year (Note 8).

28. CORPORATE BONDS PAYABLE

	2018 RMB'000	2017 RMB'000
Unsecured corporate bonds payable:		
— Within one year	**47,670**	–
— More than one year, but not exceeding two years	**26,885**	44,869
— More than two years, but not exceeding five years	**112,755**	122,579
— More than five years	**34,701**	41,126
	222,011	208,574
Less: Amount shown under current liabilities	**(47,670)**	–
Amount shown under non-current liabilities	**174,341**	208,574

Movements of the corporate bonds payable are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**208,574**	135,532
Proceeds received on issue of corporate bonds, net of interest prepaid	**–**	79,755
Transaction costs incurred for issue of bonds	**–**	(87)
Interest charge for the year (Note 9)	**16,270**	14,177
Interest paid during the year	**(13,011)**	(8,887)
Exchange realignment	**10,178**	(11,916)
At 31 December	**222,011**	208,574

During the current year, no corporate bonds were issued by the Group. During the year ended 31 December 2017, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK$92,000,000, which gave rise to a total proceeds of HK$92,000,000, equivalent to RMB79,755,000 (before expenses).

No repayment of corporate bonds were made by the Group during the current year (2017: Nil). At the end of the reporting period, the corporate bonds payable with the principal amount of HK$253,200,000 (2017: HK$253,200,000) remained outstanding.

28. CORPORATE BONDS PAYABLE (Continued)

An analysis of the corporate bonds payable outstanding at 31 December 2018 is as follows:

Date of issue	Principal amount of corporate bonds HK$	Interest rate per annum	Maturity date
17 January 2014	5,000,000	7%	16 January 2021
26 February 2014	5,000,000	7%	25 February 2021
10 March 2014	5,000,000	7%	9 March 2021
8 April 2014	10,000,000	4%	7 April 2022
8 April 2014	5,000,000	7%	7 April 2021
15 April 2014	10,000,000	6%	14 April 2022
17 April 2014	10,000,000	6%	16 April 2022
7 May 2014	10,000,000	6%	6 May 2022
12 May 2014	5,000,000	6%	11 May 2022
28 May 2014	5,000,000	7%	27 May 2021
5 June 2014	3,000,000	7%	4 June 2021
18 June 2014	10,000,000	5%	17 June 2022
20 August 2014	6,700,000	6%	19 August 2019
5 September 2014	4,400,000	6%	4 September 2020
17 October 2014	10,000,000	5%	16 October 2022
18 March 2015	10,000,000	5.5%	17 March 2022
21 August 2015	3,000,000	7%	20 August 2019
13 October 2015	6,600,000	6.5%	12 October 2021
25 November 2015	7,000,000	7%	24 November 2019
8 January 2016	10,500,000	7%	7 January 2020
16 November 2016	6,900,000	9%	15 May 2024
19 November 2016	10,000,000	7%	18 November 2023
29 November 2016	3,100,000	9%	28 May 2024
5 January 2017	9,000,000	5%	4 January 2022
5 January 2017	3,000,000	10%	4 January 2019
19 January 2017	1,000,000	8.5%	18 July 2024
28 February 2017	4,000,000	8.5%	27 February 2019
17 March 2017	10,000,000	7%	16 March 2024
23 March 2017	15,500,000	7%	22 March 2020
25 May 2017	12,000,000	8.5%	24 May 2019
8 June 2017	10,000,000	7%	7 June 2024
2 August 2017	10,000,000	7%	1 August 2025
28 September 2017	17,500,000	7%	27 September 2019
	253,200,000		

The effective interest rate of the corporate bonds payable in respect of the current year ranged from 4.15% to 12.37% per annum (2017: 4.15% to 11.86% per annum).

29. CONVERTIBLE BONDS

	Liability components		Derivative components		Equity components	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Carrying amount of convertible bonds issued on 12 April 2016	**–**	–	**–**	–	**–**	–
At end of the year	**–**	–	**–**	–	**–**	–

Convertible bonds issued on 12 April 2016 (the "convertible bonds")

On 12 April 2016, the Company issued 8% convertible bonds due on 11 April 2017 at the principal amount of HK$20,000,000 to a third party for a cash consideration of HK$20,000,000 (equivalent to approximately RMB16,663,000). Under the terms of the convertible bonds, the bonds can be converted into ordinary shares of the Company at an initial conversion price of HK$0.31 per share for the period from three months following the date of the issue of the bonds to the maturity date of 11 April 2017. Pursuant to the terms of the convertible bonds, the Company is entitled to redeem all or part of the convertible bonds after six months from the date of issue at the consideration which is equal to the principal amount of the bonds redeemed together with any accrued interest. Unless previously redeemed, converted, or purchased and cancelled, the outstanding convertible bonds will be redeemed on 11 April 2017 at 108% of the principal amount of the bonds. The convertible bonds with the principal amount of HK$20,000,000 were fully redeemed by the Company for the cash consideration of HK$20,000,000 during the year ended 31 December 2017.

The convertible bonds contains three components: liability, equity (the conversion right) and derivative (the redemption right) elements.

Movements of the liability component, derivative component and equity component of the convertible bonds for both of the years presented are set out below:

	Liability component	Derivative component	Equity component	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	18,292	(206)	3,298	21,384
Imputed interest charge for the year (Note 9)	998	–	–	998
Interest paid during the year	(1,387)	–	–	(1,387)
Loss on change in fair value	–	199	–	199
Redeemed during the year	(17,749)	–	(3,298)	(21,047)
Exchange realignment	(154)	7	–	(147)
At 31 December 2017 and 31 December 2018	–	–	–	–

30. CONTINGENT CONSIDERATION PAYABLE

	2018 RMB'000	2017 RMB'000
Contingent consideration payable in relation to the acquisition of Gorgeous City Investment Limited, ("Gorgeous City") at fair value	–	–
Analysed for reporting purposes:		
Classified under		
— Non-current liabilities	–	–
— Current liabilities	–	–
	–	–
Movements during the year are as follows:		
At beginning of the year	–	41,886
Materialised upon fulfillment of profit guarantee		
— Payable in cash	–	(7,350)
— Issue of shares	–	(5,309)
Gain on change in fair value (Note 8)	–	(30,253)
Exchange realignment	–	1,026
At end of the year	–	–

30. CONTINGENT CONSIDERATION PAYABLE (Continued)

In connection with the acquisition of Gorgeous City in the year ended 31 December 2016, under the terms of the acquisition agreement, the balance of the purchase consideration of RMB210,000,000 is contingent and will be settled if Shenzhen Heng Fu Delaisi Intelligent Housing Limited ("Delaisi") has fulfilled the profit guarantee of the period specified below during the guaranteed periods:

Guaranteed period	Profit guarantee RMB'000 (Note)	Contingent consideration RMB'000	Manner of payment of the consideration if the profit guarantee is achieved
The completion date (inclusive) to 31 December 2016	17,500	17,500	RMB5,250,000 is to be paid by cash and RMB12,250,000 by issue of new shares of the Company
1 January 2017 to 30 June 2017	24,500	24,500	RMB7,350,000 is to be paid by cash and RMB17,150,000 by issue of new shares of the Company
1 July 2017 to 31 December 2017	31,500	31,500	RMB9,450,000 is to be paid by cash and RMB22,050,000 by issue of new shares of the Company
1 January 2018 to 30 June 2018	38,500	38,500	RMB11,550,000 is to be paid by cash and RMB26,950,000 by issue of new shares of the Company
1 July 2018 to 31 December 2018	45,500	45,500	RMB13,650,000 is to be paid by cash and RMB31,850,000 by issue of new shares of the Company
1 January 2019 to 30 June 2019	52,500	52,500	RMB15,750,000 is to be paid by cash and RMB36,750,000 by issue of new shares of the Company
		210,000	

Note: Profit guarantee refers to the audited net profit after taxation of Delaisi, which is prepared in accordance with HKFRSs, for the respective guaranteed periods.

30. CONTINGENT CONSIDERATION PAYABLE (Continued)

The vendors jointly and severally provide the profit guarantees of Delaisi in favour of the Company for the guaranteed period up to and ending 30 June 2019.

In the event that during any guaranteed period, Delaisi is able to meet 70% or more of the corresponding profit guarantee but less than 100% thereof during the relevant guaranteed period, the amount of the consideration payable to the Vendors during the relevant guaranteed period shall be paid proportionately and the Company has no obligation to pay such consideration or any part thereof to the Vendors for that shortfall during such guaranteed period unless the net profits of Delaisi (after tax) of the succeeding guaranteed period or the succeeding full year exceeds the amount of guaranteed profit of that succeeding period with the surplus being sufficient to make up for the shortfall of the preceding guaranteed period or any part thereof whereby the Company shall pay back the corresponding shortfall of the consideration to the Vendors.

On the other hand, if Delaisi fails to meet 70% of the profit guarantee or having net loss during any guaranteed period, the Company has no obligation to pay the consideration or any part thereof to the Vendors for the specific guaranteed period unless the net profits of Delaisi (after tax) of the succeeding guaranteed period or the succeeding full year exceeds the amount of guaranteed profit of that succeeding period with the surplus being sufficient to make up all or part of the shortfall of the preceding year whereby the Company shall pay back the consideration to the Vendors on a pro rata basis.

If upon the expiration of the guaranteed period ending 30 June 2019, the accumulated net profits of Delaisi (after taxation) is less than RMB210,000,000, the Vendors shall jointly and severally pay to the Company a compensation calculated by the following formula:

> RMB40,000,000 X (1 – (the accumulated net profits of Delaisi during the guarantee period/ RMB210,000,000) x 100%)

Hence, if the accumulated profits of Delaisi amounted to nil or is loss-making during the guarantee period, the Vendors shall jointly and severally compensate the Company with a sum of RMB40,000,000.

During the year ended 31 December 2017, following the fulfillment of the profit guarantee of Delaisi amounted to RMB24,500,000 for the period from 1 January 2017 to 30 June 2017, the Company issued approximately 62,321,000 new shares to the Vendors on 6 October 2017. The fair value of these new shares at the date of their issue is estimated to be HK$0.1 per share, by reference to the closing price of the shares of the Company at that date quoted on the Stock Exchange. The cash payment of RMB7,350,000, which was not settled by the Company, was included in trade and other payables (Note 26).

Delaisi failed to achieve the profit guarantee amounted to RMB31,500,000 for the period from 1 July 2017 to 31 December 2017, accordingly the Company is not required to make any cash payment or issue new shares to the vendors in relation to this part of the profit guarantee.

During the current year, Delaisi failed to achieve the profit guarantee amounted to RMB38,500,000 and RMB45,500,000 for the period from 1 January 2018 to 30 June 2018 and 1 July 2018 to 31 December 2018 respectively, accordingly the Company is not required to make any cash payment or issue new shares to the vendors in relation to these parts of profit guarantee.

30. CONTINGENT CONSIDERATION PAYABLE (Continued)

The contingent consideration payable is carried at fair value at 31 December 2018 and 2017. The fair value of contingent consideration payable at 31 December 2017 as valued by B.I. Appraisals Limited ("B.I. Appraisals"), independent professional valuers, based on the probabilistic approach of management's expectations of the net profit after tax of Delaisi in future years and using the discounted cash flow method to arrive at the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration. The inputs to the model are as follows:

	2017
Risk-free rate	3.9%
Discount rate	20.22%
Share price	HK$0.078

Having reviewed the anticipated financial performance of Delaisi for future years and its prevailing business circumstances, management is of the view that it is not probable that Delaisi will be able to achieve the profit guarantees in respect of half years ending 30 June 2019, accordingly the fair value of the contingent consideration payable as at 31 December 2018 is estimated by management of the Group to be Nil (2017: Nil).

Under the terms of the profit guarantee, if the accumulated profit of Delaisi for the guarantee period ending 30 June 2019 is less than RMB210,000,000, the vendors is required to compensate the Company at the amount which is calculated by the formula specified therein. Although management of the Group expected that the accumulated profit of Delaisi for the guaranteed period is less than RMB210,000,000, as the receipt by the Company of such compensation, if any, cannot be ascertained with reasonable certainty, management considers it appropriate not to recognise the fair value of this contingent compensation in the consolidated financial statements.

31. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**(250)**	–
Deferred tax liabilities	**–**	11,801
	(250)	11,801

Movements in the deferred tax assets/liabilities during the year are as follows:

	Provision for impairment RMB'000	Fair value adjustments on business combination RMB'000	Total RMB'000
At 1 January 2017	–	31,266	31,266
Credit to profit or loss for the year (Note 10)	–	(19,465)	(19,465)
At 31 December 2017	–	11,801	11,801
Credit to profit or loss for the year (Note 10)	(250)	(11,801)	(12,051)
At 31 December 2018	(250)	–	(250)

As at 31 December 2018, the Group had unrecognised tax losses of approximately RMB7,439,000 (2017: RMB13,244,000), which can be carried forward to offset future taxable profit and will expire within five years after the end of the reporting period. No deferred tax asset had been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB99,793,000 (2017: RMB87,392,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

	Par value HK$	Number of ordinary shares '000	Nominal amount of ordinary shares HK$'000
Authorised:			
At 1 January 2017	0.002	5,000,000	10,000
Increase in ordinary shares during the year (Note a)	0.002	45,000,000	90,000
At 31 December 2017 and 31 December 2018	0.002	50,000,000	100,000

	Par value HK$	Number of ordinary shares '000	Nominal amount of ordinary shares HK$'000	Carrying amount RMB'000
Issued and fully paid:				
At 1 January 2017	0.002	3,678,453	7,357	6,239
Issue of shares on placement of shares (Note b)	0.002	668,914	1,338	1,156
Issue of shares on fulfillment of profit guarantee (Note c)	0.002	62,321	124	106
At 31 December 2017	0.002	4,409,688	8,819	7,501
Issue of shares on rights issue (Note d)	0.002	6,614,532	13,229	11,515
At 31 December 2018	0.002	11,024,220	22,048	19,016

Notes:

(a) In June 2017, the Company increased its authorised share capital to HK$100,000,000 by the creation of 45,000,000,000 shares of HK$0.002 each.

(b) On 28 June 2017, the Company entered into an agreement with a financial institution, pursuant to which 668,914,000 new ordinary shares of the Company were issued at a price of HK$0.11 per share on 20 July 2017, giving rise to a gross proceed at HK$73,580,000 (before expense).

(c) On 6 October 2017, the Company issued approximately 62,321,000 new ordinary shares at HK$0.002 each upon fulfilment of the profit guarantee as detailed in Note 30.

(d) On 25 January 2018, the Company announced to implement a rights issue of new shares of the Company at the subscription price of HK$0.052 per rights share on the basis of three rights shares for every two existing shares held. In August 2018, 6,614,532,249 new shares of HK$0.002 each were issued by the Company pursuant to the terms of the rights issue, giving rising to gross proceeds from shares issue of approximately HK$343,956,000 (equivalent to RMB299,386,000) before expenses.

33. 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 of the Company and its subsidiaries. Under the Scheme, the board of directors of the Company may grant options to eligible participants, to subscribe for shares in the Company.

At 31 December 2018, the Company had no options granted and remained outstanding as at that date. At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme is 339,843,000, representing 6.27% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the last day of the ten-year period after grant date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No share options were granted by the Company during the year ended 31 December 2018. During the year ended 31 December 2017, certain share options were granted by the Company to its directors and other participants, details of which are as follows:

	Number of share options granted	Date of grant	Exercise period	Exercise price per share HK$	Fair value per option at grant date HK$
Directors	10,000,000	1 December 2017	1 December 2017 to 30 November 2018	0.087	0.0232
Other participants	329,843,000	1 December 2017	1 December 2017 to 30 November 2018	0.087	0.0189
	339,843,000				

The options granted on 1 December 2017 vested at the dates of grant.

The fair value of the share option at the grant date was estimated to HK$6,474,000 (equivalent to RMB5,476,000), which was recognised in profit or loss in respect of the year ended 31 December 2017.

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

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

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Inputs into the model

	Share options granted on 1 December 2017
Grant date share price	HK$0.08
Exercise price	HK$0.087
Expected volatility	65.57%
Option life	1 year
Dividend yield	–
Risk-free interest rate	0.87%
Exercise multiple:	
– Directors	3.34
– Other participants	2.86

Movements during the year ended 31 December 2018 and 31 December 2017 of the share options granted are as follows:

For the year ended 31 December 2018

	Exercise price per share HK$	Date of grant	Outstanding at 1 January 2018	Adjustment made for the rights issue	Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2018
			Movements of number of share options granted during the year						
Directors	0.082	1 December 2017	10,000,000	610,000	–	–	–	(10,610,000)	–
Other participants	0.082	1 December 2017	329,843,000	20,112,000	–	–	–	(349,955,000)	–
			339,843,000	20,722,000	–	–	–	(360,565,000)	–
Exercisable at the end of the year									–
Weighted average exercise price per share			HK$0.087	HK$0.082	–	–	–	HK$0.082	HK$–

Note: Upon completion of the rights issue of shares as referred to Note 32, the exercise price of the outstanding share options and the number of shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options were adjusted to HK$0.082 per share and 360,564,839 shares respectively with effect from 3 August 2018.

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

For the year ended 31 December 2017

	Exercise price per share HK$	Date of grant	Movements of number of share options granted during the year: Outstanding at 1 January 2017	Granted	Exercised	Forfeited	Expired	Outstanding at 31 December 2017
Directors	0.087	1 December 2017	–	10,000,000	–	–	–	10,000,000
Other participants	0.087	1 December 2017	–	329,843,000	–	–	–	329,843,000
			–	339,843,000	–	–	–	339,843,000
Exercisable at the end of the year								339,843,000
Weighted average exercise price per share			–	HK$0.087	–	–	–	HK$0.087

During the year ended 31 December 2017, share-based payment expense of RMB5,476,000 has been recognised in profit or loss in respect of the year.

The weighted average exercise price of the share options granted and outstanding for the year ended 31 December 2017 is HK$0.087 per share. The weighted average remaining contractual life of outstanding share options granted and outstanding for the year ended 31 December 2017 is 0.92 year.

During the current year, all the share options, which have not been exercised, lapsed upon the expiration of the exercise period.

34. RETIREMENT BENEFIT SCHEMES

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance ("MPF schemes") for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee's relevant monthly income, subject to a cap of monthly relevant income of HK$25,000 before 1 June 2014 and HK$30,000 thereafter. Contributions to the plan vest immediately.

The employees of PRC subsidiaries of the Company are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income of approximately RMB453,000 (2017: RMB277,000) represents contributions payable by the Group at rates or amounts specified in the schemes.

Apart from the above, the Group has no significant obligations under retirement benefit schemes at the end of both of the years presented.

35. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises and motor vehicle under operating lease arrangements with leases negotiated for an average term of three to five years (2017: three to five years) and rentals are fixed over the lease term. At the end of the reporting period, the Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	2,273	3,948
In the second to fifth years inclusive	835	7,744
	3,108	11,692

36. ACQUISITION OF SUBSIDIARIES

	2018 RMB'000	2017 RMB'000
Net cash outflow arising from acquisition of		
— Today Bridge Limited (Note a)	115,397	–
— Garden Glaze Limited and Xiangyin Chong Sheng Chi Yip Limited (Note b)	–	3,589
	115,397	3,589

(a) Acquisition of Today Bridge Limited ("Today Bridge")

On 13 August 2018, the Company entered into an agreement with a third party for the acquisition by the Company of 100% equity interest in Today Bridge Limited ("Today Bridge"). The principal asset of Today Bridge, through its PRC subsidiary, is Wantai Forest located in Jiange County, Sichuan Province, the PRC (Note 18(f)). The acquisition of Today Bridge would allow the Group to expand its core Forestry Business.

Completion of the acquisition of 100% equity interest in Today Bridge took place on 24 August 2018, and the consideration for the acquisition was satisfied by (i) payment in cash of HK$131,900,000 (equivalent to RMB115,452,000) by the Company; and (ii) issue of promissory notes by the Company with principal amount of HK$34,100,000 (Note 27(f)).

36. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Today Bridge Limited ("Today Bridge") (Continued)

The acquisitions of Today Bridge have been accounted for as acquisition of assets. The effect of these acquisitions are summarised as follows:

	Total RMB'000
Consideration paid	
— Cash paid	115,452
— Issue of promissory note at fair value (Note 27(f))	21,825
	137,277

Acquisition-related costs amounting to approximately RMB417,000 have been excluded from the cost of acquisitions and have been recognised directly as an expense for the year ended 31 December 2018 and included in "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Consolidated assets and liabilities of Today Bridge recognised at the date of acquisition are as follows:

	RMB'000
Non-current assets	
Plantation forest assets	115,122
Prepaid land lease payments	22,100
Current assets	
Bank balances and cash	55
	137,277

	RMB'000
Net cash outflow arising on acquisition	
Cash consideration paid	115,452
Bank balances and cash acquired	(55)
Net cash outflow on acquisition of subsidiaries	115,397

36. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Garden Glaze Limited ("Garden Glaze") and Xiangyin Chong Sheng Chi Yip Limited ("Xiangyin")

(i) Garden Glaze

On 31 May 2017, the Company entered into an agreement with certain third parties (the "Vendors") for the acquisition by the Company of 100% equity interest in Garden Glaze Limited ("Garden Glaze") for a consideration of HK$170,000,000 which was satisfied by the issue by the Company of promissory notes with the principal amount of HK$170,000,000 (Note 27(d)). The principal asset of Garden Glaze, through its PRC subsidiary, is the Ruixiang Forest located in Jiange County, Sichuan Province, the PRC (Note 18(e)). The acquisition of Garden Glaze would allow the Group to expand its core Forestry Business.

Completion of the acquisition of 100% equity interest in Garden Glaze took place on 6 June 2017, and the consideration was satisfied by issue of promissory notes by the Company with principal amount of HK$170,000,000 (Note 27(d)).

(ii) Xiangyin

On 2 March 2017, a wholly-owned subsidiary of the Company entered into an agreement with a third party (the "Seller") for the acquisition by the subsidiary of the Company of 100% equity interest in and loans by the Seller to Xiangyin Chong Sheng Chi Yip Limited ("Xiangyin") for an aggregate consideration of RMB100,000,000 which was satisfied by the payment by the Group in cash of RMB5,000,000 and the issue by the Company of promissory notes with the principal amount of RMB95,000,000 (Note 27(e)). Xiangyin is a limited company established in the PRC. The principal assets of Xiangyin are the container houses located in the PRC.

The acquisition of Xiangyin would allow the Group to broaden its businesses of management and leasing of container houses in the PRC.

The acquisition of Garden Glaze and Xiangyin have been accounted for as acquisition of assets. The effect of these acquisitions are summarised as follows:

	Garden Glaze RMB'000	Xiangyin RMB'000	Total RMB'000
Consideration paid at fair value			
— Cash	–	5,000	5,000
— Issue of promissory note at fair value (Notes 27(d) and (e))	129,473	79,239	208,712
	129,473	84,239	213,712

Acquisition-related costs amounting to approximately RMB550,000 and RMB920,000 have been excluded from the cost of acquisitions and have been recognised directly as an expense for the year ended 31 December 2017 and included in "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

36. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Garden Glaze Limited ("Garden Glaze") and Xiangyin Chong Sheng Chi Yip Limited ("Xiangyin") (Continued)

Consolidated assets and liabilities of Garden Glaze and Xiangyin recognised at the date of acquisition are as follows:

	Garden Glaze RMB'000	Xiangyin RMB'000	Total RMB'000
Non-current assets			
Plantation forest assets	117,114	–	117,114
Prepaid land lease payments	13,380	–	13,380
Container Houses	–	83,771	83,771
Current assets			
Other receivables	67	–	67
Bank balances and cash	943	468	1,411
Current liabilities			
Other payables	(2,031)	–	(2,031)
	129,473	84,239	213,712

The other receivables acquired had gross contractual amounts of RMB67,000. No contractual cash flows from these receivables are expected not to be collected.

	Garden Glaze RMB'000	Xiangyin RMB'000	Total RMB'000
Net cash outflow(inflow) arising on acquisition			
Cash consideration paid	–	5,000	5,000
Bank balances and cash acquired	(943)	(468)	(1,411)
Net cash outflow (inflow) on acquisition of subsidiaries	(943)	4,532	3,589

37. DISPOSAL OF SUBSIDIARIES

	2018 RMB'000	2017 RMB'000
Cash (outflow) inflow arising from disposal of		
— Exceed Target Investment Group Limited (Note a)	**(543)**	–
— Rongxuan Forestry Investment Holdings Limited (Note b)	**–**	1,157
Cash (outflow) inflow from disposal of subsidiaries during the year	**(543)**	1,157
Cash inflow from disposal of subsidiaries in prior year	**–**	10,058
Total cash (outflow) inflow from disposal of subsidiaries	**(543)**	11,215

(a) Disposal took place during the year ended 31 December 2018

The Group disposed of 100% equity interest in Exceed Target Investment Group Limited ("Exceed Target") on 14 December 2018 for a cash consideration of RMB93,000,000. Exceed Target, through its subsidiaries, was principally engaged in leasing of container houses.

Consideration receivable

	RMB'000
Consideration receivable (Note 23(b)(ii))	93,000

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

	RMB'000
Non-current assets	
Property, plant and equipment	76,428
Current assets	
Trade and other receivables	5
Bank balances and cash	543
Current liabilities	
Trade and other payables	(139)
Net assets disposed of	76,837

37. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal took place during the year ended 31 December 2018 (Continued)

Gain on disposal of subsidiaries

	RMB'000
Consideration for disposal	93,000
Net assets disposed of	(76,837)
Cumulative exchange gains in respect of the net assets of the subsidiaries	29
Gain on disposal of subsidiaries	16,192

Net cash outflow arising from disposal

	RMB'000
Consideration for disposal received	–
Less: Bank balances and cash disposed of	(543)
Net cash outflow arising from disposal	(543)

(b) Disposal took place during the year ended 31 December 2017

The Group disposed of 100% equity interest in Rongxuan Forestry Investment Holdings Limited ("Rongxuan") on 29 December 2017 for a cash consideration of RMB1,800,000. Rongxuan, through its subsidiaries, was principally engaged in production and sales of biomass fuel products and forestry management.

Consideration received

	RMB'000
Consideration received in cash	1,800

37. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal took place during the year ended 31 December 2017 (Continued)

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

	RMB'000
Non-current assets	
Property, plant and equipment	386
Prepaid land lease payments	1,206
Plantation forest assets	20,100
Current assets	
Trade and other receivables	2,483
Amount due from group companies	57,604
Deposits and prepayments	724
Bank balances and cash	643
Current liabilities	
Trade and other payables	(3,410)
Amount due to group companies	(86,508)
Current tax payable	(124)
Net liabilities disposed of	(6,896)

Gain on disposal of subsidiaries

	RMB'000
Consideration for disposal	1,800
Net liabilities disposed of	6,896
Cumulative exchange losses in respect of the net liabilities of the subsidiaries	(739)
Gain on disposal of subsidiaries	7,957

Net cash inflow arising from disposal

	RMB'000
Consideration for disposal received	1,800
Less: Bank balances and cash disposed of	(643)
Net cash inflow arising from disposal	1,157

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Promissory notes payable RMB'000	Corporate bonds payable RMB'000	Convertible bonds payable RMB'000	Total RMB'000
At 1 January 2017	83,847	135,532	18,292	237,671
Promissory notes issued for acquisition of subsidiaries	208,712	–	–	208,712
Financing cash inflows	–	79,668	–	79,668
Financing cash outflows	(144,004)	(8,887)	(19,136)	(172,027)
Loss on early repayment of promissory notes	13,728	–	–	13,728
Finance costs for the year	12,749	14,177	998	27,924
Exchange realignment	(6,600)	(11,916)	(154)	(18,670)
At 31 December 2017 and 1 January 2018	168,432	208,574	–	377,006
Promissory notes issued for acquisition of subsidiaries	21,825	–	–	21,825
Financing cash inflows	–	–	–	–
Financing cash outflows	(173,123)	(13,011)	–	(186,134)
Loss on early redemption of promissory notes	14,501	–	–	14,501
Finance costs for the year	12,119	16,270	–	28,389
Interest payable included in other payables	(2,295)	–	–	(2,295)
Exchange realignment	4,196	10,178	–	14,374
At 31 December 2018	45,655	222,011	–	267,666

39. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2018, the Company acquired the subsidiaries, Today Bridge, and part of the consideration for the acquisition is satisfied by the issue of promissory notes, details of which are set out in Note 36(a).

(b) During the year ended 31 December 2017,

(i) the Company acquired the subsidiaries, Garden Glaze and Xiangyin, and part of the consideration for the acquisition is satisfied by the issue of promissory notes, details of which are set out in Note 36(b).

(ii) the Company issued approximately 62,321,000 new shares upon fulfillment of the profit guarantee in connection with the acquisition of a subsidiary, Gorgeous City, details of which are set out in Note 30.

40. PLEDGE OF ASSETS

The Group had no assets pledged as at 31 December 2018 and 31 December 2017.

41. RELATED PARTY TRANSACTIONS

In addition to the transactions with related parties disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Remuneration of directors and other members of key management

	2018 **RMB'000**	2017 RMB'000
Salaries and other allowances	**3,154**	3,185
Share-based payments	**–**	201
Retirement benefits scheme contributions	**15**	16
	3,169	3,402

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

Transaction with related parties

	2018 **RMB'000**	2017 RMB'000
Underwriting commission for rights issue of shares of the Company payable to a director (Note 26(iii))	**732**	–

42. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes promissory notes payable, corporate bonds payable and convertible bonds payable disclosed in Note 27, Note 28 and Note 29 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts or the repayment of existing debts.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**258,311**	218,288
	258,311	218,288
Financial liabilities		
Financial liabilities at amortised cost	**288,842**	450,329
Financial liabilities at FVTPL		
Contingent consideration payable	**–**	–
	288,842	450,329

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, trade and other receivables, derivative financial instruments, bank balances and cash, trade and other payables, promissory notes payable, corporate bonds payable, convertible bonds payable and contingent consideration payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

No revenue derived by the Group in respect of the years ended 31 December 2018 and 2017 were denominated in foreign currencies. Substantially all of the costs incurred for both of the years ended 31 December 2018 and 31 December 2017 were denominated in functional currencies of the group entities.

At 31 December 2018, the Group had some significant monetary assets and liabilities which were denominated in foreign currencies. The Group did not have significant monetary assets and liabilities which were denominated in foreign currencies at 31 December 2017.

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the HK$ exchange rates, with all other variables held constant, of the Group's loss before tax.

		Decrease/(increase) in loss before tax	
		2018	2017
	%	**RMB'000**	RMB'000
If RMB weakens against HK$	5	**(4,286)**	–
If RMB strengthens against HK$	(5)	**4,286**	–

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(ii) Interest rate risk

As at 31 December 2018 and 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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits as at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates have been 50 basis points higher/lower in 2018 and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2018 would decrease/increase by approximately RMB36,000 (2017: RMB84,000). This is mainly attributable to the Group's exposure to interest rates on its bank deposits which carried interest at floating rates.

(iii) Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is derived from its loans receivable, trade and other receivables, and deposits at banks.

Majority of the Group's bank deposits are placed in a bank which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this bank as it has no default history in the past.

The Group has large number of customers and there was concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

(i) Loans receivable and other receivables

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 180 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 2 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2018, the internal credit rating of the loans receivable were performing. The Group has assessed the expected credit loss rate for these receivables based on 12 months expected losses method which resulted in an allowance for loans receivable amounted to RMB1,514,000 (2017: Nil) recognised for the year.

As at 31 December 2018, the internal credit rating of other receivables were performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance for other receivables was recognised.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(ii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

As at 31 December 2018, the Group has assessed that the expected loss rate for trade receivables was immaterial. Thus no loss allowance for trade receivables was recognised.

In the prior year, for trade receivables, the Group performed ongoing credit evaluations of its debtors' financial condition and did not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintained a provision for doubtful accounts and actual losses incurred had been within management's expectations. For other receivables, management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2018, the Group had a concentration of credit risk given that the largest customer and the top 5 customers account for 67% (2017: 35%) and 100% (2017: 54%) of the Group's total year end trade receivables balance respectively. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

(iii) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2018 RMB	2017 RMB
Cash at banks and bank deposits	A1–Baa2	**7,320,000**	22,148,000

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Accordingly, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated by interest rate curve.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these no-derivative financial assets is necessary in order to understand the Group's liquidity risk management at the liquidity is managed on a net asset and liability basis.

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

As at 31 December 2018

	On demand or within one year RMB'000	More than 1 year but less than 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2018 RMB'000
Non-derivative financial assets					
Loans receivable	36,369	99,410	–	135,779	124,035
Trade and other receivables	126,889	–	–	126,889	126,889
Bank balances and cash	7,387	–	–	7,387	7,387
	170,645	99,410	–	270,055	258,311
Non-derivative financial liabilities					
Trade and other payables	21,176	–	–	21,176	21,176
Promissory notes payable	24,433	31,372	–	55,805	45,655
Corporate bonds payable	59,317	168,920	38,270	266,507	222,011
	104,926	200,292	38,270	343,488	288,842

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

Liquidity tables (Continued)

As at 31 December 2017

	On demand or within one year RMB'000	More than 1 year but less than 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2017 RMB'000
Non-derivative financial assets					
Loans receivable	38,276	37,524	–	75,800	71,869
Trade and other receivables	124,096	–	–	124,096	124,096
Bank balances and cash	22,323	–	–	22,323	22,323
	184,695	37,524	–	222,219	218,288
Non-derivative financial liabilities					
Trade and other payables	73,323	–	–	73,323	73,323
Promissory notes payable	28,371	252,252	–	280,623	168,432
Corporate bonds payable	12,864	206,249	48,886	267,999	208,574
	114,558	458,501	48,886	621,945	450,329

(c) Fair value measurement

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

The Group's contingent consideration payable is measured at fair value at the end of the reporting period. The following table gives information about how the fair value of these financial liabilities are determined, in particular, the valuation technique(s) and inputs used.

	Fair value as at 31 December 2018 RMB'000	2017 RMB'000	Fair value hierarchy	Valuation technical(s)	Inputs and key assumptions
Financial liabilities					
Contingent consideration payable	–	–	Level 3	Probabilistic approach of management's expectations of the net profit after tax of Delaisi in future years and discounted cash flows method used to arrive at the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Note 30

43. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement (Continued)

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

There were no transfer of the financial liabilities between the levels in both of the years presented.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their values. The fair values, which are included in Level 3 category, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(iii) Reconciliation of Level 3 fair value measurements

Reconciliation of Level 3 fair value measurements of the contingent consideration payable is as follows:

	Contingent consideration payable	
	2018	2017
	RMB'000	RMB'000
Balance at beginning of the year	–	41,886
Materialised upon fulfillment of profit guarantee		
— Payable in cash	–	(7,350)
— Issue of shares	–	(5,309)
Gain on change in fair value	–	(30,253)
Exchange realignment	–	1,026
Balance at end of the year	–	–

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investments in subsidiaries	**579,168**	576,286
Property, plant and equipment	**13**	7
	579,181	576,293
Current assets		
Other receivables	**93,000**	34,315
Deposits paid and prepayments	**4,309**	4,023
Amounts due from subsidiaries	**80,675**	87,227
Bank balances and cash	**4,158**	4,094
	182,142	129,659
Current liabilities		
Other payables	**11,755**	9,937
Amount due to a subsidiary	**63,426**	100
Promissory notes payable	**21,872**	22,560
Corporate bonds payable	**47,670**	–
	144,723	32,597
Net current assets	**37,419**	97,062
Total assets less current liabilities	**616,600**	673,355
Non-current liabilities		
Promissory notes payable	**23,783**	145,872
Corporate bonds payable	**174,341**	208,574
	198,124	354,446
Net assets	**418,476**	318,909
Capital and reserves		
Share capital	**19,016**	7,501
Reserves (Note)	**399,460**	311,408
Total equity	**418,476**	318,909

The Company's statement of financial position was approved and authorised for issue by the board of directors on 29 March 2019 and is signed on its behalf by:

Wang Yue
Director

Professor Fei Phillip
Director

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Reserves of the Company

	Share premium RMB'000	Share option reserve RMB'000 (Note 33)	Convertible bonds reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	459,963	–	3,298	(22)	(160,402)	302,837
Loss for the year	–	–	–	–	(58,540)	(58,540)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(58,540)	(58,540)
Recognition of equity-settled share-based payments	–	5,476	–	–	(5,476)	–
Issue of shares upon:						
— Shares placement and subscription	62,422	–	–	–	–	62,422
— Fulfillment of profit guarantee	5,203	–	–	–	–	5,203
Share issue expenses	(514)	–	–	–	–	(514)
Convertible bonds redeemed during the year	–	–	(3,298)	–	3,298	–
At 31 December 2017 and 1 January 2018	527,074	5,476	–	(22)	(221,120)	311,408
Loss for the year	**–**	**–**	**–**	**–**	**(192,410)**	**(192,410)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(192,410)**	**(192,410)**
Share options lapsed during the year	**–**	**(5,476)**	**–**	**–**	**5,476**	**–**
Issue of shares upon right issues	**287,871**	**–**	**–**	**–**	**–**	**287,871**
Share issue expenses	**(7,409)**	**–**	**–**	**–**	**–**	**(7,409)**
At 31 December 2018	**807,536**	**–**	**–**	**(22)**	**(408,054)**	**399,460**

45. SUBSIDIARIES

Details of the material subsidiaries at the end of the reporting period are set out below:

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interests held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2018	2017	2018	2017	2018	2017	
China Timbers Limited 中國木業有限公司	BVI	Ordinary	US$1	100%	100%	–	–	100%	100%	Investment holding
China Timbers Limited 中國木業投資集團有限公司	Hong Kong	Ordinary	HK$1	–	–	100%	100%	100%	100%	Investment holding
Shenzhen Junlifa Timbers Limited.[1,3] 深圳市君利發木業有限公司	The PRC	Contributed capital	RMB500,000	–	–	100%	100%	100%	100%	Investment holding
Jiange Hengchang Low-Carbon Forestry Development Co., Limited. [2,3] 劍閣縣恒昌低碳林業開發有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	100%	100%	100%	Forestry management
Jiange Kunlin Linye Company Limited [2,3] 劍閣縣坤林林業種植有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	100%	100%	100%	Forestry management
Forever Biosource (Credit) Limited 恒生源（信貸）有限公司	Hong Kong	Ordinary	HK$1,000	100%	100%	–	–	100%	100%	Money lending
Exceed Target Investment Group Limited[7] 盛卓投資集團有限公司	BVI	Ordinary	US$1,000	–	100%	–	–	–	100%	Investment holding
China Linkage (Hong Kong) Limited[7] 漢景（香港）有限公司	Hong Kong	Ordinary	HK$1	–	–	–	100%	–	100%	Investment holding
Shenzhen HongtaiHua Muye Limited [1,3,7] 深圳市宏太華木業有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	–	100%	–	100%	Investment holding
Xiangyin Chong Sheng Chi Yip Limited [2,3,5,7] 湘陰中箱置業有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	–	100%	–	100%	Container houses services
Huxiang International Holdings Limited 湖湘國際控股有限公司	BVI	Ordinary	US$10,000	100%	100%	–	–	100%	100%	Investment holding

45. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interests held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2018	2017	**2018**	2017	**2018**	2017	
Hengfeng Investments Holdings Limited 恒豐投資控股有限公司	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Kaixuan Muye (Shenzhen) Limited [1,3] 凱軒木業（深圳）有限公司	The PRC	Contributed capital	HK$3,000,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Jiange Senbo Linye Company Limited [2,3] 劍閣縣森博林業有限公司	The PRC	Contributed capital	RMB1,000,000	**–**	–	**100%**	100%	**100%**	100%	Forestry management
Gorgeous City Investment Limited	BVI	Ordinary	US$12,500	**100%**	100%	**–**	–	**100%**	100%	Investment holding
Sunny Land Capital Limited	BVI	Ordinary	US$50,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Paracelsus Swiss Limited	Hong Kong	Ordinary	HK$100,000	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Sunny Land Trading Limited 日地貿易有限公司	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	**100%**	100%	Investment holding
Shenzhen Heng Fu Delaisi Intelligent Housing Limited [1,3] 深圳恒富得萊斯智能房屋有限公司	The PRC	Contributed capital	RMB1,000,000	**–**	–	**100%**	100%	**100%**	100%	Container houses services
Xiangyin Heng Fu Delaisi Intelligent Housing Limited [2,3] 湘陰恒富得萊斯智能房屋有限公司	The PRC	Contributed capital	RMB650,000	**–**	–	**100%**	100%	**100%**	100%	Container houses services
沛縣恒富得萊斯移動房屋有限公司	The PRC	Contributed capital	RMB2,000,000	**–**	–	**–**	100%	**–**	100%	Container houses services
深圳恒泰集成房屋有限公司 [2] (前稱：深圳前海得萊斯智能房屋有限公司	The PRC	Contributed capital	RMB830,000	**–**	–	**100%**	100%	**100%**	100%	Container houses services
Noble Bridge Investment Holdings Limited 富橋投資控股有限公司	BVI	Ordinary	US$1	**100%**	100%	**–**	–	**100%**	100%	Investment holding

45. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interests held by the Company Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Proportion of voting power held by the Company 2018	2017	Principal activities
Noble Bridge Investment Holdings Limited 富橋投資控股有限公司	Hong Kong	Ordinary	HK$10,000	–	–	100%	–	100%	–	Inactive
Garden Glaze Limited [4]	BVI	Ordinary	US$1,000	100%	100%	–	–	100%	100%	Investment holding
High Centre Limited [4] 軒中有限公司	Hong Kong	Ordinary	HK$1	–	–	100%	100%	100%	100%	Investment holding
Shenzhen Shengshi Zhiyou Forestry Limited [1,3,4] 深圳市盛世智友林業有限公司	The PRC	Contributed capital	RMB500,000	–	–	100%	100%	100%	100%	Investment holding
Jiange Ruixiang Linye Company Limited [2,3,4] 劍閣縣瑞祥林業有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	100%	100%	100%	Forestry management
Today Bridge Limited[6]	BVI	Ordinary	US$1,000	100%	–	–	–	100%	–	Investment holding
Today Bridge Limited[6]	Hong Kong	Ordinary	HK$10,000	–	–	100%	–	100%	–	Investment holding
Xinglonghe Shiye (Shenzhen) Limited [1,3,6] 興隆和實業（深圳）有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Investment holding
Jiange Wantai Linye Limited [2,3,6] 劍閣縣萬泰林業有限公司	The PRC	Contributed capital	RMB1,000,000	–	–	100%	–	100%	–	Forestry Management

None of the subsidiaries had issued any debt securities at the end of the year.

1 These entities are registered as wholly-foreign owned enterprises under the PRC laws.
2 These entities are registered as limited liability enterprises under the PRC laws.
3 The English transliteration of the Chinese name is for identification purpose only and should not be regarded as the official English name.
4 The subsidiaries were acquired by the Group on 6 June 2017.
5 The subsidiary was acquired by the Group on 21 November 2017.
6 The subsidiaries were acquired by the Group on 24 August 2018.
7 The subsidiaries were disposed of by the Group on 14 December 2018.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year and at the end of the year.

46. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

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

(i) On 4 March 2019, the Company entered into a subscription agreement with an independent third party, pursuant to which the Company issued to the third party the corporate bonds with the principal amount of HK$5,600,000 for the cash consideration of HK$5,600,000. The corporate bond bears coupon rate of 5% per annum with a maturity period of six months.

(ii) On 12 March 2019, 劍閣縣恒昌低碳林業開發有限公司(「恒昌低碳」), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with the vendor and an independent third party, pursuant to which, among other things, 恒昌低碳 has conditionally agreed to acquire the entire equity interest of 劍閣縣劍門木業有限責任公司 at the consideration of HK$30.25 million, which will be satisfied by the allotment and issue of the consideration shares by the Company. Completion of the acquisition has not taken place up to the date of approval of these consolidated financial statements.