Sustainable Forest Holdings Limited

永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The board (the "Board") of directors (the "Directors") of Sustainable Forest Holdings Limited (the "Company") hereby present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2015 together with the comparative figures for the corresponding period in 2014 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**7,822**	63,946
Cost of sales		**(2,957)**	(51,365)
Change in Fair value of investment properties		**1,079**	–
Other income	6	**8,432**	24,461
Other net loss	6	**(38,722)**	(1,139)
Selling and distribution costs		**(89)**	(1,647)
Administrative expenses		**(14,750)**	(35,695)
Other operating expenses	7	**–**	(315,232)
Change in fair value of biological assets less costs to sell		**(16,197)**	(292,758)
LOSS FROM OPERATIONS		**(55,382)**	(609,429)
Finance income		**366**	41
Finance costs		**(1,329)**	(2,051)
Net finance costs		**(963)**	(2,010)
LOSS BEFORE TAXATION	8	**(56,345)**	(611,439)
Income tax	9	**(159)**	121,285
LOSS FOR THE YEAR		**(56,504)**	(490,154)
ATTRIBUTABLE TO:			
Owners of the Company		**(56,508)**	(490,133)
Non-controlling interests		**4**	(21)
		(56,504)	(490,154)
Loss per share	11		
– Basic		**(0.74) cents**	(9.52) cents
– Diluted		**(0.74) cents**	(9.52) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(56,504)**	(490,154)
Other comprehensive loss for the year		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(15,921)**	(11,884)
Other comprehensive loss for the year, net of income tax	**(15,921)**	(11,884)
Total comprehensive loss for the year	**(72,425)**	(502,038)
Total comprehensive loss attributable to:		
Owners of the Company	**(72,429)**	(502,017)
Non-controlling interests	**4**	(21)
	(72,425)	(502,038)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**110,569**	157,769
Intangible assets		**94**	–
Investment properties		**24,778**	23,699
Biological assets	*12*	**–**	17,538
Goodwill	*13*	**–**	–
		135,441	199,006
CURRENT ASSETS			
Inventories	*14*	**806**	3,741
Loan receivables	*15*	**93,612**	–
Trade and other receivables	*16*	**25,656**	39,340
Cash and cash equivalents		**50,141**	8,965
		170,215	52,046
CURRENT LIABILITIES			
Trade and other payables	*17*	**49,580**	82,776
Loans and borrowings		**5,283**	5,310
Provision for taxation		**2,220**	2,158
Promissory notes		**–**	6,782
Amount due to non-controlling shareholder		**836**	1,235
Amount due to shareholder		**–**	13,410
		57,919	111,671
NET CURRENT ASSETS/(LIABILITIES)		**112,296**	(59,625)
TOTAL ASSETS LESS CURRENT LIABILITIES		**247,737**	139,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*

For the year ended 31 March 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
NON-CURRENT LIABILITIES			
Loans and borrowings		**18,951**	22,994
Amounts due to shareholders		**–**	–
Financial liabilities		**40,595**	1,984
Deferred tax liabilities		**38,632**	55,605
		98,178	80,583
NET ASSETS		**149,559**	58,798
CAPITAL AND RESERVES			
Share capital		**185,631**	29,005
Reserves		**(36,151)**	29,718
Total equity attributable to the owners of the Company		**149,480**	58,723
Non-controlling interests		**79**	75
TOTAL EQUITY		**149,559**	58,798

Notes:

1. CORPORATE INFORMATION

Sustainable Forest Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and the principal place of business is Suites No. 302-305, 3rd Floor, Sino Plaza, 255- 257 Gloucester Road, Causeway Bay, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise sustainable forest management; investment and leasing in natural forests; manufacturing and sales of timber products including but not limited to wooden door, furniture and wooden floor panels; leasing of properties; the business of licensed travel agent under the Travel Agents Ordinance (Chapter 218 of the Laws of Hong Kong); and money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

2. STATEMENT OF COMPLIANCE

These consolidated financial statements had been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period, as permitted by the Rules Governing the Listing of Securities ("the Listing Rules") on the Stock Exchange, continue to be those of predecessor Companies Ordinance (Cap.32). These accounts also comply with the applicable disclosure provisions of the Listing Rules.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted the following amendments to IFRS and one new interpretation ("new and revised IFRSs") that are first effective for the current accounting period.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC – Int 21	Levies

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and revised IFRSs are discussed below.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) Investment Entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The Group early adopted the amendments in the annual financial statements for the year ended 31 March 2014.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

IFRIC - Int 21 Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the board of directors ("Board") (the chief operating decision maker) of the Company for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. In 2015, the Group has commenced a new segment, ie money lending, as a result of the acquisition of subsidiaries as disclosed in Note 18(a), to diversify its business and to broaden the base of revenue. No operating segments have been aggregated to form the following reportable segments.

Sustainable forest management: sustainable management of and investment in natural forests; timber and wood processing; trading and sales of forestry and timber products.

Manufacturing and sale of timber products: manufacturing and sales of timber products including but not limited to wooden doors, furniture and wooden flooring (previously named as Zhongshan Operations).

Leasing of properties: lease of premises to generate rental income and to gain from the appreciation in the property values in the long term.

Travel and travel related business: provision of travel agency services such as booking of air-tickets, hotel accommodation and other travel related products.

Money lending: earn interest income from financial assets through the money lending licence.

In accordance with IFRS 8, segment information disclosed in this consolidated financial statements has been prepared in a manner consistent with the information used by the Board of the Company for the purposes of assessing segment performance and allocating resources among segments. In this regard, the Board of the Company monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets attributable to an individual reportable segment with the exception of certain unallocated corporate assets including unallocated cash and cash equivalents.

All liabilities are allocated to reportable segments other than current, deferred tax liabilities, financial liabilities, promissory notes and other unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration cost such as director's salaries and other head office or corporate administration costs, change in fair value of financial liabilities, unallocated corporate income and unallocated interest expense.

In addition to receiving segment information concerning the profit earned by/(loss) from each segment, the Board is provided with segment information concerning revenue (including intersegment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

(a) Segment results, assets and liabilities

An analysis of the Group's reportable segment is reported below:

	2015					
	Sustainable forest management *HK$'000*	Manufacturing and sale of timber products *HK$'000*	Money lending *HK$'000*	Travel and travel related business *HK$'000*	Leasing of properties *HK$'000*	Total *HK$'000*
Revenue from external customers	–	3,053	2,898	1,226	645	7,822
Reportable segment revenue	–	3,053	2,898	1,226	645	7,822
Reportable segment (loss)/ profit before taxation	(12,709)	(1,071)	1,991	9	940	(10,840)
Interest income	2	–	–	–	–	2
Impairment loss of property, plant and equipment	–	–	–	–	–	–
Change in fair value of biological assets less costs to sell	(16,197)	–	–	–	–	(16,197)
Depreciation	(21)	(276)	–	(192)	(13)	(502)
Reversal of write down of inventories, net	–	58	–	–	–	58
Interest expense	(642)	–	–	(25)	(598)	(1,265)
Reportable segment assets	107,835	25,331	96,783	3,373	24,905	258,227
Additions to non-current segment assets	–	–	94	4	–	98
Reportable segment liabilities	(35,793)	(11,688)	(106)	(2,009)	(23,654)	(73,250)

	2014					
	Sustainable forest management	Manufacturing and sale of timber products	Money lending	Travel and travel related business	Leasing of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	–	63,762	–	175	9	63,946
Reportable segment revenue	–	63,762	–	175	9	63,946
Reportable segment (loss)/profit before taxation	(640,285)	19,583	–	85	(59)	(620,676)
Impairment loss of property, plant and equipment	(13,038)	–	–	–	–	(13,038)
Impairment loss of goodwill	(302,118)	–	–	–	–	(302,118)
Change in fair value of biological assets less costs to sell	(292,758)	–	–	–	–	(292,758)
Depreciation	(628)	(2,381)	–	(1)	(13)	(3,023)
Reversal of write down of inventories, net	6,551	16,382	–	–	–	22,933
Loss on disposal of property, plant and equipment	(76)	–	–	–	–	(76)
Interest expense	(1,914)	–	–	–	(3)	(1,917)
Reportable segment assets	173,521	41,143	–	4,344	23,854	242,862
Additions to non-current segment assets	–	–	–	3,281	23,738	27,019
Reportable segment liabilities	(69,975)	(25,204)	–	(2,466)	(23,523)	(121,168)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

(i) Revenue

	2015	2014
	HK$'000	*HK$'000*
Reportable segment revenue	**7,822**	63,946
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**7,822**	63,946

(ii) ***Loss***

	2015	2014
	HK$'000	*HK$'000*
Reportable segment loss before taxation	**(10,840)**	(620,676)
Unallocated corporate income	**364**	520
Change in fair value of financial liabilities	**(38,612)**	20,278
Depreciation	**(2)**	(4)
Unallocated corporate expenses	**(7,191)**	(11,423)
Unallocated interest expense	**(64)**	(134)
Loss before taxation	**(56,345)**	(611,439)

(iii) ***Assets***

	2015	2014
	HK$'000	*HK$'000*
Reportable segment assets	**258,227**	242,862
Unallocated:		
– Unallocated cash and cash equivalents	**46,254**	7,752
– Other unallocated corporate assets	**1,175**	438
Total assets per consolidated statement of financial position	**305,656**	251,052

(iv) ***Liabilities***

	2015	2014
	HK$'000	*HK$'000*
Reportable segment liabilities	**73,250**	121,168
Unallocated:		
– Financial liabilities	**40,595**	1,984
– Provision for taxation	**2,220**	2,158
– Deferred tax liabilities	**38,632**	55,605
– Promissory notes	**–**	6,782
– Other unallocated corporate liabilities	**1,400**	4,557
Total liabilities per consolidated statement of financial position	**156,097**	192,254

(v) ***Other items***

	2015						
	Sustainable forest management *HK$'000*	**Manufacturing and sale of timber products** *HK$'000*	**Money lending** *HK$'000*	**Travel and travel related business** *HK$'000*	**Leasing of properties** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Depreciation	**(21)**	**(276)**	**–**	**(192)**	**(13)**	**(2)**	**(504)**
Interest expense	**(642)**	**–**	**–**	**(25)**	**(598)**	**(64)**	**(1,329)**

	2014						
	Sustainable forest management *HK$'000*	Manufacturing and sale of timber products *HK$'000*	Money lending *HK$'000*	Travel and travel related business *HK$'000*	Leasing of properties *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation	(628)	(2,381)	–	(1)	(13)	(4)	(3,027)
Interest expense	(1,914)	–	–	–	(3)	(134)	(2,051)
Loss on disposal of property, plant and equipment	(76)	–	–	–	–	–	(76)

(c) Revenue from major products and services:

	2015 *HK$'000*	2014 *HK$'000*
Manufacturing and sales of timber products	**3,053**	63,762
Interest income from money lending business	**2,898**	–
Travel and travel related business	**1,226**	175
Leasing of properties	**645**	9
	7,822	63,946

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, investment properties, biological assets and goodwill. The geographical locations of customers refers to the locations at which the customers reside. The geographical locations of property, plant and equipment, investment properties and biological assets is based on the physical locations of the asset under consideration. In the case of intangible assets and goodwill, the allocation is based on the location of the operation to which they are allocated.

	Revenue from external customers		**Non-current assets**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
South America	**–**	–	**106,108**	170,256
Asia Pacific (other than Hong Kong)	**3,053**	63,762	**1,357**	1,622
Hong Kong (place of domicile)	**4,769**	184	**27,976**	27,128
	7,822	63,946	**135,441**	199,006

Information about major customer

Revenue from customer contributing 10% or more of the total revenue of the Group is as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A – revenue from money leading	**1,553**	–
Customer B – revenue from manufacturing and sales of timber	**933**	–
Customer C – revenue from manufacturing and sales of timber products	–	22,237
Customer D – revenue from manufacturing and sales of timber products	–	16,648
Customer E – revenue from manufacturing and sales of timber products	–	8,765

5. REVENUE

Revenue represents the net invoiced value of goods sold, (after allowances for returns and trade discounts) and revenue from manufacturing and sales of timber products; lease of premises to generate rental income; provision of agency services for booking of air-tickets, hotel accommodation and other travel related products, and interest income from financial assets.

An analysis of revenue is as follows:

	2015	2014
	HK$'000	*HK$'000*
Manufacturing and sales of timber products	**3,053**	63,762
Interest income from money lending business	**2,898**	–
Travel and travel related business	**1,226**	175
Leasing of properties	**645**	9
	7,822	63,946

6. OTHER INCOME AND OTHER NET LOSS

	2015	2014
	HK$'000	*HK$'000*
Other income		
Rental income	–	5
Waiver of loan interest	**4,046**	–
Net gain on disposal of a wholly-owned subsidiary	**4,234**	–
Reversal of write down of inventories, net	**58**	22,933
Others	**94**	1,523
	8,432	24,461
Other net loss		
Net exchange loss	**(110)**	(21,920)
Change in fair value of financial liabilities	**(38,612)**	20,278
Gain on bargain purchase on acquisition	–	503
	(38,722)	(1,139)

7. OTHER OPERATING EXPENSES

	2015	2014
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**–**	76
Impairment of property, plant and equipment	**–**	13,038
Impairment loss of goodwill *(Note i)*	**–**	302,118
	–	315,232

Notes:

(i) Impairment loss of goodwill was a non-cash item resulting from the annual impairment test of the cash-generating unit of the segment of sustainable forest management.

8. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	2015	2014
	HK$'000	*HK$'000*
(a) Net finance costs		
Interest income from bank deposits	**(366)**	(41)
Total interest income on financial assets not at fair value through profit or loss	**(366)**	(41)
Finance costs		
Interest on loans and other borrowings wholly repayable within five years	**1,265**	921
Interest on promissory notes	**64**	134
Interest on amounts due to shareholders	**–**	990
Interest on amounts due to related companies	**–**	6
Total interest expenses on financial liabilities not at fair value through profit or loss	**1,329**	2,051
	(963)	2,010

The analysis shows the finance costs of bank borrowings, including bank loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements.

	2015	2014
	HK$'000	*HK$'000*
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	**5,549**	8,869
Contributions to defined contribution retirement plans	**243**	964
Equity-settled share-based payment	**–**	446
	5,792	10,279
(c) Other items		
Cost of inventories*	**2,860**	49,453
Depreciation	**504**	3,027
Minimum lease payments under operating leases for land and buildings (including directors' quarters)	**592**	551
Auditor's remuneration		
– audit services	**1,143**	1,255
– other services	**462**	655
	1,605	1,910
Gross rental income from investment properties less direct outgoings of approximately HK$111,000 (2014: HK$6,000)	**534**	3

* Cost of inventories includes depreciation of approximately HK$nil (2014: HK$13,000), the amount of which is also included in the respective total amounts disclosed separately above.

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2015	2014
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax		
– Current year	**84**	–
– Under/(over) provision in prior year *(note i)*	**44**	(49,456)
Current tax		
– PRC Enterprise Income Tax		
– Current year	**–**	1,359
Deferred tax		
– Origination and reversal of temporary differences	**31**	(73,188)
Tax charge/(credit)	**159**	(121,285)

i) As mentioned in Note 8(i) of the financial statements for the year ended 31 March 2014, a subsidiary of the Company completed the sales transaction in March 2011, and recognized a profit tax payable amounting to approximately HK$49,456,000 in 2011. In 2012, the subsidiary of the Company incurred significant loss for the year, including the impairment of the outstanding trade receivable. The subsidiary of the Company filed the relevant tax return and tax computation which net off the tax payable and subsequent impairment loss of trade receivable to the Hong Kong Inland Revenue Department (the "IRD") during the year 2014. After the IRD assessment, the IRD agreed the adjusted tax loss, and not charge for any profit tax as calculated for the year 2011. As a result, the Group recognized an overprovision of taxation for previous year in 2014.

ii) Hong Kong Profits Tax has been provided at the rate of 16.5% of the estimated assessable profits arising in Hong Kong for the year ended 31 March 2015. No Hong Kong Profits Tax charge for the year ended 31 March 2014.

iii) Brazil income tax rate is 34% (2014: 34%) of the estimated assessable profits arising in Brazil. No Brazil income tax has been provided for in the financial statements as the Brazil's subsidiary has no assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2014: 25%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DIVIDENDS

The directors of the Company do not propose the payment of any dividend for the year ended 31 March 2015 (2014: HK$Nil).

11. LOSS PER SHARE

(a) The calculation of basic and diluted loss per share is based on the loss attributable to the owners of the Company as follows and the reconciliation of the weighted average number of shares as shown in Note (b):

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(56,508)**	(490,133)

Diluted loss per share equals to the basic loss per share for the years ended 31 March 2015 and 2014 because the outstanding convertible preferred shares, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

(b) **Weighted average number of shares**

	2015	2014
	'000	*'000*
		(Restated)
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,595,743**	5,147,355*

* The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the year ended 31 March 2015 has accounted for the open offer, which included the bonus element during the reporting period, basic and diluted loss per share for the corresponding year of 2014, have been retrospectively adjusted to reflect for the effects of open offers, which included the bonus element during the reporting period.

12. BIOLOGICAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
At beginning of the year	**17,538**	344,172
Changes in fair value less costs to sell	**(16,197)**	(292,758)
Exchange movement	**(1,341)**	(33,876)
At end of the year	**–**	17,538

The Group's forest assets, acquired through the business combination of Amplewell Holdings Limited ("Amplewell") and its subsidiaries ("Amplewell Group"), are located in the Northwest of Brazil, the State of Acre, Amazon Region (the "Brazil Forest"). At 31 March 2015 and 2014, the biological assets represent natural tropical forests. The total area of the Brazil Forest is approximately 44,500 hectares. Under the environmental laws in Brazil, 20% (2014: 20%) or 8,939 hectares (2014: 8,939 hectares) of the Brazil Forest area is the permanent preservation area and therefore is restricted from logging. At least 80% of the remaining area is designated as the sustainable forest management area and the balance is the permissible clear cut area that has no restriction on felling under the environmental laws of Brazil. In the sustainable forest management area, minimum impact logging techniques are used and forests are managed in a sustainable manner which means that the harvesting rate is below the overall natural growth of the forest. The main objective in sustainable forest management program is to ensure the substance of the forests be preserved. The maximum logging rate allowed under relevant regulations governing sustainable forest management is 30 cubic meters per hectare, an average, over a 25 to 30 year harvesting cycle.

On 27 March 2012, the board decided to suspend harvesting operations in Acre for 1 year until the operating environment for Universal Timber Resources do Brasil Ltda. ("UTRB"), a subsidiary within the Group, is improved. UTRB and its staff had been harassed by the alleged agent ("Alleged Agent") of a main contractor ("Main Contractor") in the tree felling service project in Rondonia. Not only was the tree felling service project adversely affected by the Alleged Agent, he also created a difficult and hostile environment for UTRB and its staff in Brazil. Since the harassments began in February 2011, the Alleged Agent harassed UTRB's staff and their family with death threats in numerous instances. The Group's employees especially in Brazil were scared and UTRB had experienced high turnover of personnel. As such, it was decided to suspend harvesting operations in Acre to address the concerns of its staff.

For the year ended 2015, the Group recorded a revaluation loss on biological assets of approximately HK$16,197,000. The decrease was primarily attributable to the decrease in log prices of which decreased with a range of 3% to 6% during the year.

For the year ended 31 March 2014, the Group recorded a revaluation loss on biological assets of approximately HK$292.8 million. The decrease was primarily attributable to the decrease in log prices of which decreased with a range of 17% to 32% during the year, depreciation of Brazilian Real against Hong Kong dollars and due to the change in operation model, the directors of the Company considered the Group cannot obtain the FSC certification.

The forest engineer adopted the following methodology in determining the harvestable area of the Brazil forests in the technical report used for the 2014 valuation. This methodology or standard (Modeflora – Digital Model of Forest Exploration) was developed locally in Brazil by Embrapa (Brazilian Enterprise for Agricultural Research). Adoption is not mandatory by the state but recommended to the forest engineer professionals.

During the valuation process, Greater China Appraisal Limited ("GCA") referenced to a technical report on estimation of quality and quantity of commercial and potentially commercial wood species and residues resulting from the forest exploitation issued by CAAP FORESTAL ("CAAP"). CAAP performs only once diagnostic sampling for the whole farm area under current State regulation. 100% census of the inventory will be performed inside each unit of production area in order to obtain new operating license for each unit of production area. In general, it is common practice by forest engineers to assume there is no change in the forest inventory as the tropical natural forestry asset is very stable within five to ten years, so there is not necessary to perform detailed sampling every year. Rain forest is a long lasting asset if without human intervention (Amazon forest is estimated to have existed for some 10 million years). Temporary hostile climate, e.g. strong wind, heavy rain and flooding do not change the natural habitat of the forest. Disease and fire might affect the forestry assets, but to the best knowledge of the Company, no known fire and abnormal wood disease were reported during the periods covered under the valuation. Temperature might affect the quality/volume of the forestry asset, but in a long term prospective (which usually over decades) instead of affecting within a short period of time.

Notwithstanding the above, CAAP obtains satellite image of the farms in August every year with spatial resolution of 15 m (49 ft). This is to recognize if there is any abnormal situation (e.g. sudden large scale clearing/disappearing of trees) in the farms. It indicated that any object or abnormality with 15 m in size will be shown on the satellite image. CAAP also monitors the daily updates on burns and fires in Brazil forest area: http://www.inpe.br/queimadas/.

The Brazil Forest was independently valued by GCA, an independent qualified professional valuer not connected with the Group. GCA has experience in valuing similar forestry assets. The key consultant involved in this valuation being a Certified Valuation Analyst of the International Association of Consultants, Valuators and Analysts, and has no present or prospective interest in the Group's biological assets and no personal interest or bias with respect to the Group. In the opinion of the directors of the Company, GCA is independent and competent to determine the fair value of the Group's biological assets. As the value of the biological asset is determined by the ability to generate a stream of benefits in future, GCA has adopted a discounted cash flow methodology in valuing the Brazil Forest. The following are the major assumptions used in the valuation:

- a logging volume of 21.5 m^3 (2014: 21.5 m^3) per hectare in the sustainable forest management program area.

- a post tax discount rate of 17.26% (2014: 17.4%) based on the data and factors relevant to the economy of Brazil, the industry of forest business and the harvestable resources in the Brazil Forest, and the weighted average cost of capital.

- harvesting activities for the first 30-year cycle will resume from the calendar year of 2016 and complete in 8 years (2014: 7 years). Revenue or costs from subsequent harvesting cycle are not taken into account.

- average logs price growth at a rate of 3% per annum (2014: 3% per annum) in the next 8 years (2014: 7 years) which is the expected long term growth rate estimated by reference to the Consumer Price Index in USA.

- the cost of revenue mainly includes forest planning and management, staffing costs, felling and skidding costs, loading and transportation costs, tallying and pointing costs, harvesting overhead costs, issue of forest origin document costs, annual operating license fees and cost of harvesting residues. The cost of revenue is assumed to increase in-line with the long term growth rate of 3%, which is based on the long term inflation rate. The market price is based on the market quotations of log sale prices provided by the management.

- Forest Stewardship Council (the "FSC") certification demonstrates fulfillment of social and ecological criteria, while increasing the prices achievable for timber products. As the directors changed the operation model, the Group will not obtain the FSC certification in 2014 and 2015, and the Group cannot enjoy a price premium of 15%. Therefore, the fair value of the biological assets decreased in 2014 and 2015.

For the year ended 31 March 2015, the harvesting operation in Acre, Brazil remained suspended. As the business environment continued to be difficult for the Group in Brazil, the board of directors changed the operation model in Acre from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group in 2014 and 2015.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's biological assets:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2015				
Recurring fair value measurement for: Biological assets	–	–	–	–

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2014				
Recurring fair value measurement for Biological assets	–	–	17,538	17,538

During the year ended 31 March 2014 and 2015, there were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy at the end of the reporting period in which they occur.

Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy:

	2015	2014
	HK$'000	*HK$'000*
Net carrying amount at 1 April	**17,538**	344,172
Exchange movement	**(1,341)**	(33,876)
Changes in fair value less costs to sell	**(16,197)**	(292,758)
Net carrying amount at 31 March	**–**	17,538
Fair value relating to assets held at the end of period	**16,197**	292,758

Exchange movement of biological assets is recognized in other comprehensive income in "exchange fluctuation reserve".

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on an asset interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset.

The directors of the Company have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at annual reporting date.

The Group is exposed to a number of risks related to its natural forest.

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in Brazil 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. The Directors are not aware of any environmental liabilities as at 31 March 2015 and 2014.

(ii) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of logs. When possible the Group manages this risk by controlling its harvest volume, according to market conditions. Management performs regular industry trend analysis to ensure the Group's pricing policy is comparable to the market and the projected harvesting volumes are consistent with the expected demand.

13. GOODWILL

	Sustainable forest management *(Note i)* *HK$'000*	Manufacturing and sale of timber products *(Note ii)* *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2013, 31 March 2014 and 31 March 2015	1,686,883	77,353	1,764,236
Accumulated impairment			
At 1 April 2013	1,384,765	77,353	1,462,118
Impairment losses recognised during the year 2014	302,118	—	302,118
At 31 March 2014 and 31 March 2015	1,686,883	77,353	1,764,236
Carrying amounts			
At 31 March 2015	–	–	–
At 31 March 2014	–	–	–

Notes:

(i) Sustainable forest management

The goodwill arising from the acquisition of the sustainable forest management cash generating unit in the prior years represented its expected future profitability.

As at 31 March 2014, goodwill relating to sustainable forest management segment had been fully impaired as detailed below.

Recoverability assessment at 31 March 2014

On 27 March 2012, the board of directors of the Company decided to suspend harvesting operations in Acre, Brazil until the operating environment for its Brazilian subsidiary improves. Up to the date of approval of financial statements, the harvesting operation in Acre, Brazil remained suspended. As the business environment continued to be difficult for the Group in Brazil, the board of directors changed the operation model in Acre from own harvesting to leasing out of the forest in Brazil so as to enhance the income stream of the Group.

No lease relating to the Group's forest in Brazil had been entered into by the Group. The directors of the Company considered the economic value of the future income stream from leasing out the Group's forest cannot be reasonably assessed at the date of approval of financial statements. The Group had to preclude the economic value of the future income stream from leasing out of the Group's forest from measurement of the fair value of the CGU for prudence.

The Group engaged an independent professional valuer to perform the valuation for the fair value of the CGU. The original business plan regarding the operation was assumed to be changed. The valuer cannot validate the feasibility of leasing business. There was no reliable projection for the business and income approach of the valuation methodology of the business value cannot be used.

In assessing the valuation of the CGU, the valuer adopted the asset approach, which was breaking the CGU into pieces, i.e. the freehold land (included the naked land, pastures and betterments) and the biological assets, so the business value was the sum of them. The valuer adopted the market approach for the freehold land and adopted the income approach based on the projection developed based on the market participant's point of view for the biological assets.

The fair value less cost of disposal of the CGU valuation was approximately HK$169,076,000 included the fair value of the biological assets and the fair value of freehold land at 31 March 2014. During the year ended 31 March 2014, an impairment loss of goodwill of approximately HK$302,118,000 had been recognized in the profit or loss and the goodwill had been fully impaired. The fair value on which the recoverable amount based on was categorised as a Level 3 fair value measurement.

(ii) Manufacturing and sale of timber products

The goodwill of approximately HK$77,353,000 arising from the acquisition of Originate Tech Global Investments Limited and its subsidiaries represented the future economic benefits from the synergy effect of the business combination.

The entire value of manufacturing and sale of timber products as a cash generating unit was considered impaired as of 31 March 2012, and an impairment loss on goodwill of approximately HK$77 million was recorded.

14. INVENTORIES

	Notes	2015 HK$'000	2014 HK$'000
Sawn timber	*(a)*	**489**	1,308
Finished goods	*(b)*	**317**	2,433
		806	3,741

Notes:

(a) The sawn timber was purchased for trading purpose.

(b) These inventories were held for further processing or sale.

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	2015 HK$'000	2014 HK$'000
Write down of inventories *(Note (i))*	**1,047**	6,153
Reversal of write down of inventories *(Note (ii))*	**(1,105)**	(29,086)
	(58)	(22,933)
Carrying amount of inventories sold	**2,860**	49,453

(i) During the year ended 31 March 2015, obsolete and slow-moving inventories approximately HK$1,047,000 (2014: HK$6,153,000) were identified and written down to their net realisable value.

(ii) The reversal of write down of inventories made in prior years arose due to an increase in the net realisable value as a result of the sales occurred during the year.

15. LOAN RECEIVABLES

	2015 HK$'000	2014 HK$'000
Loans to customers	**92,800**	–
Accured interest receivables	**812**	–
	93,612	–
Less: impairment loss recognised	**–**	–
	93,612	–

All loans are denominated in Hong Kong Dollars. The loan receivables carry effective interests ranging approximately from 6.65% to 11% per annum (2014: Nil). A maturity profile of the loans receivables (net of impairment loss recognised, if any) at 31 March 2015 and 2014, based on the maturity date is as follow:

	2015	2014
	HK$'000	*HK$'000*
Current assets		
Within one yar	**93,612**	–
Non-current assets		
Over one year but within two year	–	–
	93,612	–

At 31 March 2015, certain loans amounted to HK$92,800,000 (2014: Nil) are secured by personal guarantees, post-dated cheque and the pledge of customers' properties.

(a) Loan receivables that are not impaired

The aging analysis of loan receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**83,375**	–
Past due but not impaired		
Less than 1 month past due	–	–
1 to 3 months past due	**10,237**	–
Over 3 months past due	–	–
	10,237	–
	93,612	–

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to an independent customer with the pledge of customer's property. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**3,001**	22,547
Other receivables	**21,828**	16,139
Prepayments and deposits	**827**	654
	25,656	39,340

All of the trade and other receivables are expected to be recovered within one year.

(a) Trade receivables

The aging analysis of the trade receivables as of the reporting date, based on invoice date, which approximates the respective revenue recognition dates was as follows:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**11**	19,235
31 to 60 days	**27**	141
61 to 90 days	**10**	58
Over 90 days	**2,953**	3,113
	3,001	22,547

The Group's trading terms with its customers are mainly on credit and letters of credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 180 days after issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

(c) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**11**	19,235
Past due but not impaired		
Less than 1 month past due	**27**	141
1 to 3 months past due	**10**	58
Over 3 months past due	**2,953**	3,113
	2,990	3,312
	3,001	22,547

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group for whom there was no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

17. TRADE AND OTHER PAYABLES

		2015	2014
	Notes	*HK$'000*	*HK$'000*
Trade payables	*(a)*	**31,342**	56,910
Other payables and accruals		**18,238**	25,866
Financial liabilities measured at amortised costs		**49,580**	82,776

All of the trade and other payables are expected to be repaid or recognised as income within one year or had no fixed terms of repayment.

(a) Trade payables

An aging analysis of the Group's trade payables as at the end of the reporting period, based on invoice date, was as follows:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**290**	17,402
31 to 60 days	**8**	10
61 to 90 days	**–**	4
Over 90 days *(Note (i))*	**31,044**	39,494
	31,342	56,910

Note:

(i) Trade payables also included approximately R$10 million (equivalent to approximately HK$25 million at 31 March 2015 and approximately HK$36 million at 31 March 2014). This sum represented service fees payable to a subcontractor for a tree felling service project in Rondonia, Brazil. UTRB had disputes with the subcontractor and it abandoned the site. No further work was subcontracted to them after the year ended 31 March 2011 as UTRB was not assigned any area for clearing by the hydropower plant of this project in the financial years ended 31 March 2014 and 2015, and no amount was paid by UTRB either. UTRB is not aware of any claims or lawsuits filed by the subcontractor at the relevant courts.

18. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

a) Purchase of assets and liabilities through acquisition of a subsidiary

On 25 September 2014, the Group obtained control of Asset Bridge Development Limited ("Asset Bridge") through the acquisition of 100% equity interest in Asset Bridge, a company engaged in a money lending business, for a consideration of HK$10,000. At the date of acquisition, Asset Bridge only holds a money lending licence, and no operation at the completion date of the acquisition. The Group accounted for the acquisition of the subsidiary as an asset acquisition. The acquisition was aimed at diversifying the Group's business and to broaden the Group's revenue base.

	Allocation of acquisition consideration *HK$'000*
Intangible asset	94
Cash and cash equivalents	1
Other payable	(85)
Total consideration	10

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Asset Bridge is as follows:	
Consideration, satisfied in cash	(10)
Cash and cash equivalent balances acquired	1
Net Cash outflow on acquisition	(9)

No significant acquisition-related costs were incurred.

b) Acquisition of assets and liabilities through acquisition of subsidiaries

On 18 February 2014, the Group obtained control of Good Magic Limited by acquiring 100% equity interest and voting rights in Good Magic Limited from an independent third party. The Group accounted for the acquisition of subsidiaries as an asset acquisition. The acquisition was made with the aim to diversify Group's businesses.

The following summarized the recognised amounts of identifiable assets acquired and liabilities assumed as at 18 February 2014.

	HK$'000
Property, plant and equipment	39
Investment property	23,699
Other receivables	27
Cash and cash equivalents	103
Trade and other payables	(110)
Loans and borrowings	(23,388)
Total net identifiable assets	370
Total consideration	370

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Good Magic Limited is as follows:

	HK$'000
Purchase consideration settled in cash	(370)
Cash and cash equivalents acquired	103
Net cash outflow on acquisition	(267)

c) Business combination

Travel Inn Limited

On 18 February 2014, the Group obtained control of Travel Inn Limited by acquiring 95% equity interest and voting rights in Travel Inn Limited from an independent third party. Travel Inn Limited provided travel agency services. The acquisition was made with the aim to diversify Group's businesses.

The following summarized the recognised amounts of identifiable assets acquired and liabilities assumed as at 18 February 2014.

	HK$'000
Property, plant and equipment	3,281
Trade and other receivables	618
Provision for taxation	28
Cash and cash equivalents	746
Trade and other payables	(740)
Loans and borrowings	(905)
Deferred tax liabilities	(21)
Amount due to non-controlling shareholder	(1,235)
Total net identifiable assets	1,772
Non-controlling interest	(89)
Gain on bargain purchase	(503)
Total consideration	1,180

	HK$'000
Consideration transferred	1,180
Plus: Non-controlling interest	89
Less: Group's share of fair value of identifiable net assets acquired	(1,772)
Gain on bargain purchase on acquisition	(503)
An analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition of Travel Inn Limited is as follows:	
Purchase consideration settled in cash	(1,180)
Cash and cash equivalents acquired	746
Net cash outflow on acquisition	(434)

The gain on bargain purchase is mainly attributable to the following:

i) The immediate exit opportunity offered to the vendor; and

ii) The ability of the Group in negotiating the agreed terms of the transaction with vendor.

No significant acquisition-related costs were incurred.

The Group had elected to measure the non-controlling interest in Travel Inn Limited at the proportionate share of the identifiable net assets.

None of the trade receivables was impaired and it was expected that all contractual amounts could be collected.

Included in the loss for the year is profit of approximately HK$85,000 attributable to Travel Inn Limited. Revenue for the year includes HK$175,000 in respect of Travel Inn Limited. Had the business combination been effected on 1 April 2013, the revenue and loss of the Group for the year ended 31 March 2014 would have been approximately HK$65,199,000 and HK$490,012,000 respectively. The directors considered these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference results for comparison in future periods.

d) **Disposal of a subsidiary**

On 18 August 2014, the Group disposed of SFH Trading Limited to an independent third party at the consideration of HK$1.

	2015
	HK$'000
Consideration received in cash and cash equivalents *(note i)*	–
Analysis of assets and liabilities over which control was lost	
Current assets	
Cash and cash equivalents	4
Trade and other receivables	363
Non-current assets	
Property, plant and equipment	100
Current liabilities	
Trade and other payables	(4,701)
Net liabilities disposed of	(4,234)
Consideration received	–
Gain on disposal	4,234

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

Consideration received in cash and cash equivalents	–
Less: Cash and cash equivalents disposed of	(4)
Net cash outflow on disposal of a subsidiary	(4)

i) The consideration is satisfied by HK$1.

19. CONTINGENT LIABILITIES

Partnership harvesting agreement

On 18 July 2011, UTRB entered into an agreement (the "Partnership Harvesting Agreement" or the "Agreement") with R2R Indústria e Comércio de Produtos Florestais Ltda. ("R2R"). Under the Agreement, UTRB will harvest logs on forest area supposedly owned by R2R under a Sustainable Forest Management Plan and pay R2R Florestal a total of R$9,602,000 (or approximately HK$41 million) by installments. R2R was responsible to obtain the necessary harvesting permit ("AUTEF") within 30 days of the Agreement. R2R was late in presenting the AUTEF to UTRB and failed to produce documentations that support its ownership of the subject forest area. In addition, UTRB's harvesting team discovered various environmental crimes in the subject forest area during its preparatory inspection. A total sum of R$840,000 (or approximately HK$3,869,000) was paid by UTRB under the Agreement while the remaining balance was withheld due to the above breach and irregularities. In the meantime, R2R sent various notices demanding for performance under the Agreement. On 17 January 2012, UTRB served a termination notice to R2R and demanded for the return of the deposits paid. On 23 February 2012, R2R sent UTRB an amicable settlement offer where reducing the outstanding balance to R$1,621,000 (or approximately HK$6,910,000) as final settlement for the immediate termination of the Agreement. According to the opinion of external legal counsels, UTRB has adequate legal ground to terminate the Agreement, demand for the return of the deposit and ask for penalties.

20. LITIGATIONS

Money lending business in Hong Kong

During the year 2015, Asset Bridge Development Limited, a HK subsidiary of the Company which is engaged in the money lending business, had initiated legal proceedings against a borrower, an independent third party, who failed to repay the overdue total loan outstanding amount HK$9,800,000 and interest of HK$437,000. The mortgage loan was secured by a property in Hong Kong in favor of Asset Bridge Development Limited, and the estimated market value of the property is higher than the aggregate outstanding mortgage loan receivable of HK$10,237,000. Therefore, no impairment is required for the overdue mortgage loan principal and accrued loan interest receivable.

Service agreement

On 30 May 2010, UTRB entered into a service agreement (“Service Agreement”) with F Um Terraplanagem (“Terraplanagem”). Under the Service Agreement, Terraplanagem would carry out earthwork service in the hydropower plant in Rondonia, Brazil for a service fee of R$892,500 (or approximately HK$2,132,000). After signing the agreement, Terraplanagem did not provide any earthwork service and UTRB had to hire another company to complete the earthworks. However, in the land search of the freehold lands of UTRB, it revealed that Terraplanagem submitted a claim to a court against UTRB to pay for alleged outstanding service fee of approximately R$1,291,000 (or approximately HK$3,084,000) and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold lands with carrying value of approximately R$10,019,000 (or approximately HK$23,933,000) as at 31 March 2015 without properly paying possible claim to itself. Such injunction was awarded by the court during the year ended 31 March 2015. Up to the date of this report, the court hearing has not yet been scheduled. UTRB will investigate the issue and defend itself vigorously in coming legal proceeding. To the best understanding of the Company, the claim was at a preliminary stage. The Company will inform its shareholders in due course. The claim of approximately R$1,291,000 (or approximately HK$3,084,000) has been included in other payables.

Labour claim

During the financial year ended 31 March 2014, the Company revealed that a labour claim against UTRB for US$600,000 was filed by Leandro Dos Martires Guerra (“Leandro”), a former director of the Company. At the moment UTRB did not receive any writ from the court in due course. The court made an order to UTRB for paying Leandro the claim of US$600,000. UTRB filed a legal appeal to the Northern Region Labour High Court after consulting legal counsels. During the year ended 31 March 2015, the Northern Region Labour High Court had given a favorable ruling on UTRB's appeal, determining the annulment of Leandro's claim due to irregularities in the writ of summons served to UTRB. As a result, the case has returned to its original court so the claimant could properly serve the writ of summons to UTRB which has happened. In March, 2015, UTRB has presented its defense and a witness' hearing is to be held in August 2015. The Company will inform its shareholders in due course. The claim of US$600,000 (or approximately HK$4,652,000 or approximately R$1,909,000) has been included in other payables.

Logistical agreement and long-term supply agreement

On 19 July 2010, SFH Trading Limited, a subsidiary of the Company, entered into a logistical agreement and a long-term supply agreement with Viewscm Corporation Ltd. ("Viewscm"). According to the logistical agreement, Viewscm was appointed as the sole logistics service provider to SFH Trading Limited for export of logs and timbers from hydroelectric power plant area in the state of Rondonia, Brazil to China. However, after Viewscm formulated the logistic plan under the logistical agreement, the proposed transportation cost from Viewscm did not meet the target cost of SFH Trading Limited. Thus, SFH Trading Limited did not use any logistics service by Viewscm. Also, according to the long-term supply agreement, SFH Trading Limited would sell logs to Viewscm in Brazil and the origin of the logs should be from the hydroelectric power plant area. The Group was engaged by the Main Contractor to provide tree felling service in the hydroelectric power plant area. The relationship with the Main Contractor deteriorated since occurrence of the harassments from the Alleged Agent of the Main Contractor and operating staff and officers of our Group were rejected access to the hydroelectric power plant area. As such, SFH Trading Limited could not sell any logs to Viewscm.

Viewscm asserted claims against SFH Trading Limited by reason of the alleged breaches of the logistical agreement and long-term supply agreement by SFH Trading Limited. The alleged breaches of the logistical agreement and long-term supply agreement were dealt with under arbitration proceedings which hearings were held at South China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission respectively. On 20 March 2013, South China International Economic and Trade Arbitration Commission issued an award of approximately RMB784,000 (or approximately HK$991,000) in favour of Viewscm for the alleged breach of logistical agreement by SFH Trading Limited and on 12 April 2013, Shenzhen Arbitration Commission issued an award of approximately RMB703,000 (or approximately HK$888,000) in favour of Viewscm for the alleged breach of long-term supply agreement by SFH Trading Limited.

On 19 September 2013, SFH Trading Limited received two court orders for the enforcement of arbitration awards issued by South China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission totaling approximately RMB1,487,000 (or approximately HK$1,879,000) and related legal expenses in favour of Viewscm. The Company will inform its shareholders for new development in due course. The total claims of approximately approximately RMB1,487,000 (or approximately HK$1,879,000) has been provided and included in other payables.

SFH Trading Limited has been inactive since 1 April 2012 and was in net liabilities position as at 31 March 2014. SFH Trading Limited was disposed during the year ended 31 March 2015.

EXTRACTS FROM INDEPENDENT AUDITORS' REPORT

Basis of disclaimer of opinion

i) **Scope limitation – fair value of biological assets, change in fair value of biological assets**

Our audit opinion dated 30 June 2014 on the Group's financial statements for the last year ended 31 March 2014 was disclaimed because we were unable to obtain sufficient information to verify the reasonableness of the assumptions and the feasibility of the business plan based on which the valuations for the biological assets and goodwill at 31 March 2014 were performed. Accordingly, the carrying amount of biological assets of HK$17,538,000, goodwill of HK$Nil, and deferred tax liabilities of HK$55,605,000 and interest in subsidiaries of HK$19,896,000 in the company level as at 31 March 2014, and the change in fair value of biological assets of HK$292,758,000, impairment of goodwill of HK$302,118,000, and deferred tax credit of HK$73,188,000, recognized in the profit or loss for the year ended 31 March 2014, and impairment of amount due from subsidiaries of HK$588,196,000 recognized in the company level of profit or loss for the year ended 31 March 2014 were qualified in 2014. Any adjustments that might have been found to be necessary in respect of these matters would have material consequential effects on the net assets of the Group brought forward from 31 March 2014 and the Group's loss for the current year ended 31 March 2015 and the related disclosures in the consolidated financial statements.

During the year ended 31 March 2015, change in the fair value of the biological assets of approximately HK$16,197,000 have been recognized and charged to the profit or loss and the biological assets was written down to zero as at 31 March 2015. As set out in note 20 and 21 to the consolidated financial statements, the directors of the Company engaged an independent valuer to perform the valuation of fair value of the biological assets and valuation of the fair value of the business value for sustainable forest management.

We were unable to obtain sufficient evidence to satisfy ourselves as to whether the assumptions adopted by the valuer in these valuations were appropriate. Whether the cash generating unit ("CGU") of the sustainable forest management is able to generate future economic benefits to the Group is dependent on the feasibility of the future business plan provided by the Company. We were unable to obtain sufficient information to verify the reasonableness of the assumptions and the feasibility of the business plan based on which the valuations were performed, and accordingly, we were unable to satisfy ourselves as to whether the fair value of the biological assets of approximately HK$Nil, the carrying amount of goodwill HK$Nil and interest in subsidiaries of approximately HK$118,592,000 as at 31 March 2015, and whether the change in fair value of the biological assets of approximately HK$16,197,000 recognized in the profit or loss for the year ended 31 March 2015 and the impairment of amount due from subsidiaries of approximately HK$41,644,000 recognized in the company level profit or loss for the year ended 31 March 2015 were free from material misstatement.

Furthermore, due to the heavy rains in the region where the Group's biological assets are located, as referred to note 20 to the consolidated financial statements, no physical count was performed for the biological assets as at year ended 31 March 2015. There were no other alternative audit procedures that we could adopt to obtain sufficient appropriate audit evidence regarding the existence, quantities and conditions of the biological assets as at 31 March 2015.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net assets of the Group and the Company as at 31 March 2015, and the Group's loss and cash flows for the year then ended and the related disclosures in the consolidated financial statements.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of the above matters on comparability of the current year's figures and the corresponding figures.

ii) Scope limitation – recoverability of the freehold land

Included in the property, plant and equipment of approximately HK$110,569,000 in the consolidated statements of financial position as at 31 March 2015 was freehold land of approximately HK$106,108,000, which is located in Amazon region of Brazil. As set out in note 17 to the consolidated financial statements, the directors of the Company engaged an independent valuer to perform the valuation of the freehold land for assessing the recoverability of the freehold land on which the Group's biological assets are located.

The valuation method used was the direct comparison method, based on which, the fair value of the freehold land at 31 March 2015 was estimated to be approximately R$44,406,000, which is same as at 31 March 2014. However, there were no transactions in the forestry sector in Brazil after June 2014 and the downturn of the Brazil's economy and the subsequent significant decline in the selling price of timber might have affected the fair value of the freehold land. We were unable to obtain sufficient information to verify the basis of assumptions for the valuation of the freehold land at 31 March 2015 and accordingly, we were unable to satisfy ourselves as to whether the carrying amount of the freehold land of approximately HK$106,108,000 as at 31 March 2015 was free from material misstatement.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net assets of the Group and the Company as at 31 March 2015 and the Group's loss for the year then ended and the related disclosures in the consolidated financial statements.

iii) Scope limitation – trade and other payables

Included in the trade and other payables of approximately HK$31,342,000 in the consolidated statements of financial position as at 31 March 2015 was trade payable of approximately HK$25,030,000 which was subject to an interest for overdue payment at the rate of 1% per month. During the audit of the consolidated financial statements for the year ended 31 March 2011, the related trade creditor confirmed that no interest was billed to the Group. Therefore, the Group has not accrued interest for overdue payment. However, due to the non-reply to our confirmation request, absence of new information of the trade creditor, and no other sufficient appropriate documentary evidence to prove that no interest shall be required to be accrued on the overdue trade payable, there were no other alternative audit procedures that we could adopt to obtain sufficient appropriate audit evidence to verify the existence, completeness and accuracy of the trade payable as at 31 March 2015. Accordingly, we were unable to satisfy ourselves as to whether these amounts were fairly stated in the financial statements as at 31 March 2015.

Our audit opinion dated 30 June 2014 on the Group's financial statements for the last year ended 31 March 2014 was also qualified on the same basis. Any adjustments that might have been found to be necessary in respect of the above would have material consequential effects on the net assets of the Group brought forward from 31 March 2014 and the Group's loss and cash flows for the two years then ended 31 March 2015 and 2014 and the related disclosures in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group's revenue decreased from HK$63.9 million to HK$7.8 million for the year ended 31 March 2015. The total revenue consisted mainly of sales of forestry and timber products and interest income form money lending business. The Group's net loss after tax decreased from HK$490.2 million to HK$56.5 million for the year ended 31 March 2015. The net loss for the current year was mainly due to a increase in fair value of the financial liabilities of the Group of HK$38.6 million.

BUSINESS REVIEW

China

The PRC is the world's largest consumer and importer of timber and logs and it continues to be the primary market for our forestry and timber products. Demand for the Group's timber products remains sluggish.

Brazil

Business environment continued to be difficult for the Group in Brazil. On 27 March 2012, the board decided to suspend harvesting operations in Acre, Brazil for one year and until the operating environment for its Brazilian subsidiary improves. For the financial year ended 31 March 2015, Acre's operations remained suspended. On 5 June 2014, the board of directors changed the operation model in Acre from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group. The Group is actively negotiating terms and conditions with potential lessees relating to the Group's forest in Brazil. However, due to the unfavourable economic enviroment in Brazil, the Change in Operation Model has not been crystallized and no lease relating to the Group's forest in Brazil has been entered into by the Group during the year ended 31 March 2015. The Group will continue to actively identify potential leases relating to the forest in Brazil.

OUTLOOK

Uncertain market conditions and poor demand for timber products continued to affect the Group's near term outlook.The Group will continue to identify new business opportunities with the view to diversifying its business portfolio and improving Shareholders' value. The Company will give priority to consider investment opportunity(ies) that can provide the Group with a stable revenue stream as and when suitable opportunities arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2015, the Group had cash and cash equivalents that amounted to HK$50.1 million (2014: HK$9.0 million).

The Group's gearing ratio expressed as a percentage of total interest bearing borrowings (including all interest bearing borrowings from shareholders, non-controlling shareholder and related companies), over equity attributable to the owners of the Company, significantly decreased from 84.7% as at 31 March 2014 to 16.8% as at 31 March 2015.

As at 31 March 2015, the Group had HK$24.2 million (2014: HK$28.3 million) in interest bearing borrowings from independent third parties of which HK$5.3 million (2014: HK$5.3 million) were repayable within one year and the remaining HK$18.9 million (2014: HK$23.0 million) were repayable after one year. As at 31 March 2015, the interest bearing borrowings of HK$24.2 million (2014: HK$28.3 million) from the independent third parties consisted of HK$12.8 million (2014: HK$13.3 million) in bank loans and HK$11.4 million (2014: HK$15.0 million) in other borrowings. As at 31 March 2015, the Group's had net current assets of HK$112.3 million (2014: net current liabilities of HK$59.6 million). In addition, interest bearing borrowings from shareholders, non-controlling shareholder and related companies totaled HK$0.8 million and HK$21.4 million as at 31 March 2015 and 2014, respectively.

FUND RAISING EXERCISES

(a) As further detailed in the announcement of the Company dated 18 March 2013 and the prospectus of the Company dated 11 April 2013, the Company proposed an open offer (the "March Open Offer") to raise i) not less than approximately HK$63.06 million and not more than approximately HK$65.56 million before expenses by the issue of not less than 1,180,938,718 and not more than 1,227,737,503 new ordinary shares of the Company ("March Offer Shares") at a subscription price of HK$0.0534 per March Offer Share to qualifying ordinary shareholders on the basis of one March Offer Share for every six existing ordinary shares held on 10 April 2013 with bonus issue of ordinary warrants with exercise price of HK$0.0534 per ordinary share on the basis of one bonus share warrant for every March Offer Share subscribed; and ii) not more than approximately HK$2.16 million by the issue of not more than 215,525,161 new convertible preferred shares of the Company ("March Offer CPS Shares") at a subscription price of HK$0.0100125 per March Offer CPS Share to qualifying holders of convertible preferred shares on the basis of one March Offer CPS Share for every six existing convertible preferred shares held on 10 April 2013 with bonus issue of convertible preferred share warrants with exercise price of HK$0.0100125 per convertible preferred share on the basis of one bonus convertible preferred share warrant for every March Offer CPS Share subscribed. The Directors consider that the March Open Offer will strengthen the Company's capital base and enhance its financial position and believes that the Open Offer will provide the qualifying shareholders with an opportunity to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Company. The closing price of the share of the

Company HK$0.059 per share on 18 March 2013. The net proceeds were intended to be used as to i) 20% for the general working capital of the Group; ii) 60% for partial repayment of the indebtedness of the Group; and iii) 20% for investments in new business.

As further detailed in the announcement of the Company dated 6 May 2013, the March Open Offer became unconditional and 1,180,938,718 March Offer Shares, 1,180,938,718 ordinary share warrants, 215,525,161 March Offer CPS Shares and 215,525,161 convertible preferred share warrants were issued on 7 May 2013.

As at 31 March 2015, among the net proceeds of approximately HK$60.8 million (representing a net price of approximately HK$0.0497 per March Offer Share and approximately HK$0.0096 per March Offer CPS Share), approximately HK$44.0 million had been utlised for repayment of the indebtedness of the Group (the deviation from the intended use was due to the full repayment on 8 May 2013 of a loan that bore interest of 18% per annum. Due to the low interest rate environment in 2013, the Board considered that it is in the interest of the Company to apply available funding to fully settle such high interest-bearing loan), an aggregate of approximately HK$1.6 million had been utilised for acquisition of new businesses and approximately HK$15.2 million had been utlised for general working capital of the Group.

(b) As further detailed in the announcement of the Company dated 27 February 2014 and the prospectus of the Company dated 16 April 2014, the Company proposed an open offer (the "February Open Offer") to raise i) not less than approximately HK$44.5 million and not more than approximately HK$53.0 million before expenses by the issue of not less than 139,173,247 and not more than 165,665,906 new ordinary shares of the Company ("February Offer Shares") at a subscription price of HK$0.32 per February Offer Share to qualifying shareholders on the basis of one February Offer Share for every ten existing ordinary shares held on 14 April 2014 with bonus issue of five bonus shares for every February Offer Share; and ii) not more than approximately HK$1.7 million by the issue of not more than 172,420,129 new convertible preferred shares of the Company ("February Offer CPS Shares") at a subscription price of HK$0.01 per February Offer CPS Share to qualifying holders of convertible preferred shares on the basis of five bonus convertible preferred shares for every existing February Offer CPS Share subscribed. The Directors consider that the February Open Offer will strengthen the Company's capital base and enhance its financial position and believes that the February Open Offer will provide the qualifying shareholders with an opportunity to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Company. The closing price of the share of the Company was HK$0.150 on 27 February 2014. The net proceeds were intended to be used as to i) approximately HK$16.5 million for the repayment of the indebtedness of the Group; ii) approximately HK$16.5 million for future investments opportunities; and iii) approximately HK$9.6 million for the general working capital of the Group.

As further detailed in the announcement of the Company dated 12 May 2014, the February Open Offer became unconditional and 139,179,601 February Offer Shares with 695,898,005 bonus shares, 150,867,613 February Offer CPS Shares with 754,338,065 bonus convertible preferred shares were issued on 13 May 2014. Up to 31 March 2015, among the net proceeds of approximately HK$42.6 million (representing a net price of approximately HK$0.296 per February Offer Share and approximately HK$0.0093 per February Offer CPS Share), i) approximately HK$16.5 million had been utlised for repayment of the indebtedness of the Group; ii) approximately HK$16.5 million had been utilised for investment in new business; iii) approximately HK$7.7 million had been utilised for general working capital of the Group; and iv) the rest of the net proceeds of approximately HK$1.9 million had been placed in bank deposits and are intended to be utilised as the general working capital of the Group.

(c) As further detailed in the announcement of the Company dated 9 October 2014 and the prospectus of the Company dated 28 November 2014, the Company proposed an open offer (the "December Open Offer") to raise i) not less than approximately HK$118.8 million and not more than HK$123.7 million before expenses by the issue of not less than 371,147,618 and not more than 386,428,602 new ordinary shares of the Company ("December Offer Shares") at a subscription price of HK$0.32 per December Offer Share to qualifying shareholders on the basis of one December Offer Share for every six existing ordinary shares held on 26 November 2014 with bonus issue of seventeen bonus shares for every December Offer Share; and ii) not more than approximately HK$4.0 million by the issue of not more than 402,313,634 new convertible preferred shares of the Company ("December CPS Shares") at a subscription price of HK$0.01 per December Offer CPS Share to qualifying holders of convertible preferred shares on the basis of one December Offer CPS Share for every six existing convertible preferred shares held on 26 November 2014 with bonus issue of convertible preferred shares on the basis of seventeen bonus convertible preferred shares for every existing December Offer CPS Share subscribed. The Directors consider that the December Open Offer will provide the qualifying shareholders with an opportunity to maintain their respective pro rate shareholdings in the Company and to participate in the future growth and development of the Company. The closing price of the share of the Company was HK$0.133 on 9 October 2014. The net proceeds were intended to be used as to i) approximately HK$80.0 million for the expansion of money lending business in Hong Kong; ii) approximately HK$20.0 million for investment(s) in and/or working capital for new business, including but not limited to, catering business in Hong Kong as and when suitable opportunities arise; and iii) approximately HK$17.9 million for general working capital of the Group.

As further detailed in the announcement of the Company dated 18 December 2014, the December Open Offer became unconditional and 371,150,205 December Offer Shares with 6,309,553,485 bonus shares, 402,313,634 December Offer CPS Shares with 6,839,331,778 bonus convertible preferred shares were issued on 19 December 2014. Up to 31 March 2015, among the net proceeds of approximately HK$117.9 million (representing a net price of approximately HK$0.30716 per December Offer Share and approximately HK$0.0097 per December Offer CPS Share), approximately HK$76.3 million had been utlised for expansion of money lending business in Hong Kong and the rest of the net proceeds of approximately HK$41.6 million had been placed in the bank deposits and are intended to be utlised as expansion of money lending business, investment in new business and the general working capital of the Group.

CHARGE ON ASSETS

As at 31 March 2015, property, plant and equipment of HK$3.0 million (2014: HK$ 3.2 million) and investment properties of HK$24.8 million (2014: HK$23.7 million) of the Group were pledged to secure bank mortgages. As at 31 March 2015, certain area of the freehold lands with carrying value of HK$23.9million (2014: HK$33.1 million) was filed with a precautionary injunction by a claimant.

CONTINGENT LIABILITIES AND LITIGATIONS

The Group's contingent liabilities and litigations at 31 March 2015 are disclosed in Notes 18 and 19 to the consolidated financial statements.

FOREIGN EXCHANGE RISK

The Group's continuing operation mainly operates in Brazil, China and Hong Kong.

During the year ended 31 March 2015, revenue from operations was denominated mainly in Renminbi while its costs and expenses were primarily in Renminbi, Hong Kong dollars and Brazilian Reais where the Group's operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged.

In addition, the main operational assets of the Group are located and denominated in local currencies in Brazil and China while the Group's reporting currency is in Hong Kong dollars. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

The Group did not enter into any arrangements or financial instruments for the purpose of hedging against the potential foreign exchange risks during the year under review. Management believes that the Group's exposure to foreign exchange risks are minimal since Renminbi has been in strength while Reais have been weakening somewhat against US dollars during the current period. In the event that Reais were to rise substantially against US dollars, the risk can be mitigated by increasing local sales denominated in Reais. As for the operational assets of the Group, any foreign exchange gain or losses due to translation of the carrying value of the assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature. As such, active hedging activities are not considered warranted. Nonetheless, management will monitor closely its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2015, the Group had approximately 15 employees (2014: 24) mainly in Hong Kong, China and Brazil. The total remuneration paid by the Group to its employees (including directors) for the year was approximately HK$5.8 million (2014: HK$10.3 million).

The Group rewards its employees according to prevailing market practices, individual experience, performance and requirements under applicable labor laws in the Group's operational locations. In addition to the provision of annual bonus, provident fund scheme and medical insurance coverage, discretionary bonuses and share options are also available to employees.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 March 2015 (2014: HK$Nil per ordinary share and HK$Nil per convertible preferred share).

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code ("the CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviations mentioned below:

Code Provision A.2.1

Under the Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of the chairman ("Chairman") and the chief executive ("CE") of the Company are segregated and are clearly defined to ensure their respective independence, accountability and responsibilities. The Chairman is responsible for the formulation of the Group's overall business development policies while the CE is responsible for the implementation of major decisions of the Board and overall management of the Group's businesses.

On 6 April 2011, Mr. LEUNG Chau Ping, Paul was re-designated from the position as an executive director of the Company to a non-executive director and resigned as the CE. Since then and to up the date of this report, the position of the CE has not been appointed. Since the beginning of the current financial year, Ms. ZHOU Jing acted as the Chairman. During the current financial year when no CE was appointed, the functions of the CE have been performed by the Executive Directors with the assistance of the management of the Company. The Board considers that such structure does not impair the balance of power and authority between the Board and the management of the Company. The Board will however regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings. However, Mr. NG Wai Hung was unable to attend the special general meeting held on 4 April 2014 in Hong Kong as he had another business engagement.

The Company periodically reviews its corporate governance practices to ensure that it continues to meet the requirements under the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 March 2015.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2015.

AUDIT COMMITTEE

As at 31 March 2015 and the date of this report, the Audit Committee comprised three members, namely Mr. William Keith JACOBSEN (chairman of the Audit Committee), Mr. WU Wang Li and Mr. NG Wai Hung and all of them are Independent Non-Executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, reviewed the annual results for the year ended 31 March 2015 and discussed the internal controls together with the management.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited ("Crowe Horwath"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath on the announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.susfor.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report for 2014/15 will be published on the above websites and despatched to the Shareholders on or before 31 July 2015.

By Order of the Board
Sustainable Forest Holdings Limited
Zhou Jing
Chairman

Hong Kong, 29 June 2015

As at the date of this announcement, the Board comprises Ms. Zhou Jing, Mr. Mung Wai Ming, Mr. Liu Shun Chuen and Mr. Yeung Sau Chung as executive directors; and Mr. William Keith Jacobsen, Mr. Wu Wang Li and Mr. Ng Wai Hung as independent non-executive directors.