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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The board ("**Board**") of directors ("**Directors**") of Sustainable Forest Holdings Limited ("**Company**") hereby present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively "**Group**") for the six months ended 30 September 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

		For the six months ended 30 September	
		2011	2010
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
Revenue	*5*	**88,455**	340,778
Cost of sales		**(78,326)**	(101,933)
Gross profit		**10,129**	238,845
Other income	*6*	**3,715**	3,065
Other net loss	*6*	**(31,466)**	—
Selling and distribution costs		**(7,861)**	(8,914)
Administrative expenses		**(47,753)**	(48,563)
Loss on business disruption	*7*	**(347,118)**	—
Other operating expenses		**—**	(105)
Change in fair value of biological assets less costs to sell	*14*	**244,192**	71,049

* *For identification purpose only*

	Note	For the six months ended 30 September 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
(Loss)/Profit from operations		**(176,162)**	255,377
Finance income		**313**	793
Finance costs		**(3,998)**	(4,506)
Net finance costs	*8(a)*	**(3,685)**	(3,713)
(Loss)/Profit before taxation	*8*	**(179,847)**	251,664
Income tax	*9*	**(59,277)**	(56,886)
(Loss)/Profit for the period from continuing operations		**(239,124)**	194,778
DISCONTINUED OPERATION			
Loss from discontinued operation	*10*	**(5,368)**	(11,319)
(LOSS)/PROFIT FOR THE PERIOD		**(244,492)**	183,459
Attributable to:			
Owners of the Company		**(244,492)**	183,442
Non-controlling interests		**—**	17
		(244,492)	183,459
(Loss)/Earnings per share			
From continuing and discontinued operations			
— Basic	*12*	**(4.70 cents)**	6.32 cents
— Diluted		**(4.70 cents)**	2.90 cents
From continuing operations			
— Basic		**(4.59 cents)**	6.71 cents
— Diluted		**(4.59 cents)**	3.08 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Note	At 30 September 2011 HK$'000 (Unaudited)	At 31 March 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**209,008**	231,846
Intangible assets	*13*	**199,967**	—
Biological assets	*14*	**1,269,581**	1,173,150
Goodwill	*15*	**1,860,450**	1,686,883
Deposit for purchase of property, plant and equipment		**27,312**	30,336
		3,566,318	3,122,215
CURRENT ASSETS			
Inventories	*16*	**20,170**	241,980
Trade and other receivables	*17*	**407,998**	519,289
Cash and cash equivalents		**18,215**	23,679
Financial assets held for trading		**10,733**	—
		457,116	784,948
Assets classified as held for sale	*18*	**275,190**	279,828
		732,306	1,064,776
CURRENT LIABILITIES			
Trade and other payables	*19*	**227,043**	199,286
Loans and borrowings		**14,094**	18,230
Finance leases payable		**100**	100
Provision for taxation		**49,456**	49,456
		290,693	267,072
Liabilities associated with assets classified as held for sale	*18*	**68,459**	70,856
		359,152	337,928
NET CURRENT ASSETS		**373,154**	726,848
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,939,472**	3,849,063

	Note	At 30 September 2011 *HK$'000* (Unaudited)	At 31 March 2011 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Loans and borrowings		**79**	88
Amounts due to shareholders		**196,149**	131,527
Finance leases payable		**300**	350
Consideration payables		**163,477**	—
Promissory notes		**6,452**	6,388
Deferred tax liabilities		**510,810**	454,341
		877,267	592,694
NET ASSETS		**3,062,205**	3,256,369
CAPITAL AND RESERVES			
Share capital		**379,601**	359,324
Reserves		**2,682,528**	2,896,969
Total equity attributable to the owners of the Company		**3,062,129**	3,256,293
Non-controlling interests		**76**	76
TOTAL EQUITY		**3,062,205**	3,256,369

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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 Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprised tree felling service, sustainable forest management and manufacturing and sale of timber products including but not limited to wooden door, furniture and wooden floor panels ("Zhongshan operation").

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with International Accounting Standard ("lAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("lASB").

These condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2011.

The condensed consolidated financial statements are denominated in Hong Kong Dollar ("HK$"). Unless otherwise specifically stated, all amounts are presented in thousand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared under the historical cost convention except that the biological assets and buildings held for own use are stated at fair values.

The accounting policies and basis of preparation adopted in preparation of these condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2011, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the IASB.

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related Party Disclosures
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to IFRIC 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

- IAS 24 (Revised) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. IAS 24 (Revised) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the condensed consolidated financial statements in the current and previous periods.

  The application of the other new and revised IFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRS 7 (Amendments)	Financial instruments: Disclosures — Transfer of financial assets[1]
IAS 12 (Amendments)	Income taxes — Deferred tax: Recovery of underlying assets[2]
IAS 1 (Amendments)	Presentation of financial statements — Presentation of items of other comprehensive income[3]
IFRS 9	Financial instruments[4]
IFRS 10	Consolidated financial statements[4]
IFRS 11	Joint arrangements[4]
IFRS 12	Disclosure of interests in other entities[4]
IFRS 13	Fair value measurement[4]
IAS 27	Separate financial statements (2011)[4]
IAS 28	Investments in associates and joint ventures (2011)[4]
IAS 19 (Revised)	Employee benefits[4]

1 Effective for accounting periods beginning on or after 1 July 2011
2 Effective for accounting periods beginning on or after 1 January 2012
3 Effective for accounting periods beginning on or after 1 July 2012
4 Effective for accounting periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the Board of the Company for the purposes of resource allocation and performance assessment.

The Group manages its business by business lines and has presented the following reportable segments. These segments are managed separately.

Continuing operations

Tree felling service: provision of tree felling and clearing services.

Sustainable forest management: sustainable management of and investment in natural forests, timber and wood processing, timber trading and timber sales and marketing.

Zhongshan operation: manufacturing and sale of timber products including but not limited to wooden door, furniture and wooden floor panels.

Discontinued operation

Chita forests operation: logging, timber and wood processing, timber trading and timber sales and marketing.

In accordance with IFRS 8, segment information disclosed in this interim financial report 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 and assets attributable to each reportable segment on the following bases:

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

All liabilities are allocated to reportable segments other than current, deferred tax liabilities and 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 these segments.

Sales between segments are carried out in the ordinary course of Group's business on terms determined by the management of the Group. The revenue from external parties reported to the Board of the Company is measured in a manner consistent with that in the condensed consolidated income statement.

The reportable segment profit represents the profit from each segment which excluded those items not specifically attributed to an individual reportable segment, such as corporate administrative expenses. To arrive at reportable segment profit, the management additionally provided the segment information concerning interest income, finance costs and major non-cash items such as depreciation, amortisation and impairment losses derived from reportable segments.

(a) Segment results, assets and liabilities

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

	For the six months ended 30 September 2011 (Unaudited)					
	Continuing operations				Discontinued operation	
	Sustainable forest management *HK$'000*	Tree felling service *HK$'000*	Zhongshan operation *HK$'000*	Sub-total *HK$'000*	Chita forests operation *HK$'000*	Total *HK$'000*
Segment revenue						
Revenue from external customers	7,862	—	80,593	88,455	—	88,455
Inter-segment revenue	—	—	45,570	45,570	—	45,570
Reportable segment revenue	7,862	—	126,163	134,025	—	134,025
Reportable segment profit/(loss) before taxation	51,350	(232,846)	24,112	(157,384)	(5,368)	(162,752)
Change in fair value of biological assets less costs to sell	244,192	—	—	244,192	—	244,192
Depreciation	(639)	(2)	(7)	(648)	—	(648)
Write off of trade receivables	(114,274)	—	—	(114,274)	—	(114,274)
Write down of inventories	—	(245,682)	—	(245,682)	—	(245,682)
Reversal of service fee payables	—	12,838	—	12,838	—	12,838
Interest expenses	(633)	—	—	(633)	—	(633)
Interest income	312	—	—	312	—	312
Reportable segment assets	3,544,557	41	468,813	4,013,411	275,190	4,288,601
Additions to non-current segment assets	480	—	127	607	—	607
Reportable segment liabilities	344,677	44,714	41,458	430,849	68,459	499,308

	For the six months ended 30 September 2010 (Unaudited)					
	Continuing operations				Discontinued operation	
	Sustainable forest management *HK$'000*	Tree felling service *HK$'000*	Zhongshan operation *HK$'000*	Sub-total *HK$'000*	Chita forests operation *HK$'000*	Total *HK$'000*
Segment revenue						
Revenue from external customers	10,502	330,276	—	340,778	—	340,778
Reportable segment profit/(loss) before taxation	39,655	244,235	—	283,890	(11,913)	271,977
Change in fair value of biological assets less costs to sell	71,049	—	—	71,049	—	71,049
Depreciation	(437)	—	—	(437)	—	(437)
Write off of intangible assets	—	—	—	—	(9,887)	(9,887)
Interest expenses	(3,986)	—	—	(3,986)	(113)	(4,099)
Interest income	793	—	—	793	—	793

	As at 31 March 2011 (Audited)					
	Continuing operations				Discontinued operation	
	Sustainable forest management *HK$'000*	Tree felling service *HK$'000*	Zhongshan operation *HK$'000*	Sub-total *HK$'000*	Chita forests operation *HK$'000*	Total *HK$'000*
Reportable segment assets	3,662,618	240,841	—	3,903,459	279,828	4,183,287
Additions to non-current segment assets	21,323	116	—	21,439	—	21,439
Reportable segment liabilities	297,106	50,546	—	347,652	70,856	418,508

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

	For the six months ended 30 September 2011 *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)
(i) Revenue		
Reportable segment revenue	**134,025**	340,778
Elimination of inter-segment revenue	**(45,570)**	—
	88,455	340,778

	For the six months ended 30 September 2011 *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)
(ii) (Loss)/Profit		
Reportable segment (loss)/profit before taxation	**(157,384)**	283,890
Unallocated corporate income	**—**	—
Unallocated depreciation	**(139)**	(166)
Unallocated interest income	**1**	—
Unallocated interest expenses	**(3,365)**	(520)
Unallocated corporate expenses	**(18,960)**	(31,540)
(Loss)/Profit before taxation (continuing operations)	**(179,847)**	251,664

	At 30 September 2011 *HK$'000* (Unaudited)	At 31 March 2011 *HK$'000* (Audited)
(iii) Assets		
Segment assets for reportable segments from continuing operations	**4,013,411**	3,903,459
Segment assets for reportable segment from discontinued operation	**275,190**	279,828
	4,288,601	4,183,287
Unallocated corporate assets	**10,023**	3,704
Total assets as per condensed consolidated statement of financial position	**4,298,624**	4,186,991
Liabilities		
Segment liabilities for reportable segments from continuing operations	**430,849**	347,652
Segment liabilities for reportable segment from discontinued operation	**68,459**	70,856
	499,308	418,508
Unallocated:		
— Provision for taxation	**49,456**	49,456
— Deferred tax liabilities	**510,810**	454,341
— Corporate liabilities	**176,845**	8,317
Total liabilities as per condensed consolidated statement of financial position	**1,236,419**	930,622

(iv) Other material items

	For the six months ended 30 September 2011 (Unaudited)								
	Continuing operations					Discontinued operation			
	Sustainable forest management *HK$'000*	Tree felling service *HK$'000*	Zhongshan operation *HK$'000*	Unallocated *HK$'000*	Sub-total *HK$'000*	Chita forests operation *HK$'000*	Unallocated *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
Depreciation	**639**	**2**	**7**	**139**	**787**	**—**	**—**	**—**	**787**
Interest expenses	**633**	**—**	**—**	**3,365**	**3,998**	**—**	**—**	**—**	**3,998**
Interest income	**312**	**—**	**—**	**1**	**313**	**—**	**—**	**—**	**313**

	For the six months ended 30 September 2010 (Unaudited)								
	Continuing operations					Discontinued operation			
	Sustainable forest management *HK$'000*	Tree felling service *HK$'000*	Zhongshan operation *HK$'000*	Unallocated *HK$'000*	Sub-total *HK$'000*	Chita forests operation *HK$'000*	Unallocated *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
Depreciation	437	—	—	166	603	—	—	—	603
Interest expenses	3,986	—	—	520	4,506	113	—	113	4,619
Interest income	793	—	—	—	793	—	—	—	793

(c) Revenue from major products and services:

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2011 *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)	**2011** *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)	**2011** *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)
Sales of forestry and timber products	**88,455**	10,502	**—**	—	**88,455**	10,502
Tree felling service income	**—**	330,276	**—**	—	**—**	330,276
	88,455	340,778	**—**	—	**88,455**	340,778

5. REVENUE

Revenue represents the invoiced value of goods sold, net of allowances for returns and trade discounts and revenue.

An analysis of revenue is as follows:

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2011 *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)	**2011** *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)	**2011** *HK$'000* **(Unaudited)**	2010 *HK$'000* (Unaudited)
Sales of forestry and timber products	**88,455**	10,502	**—**	—	**88,455**	10,502
Tree felling service income	**—**	330,276	**—**	—	**—**	330,276
	88,455	340,778	**—**	—	**88,455**	340,778

6. OTHER INCOME AND OTHER NET LOSS

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Other income						
Rental income	**14**	9	**234**	307	**248**	316
Others	**3,701**	3,056	**—**	—	**3,701**	3,056
	3,715	3,065	**234**	307	**3,949**	3,372
Other net loss						
Net exchange loss	**31,466**	—	**4,050**	—	**35,516**	—

7. LOSS ON BUSINESS DISRUPTION

	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Write off of trade receivables	**114,274**	—
Write down of inventories	**245,682**	—
Reversal of service fee payables	**(12,838)**	—
	347,118	—

In November 2009, Universal Timber Resources Do Brasil Participacao LTDA ("UTRB"), a wholly-owned subsidiary of the Company and a main contractor being an independent third party of the Group ("Main Contractor") entered into a service agreement, pursuant to which the Main Contractor engaged UTRB to provide tree felling services in the hydropower plant in Rondonia, Brazil. The main contract was signed between the operator of the hydropower plant and the Main Contractor.

In May 2010, the alleged agent ("Alleged Agent") of the Main Contractor's owner started negotiation with UTRB for the proposed sale of the equity interest of the Main Contractor to UTRB (the "Proposed Deal"). UTRB was not satisfied with the results of due diligence exercise on the Main Contractor and the Alleged Agent failed to provide proper authorization document from the equity-owner of the Main Contractor to proceed with the Proposed Deal. As such, the Proposed Deal did not materialize.

Since around February 2011, UTRB and some of the senior officers of the Company have been receiving threatening emails and phone calls from the Alleged Agent extorting money including that payable under the Proposed Deal. It is also believed that the Alleged Agent has published or procured the publication on internet and articles posing serious accusations against the Group on its integrity and manner of doing business.

As a result of the above events ("Events"), UTRB made a police report with the Sao Paulo State Police Department on 10 October 2011. The alleged accusations against the Group and its business have adversely affected the reputation, business and operation of the Group in Rondonia. Further, since the occurrence of the above Events, the relationship between the Group and the Main Contractor deteriorated. In August 2011, unrelated to the Events and the operation of the Group in the power plant, hydropower plant operator terminated the main contract with the Main Contractor. Thereafter, UTRB were rejected access to the hydropower plant. As at 30 September 2011, inventories amounting to HK$246 million kept inside the hydropower plant.

In March 2011, the Group sold logs located inside the hydropower plant at total sale prices of approximately HK$114 million to some PRC customers. The abovementioned sold logs at the hydropower plant were part of the goods sold under these sales contracts which also included other timber products from Africa and USA. The sold logs remained inside the hydropower plant up to the time when UTRB was denied access to the hydropower plant in September 2011. For goodwill with these PRC customers, the Group negotiated and agreed with PRC customers that it will not demand for payment of the outstanding trade receivables in the sum of HK$114 million relating to the logs kept at the hydropower plant.

The Group is consulting legal counsels for the possible civil legal actions against the Alleged Agent and/ or the Main Contractor in relations to the above Events and the blockage on the Group to operate in the hydropower plant. In light of the above matters which may adversely affect the Group's operations and prospects in Rondonia, the Group decided to write off HK$246 million for the full carrying value of the logs and the trade receivables with PRC customers of HK$114 million during the interim period ended 30 September 2011.

8. LOSS/(PROFIT) BEFORE TAXATION

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

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
a) Net finance costs						
Finance income	**(313)**	(793)	**—**	—	**(313)**	(793)
Finance costs						
Interest on bank and other borrowings wholly repayable within five years	**627**	1,120	**—**	113	**627**	1,233
Interest on promissory notes	**64**	520	**—**	—	**64**	520
Interest on amounts due to shareholders	**3,301**	2,176	**—**	—	**3,301**	2,176
Interest on amounts due to related parties	**—**	690	**—**	—	**—**	690
Finance charges on obligations under finance leases	**6**	—	**—**	—	**6**	—
Total interest expenses on financial liabilities not at fair value through profit or loss	**3,998**	4,506	**—**	113	**3,998**	4,619
	3,685	3,713	**—**	113	**3,685**	3,826
b) Staff costs (including directors' remuneration)						
Salaries, wages and other benefits	**21,114**	16,054	**—**	—	**21,114**	16,054
Pension scheme contributions	**233**	159	**—**	—	**233**	159
Equity-settled share-based payment expenses	**4,076**	20,588	**—**	—	**4,076**	20,588
	25,423	36,801	**—**	—	**25,423**	36,801

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
c) **Other items**						
Cost of inventories sold*	**71,718**	18,065	**—**	—	**71,718**	18,065
Depreciation	**787**	603	**—**	—	**787**	603
Write off of intangible assets	**—**	—	**—**	9,887	**—**	9,887
Minimum lease payments under operating leases for land and buildings (including directors' quarters)	**2,108**	1,510	**—**	—	**2,108**	1,510
Auditor's remuneration						
— audit services	**5**	—	**—**	—	**5**	—
— other services	**550**	407	**—**	—	**550**	407

* Cost of inventories sold includes depreciation of HK$212,000 (2010: HK$116,000) and staff costs of HK$2,188,000 (2010: HK$3,505,000), the amount of which is also included in the respective total amounts disclosed separately above.

9. INCOME TAX

Income tax in the condensed consolidated income statement represents:

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax						
— Hong Kong Profits Tax	**—**	32,518	**—**	—	**—**	32,518
Deferred tax						
— Origination and (reversal) of temporary differences	**59,277**	24,368	**—**	(594)	**59,277**	23,774
	59,277	56,886	**—**	(594)	**59,277**	56,292

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits arising in Hong Kong. Brazil income tax has been provided at the rate of 34% of the estimated assessable profits arising in Brazil. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DISCONTINUED OPERATION

(a) For the six months ended 30 September 2010 and 2011

In February 2010, the Group has commenced negotiations to dispose of the Chita forests operation in Russia. In October 2010, the Group set up Ally Rise Limited, a wholly-owned subsidiary of the Company incorporated in British Virgin Islands, as an immediate holding company of the Russian subsidiary, namely OOO "Zabaikalskaya lesnaya kompaniya" ("ZLK") which held 99.95% equity interest in OOO "Novoles" ("Novoles") (collectively "ZLK Group"). ZLK Group was principally engaged in the forestry business in Russia.

On 6 October 2011, Amplewell Holdings Limited ("Amplewell"), a wholly-owned subsidiary of the Company, entered into a disposal agreement with Source Bright Limited, an independent third party, to dispose of the Group's entire equity interest in the issued share capital of Ally Rise Limited which held 100% equity interest in ZLK (collectively "Ally Rise Group"). The expected completion date for disposal is before 31 March 2012.

The operations of Ally Rise Group were classified as discontinued operation and the losses arising from discontinued operation are analysed as follows:

		For the six months ended 30 September	
		2011	2010
		Chita forests operation	
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**—**	—
Cost of sales		**—**	—
Gross profit		**—**	—
Other income	*6*	**234**	307
Other net loss	*6*	**(4,050)**	—
Administrative expenses		**(1,552)**	(12,107)
Loss from operations		**(5,368)**	(11,800)
Finance costs		**—**	(113)
Loss before taxation	*8*	**(5,368)**	(11,913)
Income tax	*9*	**—**	594
Loss from discontinued operation		**(5,368)**	(11,319)
Attributable to:			
Owners of the Company		**(5,368)**	(11,309)
Non-controlling interests		**—**	(10)
		(5,368)	(11,319)

11. DIVIDENDS

The Directors do not recommend the payment or declaration of any dividend for both six-month periods ended 30 September 2010 and 30 September 2011 respectively.

12. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	For the six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share — (Loss)/profits attributable to the owners of the Company	**(244,492)**	183,442
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**5,204,640**	2,901,729
Effect of dilutive potential ordinary shares arising from conversion of convertible preference shares	**1,657,430**	3,424,211
Effect of dilutive potential ordinary shares arising from exercise of share options	**7,691**	—
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**6,869,761**	6,325,940

The share options had no dilutive effect on the basic earnings per share for the six months ended 30 September 2010.

(b) For continuing operations

The calculation of basic and diluted (loss)/earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profits attributable to the owners of the Company	**(239,124)**	194,778

The denominators used are the same as those detailed above for basic and diluted (loss)/earnings per share from continuing and discontinued operations.

(c) For discontinued operation

(i) Basic loss per share

Basic loss per share for the discontinued operation is HK0.11 cents per share (2010: HK0.39 cents per share) which is based on the loss from the discontinued operation of HK$5,368,000 (2010: HK$11,309,000) and the denominators used are the same as those detailed above for basic and diluted (loss)/earnings per share from continuing and discontinued operations.

(ii) Diluted loss per share

Diluted loss per share is equal to the basic loss per share for the six months ended 30 September 2010 and 2011 because the outstanding convertible preference shares and the share options had an anti-dilutive effect on the basic loss per share.

13. INTANGIBLE ASSETS

	HK$'000
Cost	
At 1 April 2010 and 31 March 2011 (Audited)	—
Acquisition of subsidiaries *(Note 20)*	199,967
At 30 September 2011 (Unaudited)	199,967
Accumulated amortisation	
At 1 April 2010 and 31 March 2011 (Audited)	—
Charge for the period	—
At 30 September 2011 (Unaudited)	—
Carrying amount	
At 30 September 2011 (Unaudited)	199,967
At 31 March 2011 (Audited)	—

The Group acquired the patent for the "curved floor panels", outstanding sales contracts, favourable leasing contracts and the registered trademark "新綠洲" through the acquisition of Originate Tech Global Investments Limited ("Originate Tech") and its subsidiaries (collectively the "Originate Tech Group") on 2 August 2011 as disclosed in note 20.

14. BIOLOGICAL ASSETS

	HK$'000
At 1 April 2010 (Audited)	833,323
Changes in fair value less costs to sell	250,243
Exchange movement	89,584
At 31 March 2011 (Audited)	1,173,150
Changes in fair value less costs to sell	244,192
Harvested timber logs transferred to inventories	(4,568)
Exchange movement	(143,193)
At 30 September 2011 (Unaudited)	1,269,581

The Group's forest assets, acquired through the business combination of Amplewell and its subsidiaries, are located in the Northwest of Brazil, the State of Acre, Amazon Region (the "Brazil Forest"). As at 30 September 2011, the biological assets represented natural tropical forests. The total area of the Brazil Forest is approximately 44,500 hectares. Under the environmental laws in Brazil, 15% or 6,675 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 $30m^3$ per hectare, on average, over a 25 to 30-year harvesting cycle.

The Brazil Forest was independently valued by Greater China Appraisal Limited ("GCA"). GCA has experience in valuating similar forestry assets. GCA has adopted a discounted cash flow methodology in valuating the Brazil Forest. The following are the major assumptions used in the valuation:

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

(ii) a discount rate of 14.2% 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.

(iii) for the first 30-year cycle, harvesting activities has begun in the second half of 2011 and expected to be completed in 8 years. Revenue or costs from subsequent harvesting cycles are not taken into account.

(iv) average log price growth at 3% per annum in the next 7 years. The expected long-term growth rate was estimated by reference to the Consumer Price Index in USA.

(v) the Group will obtain Forest Stewardship Council ("FSC") certification in 2012. FSC certification demonstrates fulfillment of social and ecological criteria, while increasing the prices achievable for timber products. Based on current market practices, the Directors estimate that the Group can enjoy a price premium of 15% over non FSC timber products from 2012 when the Group obtains the FSC certification.

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 30 September 2011.

(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 harvesting 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.

15. GOODWILL

	HK$'000
Cost	
At 1 April 2010, 31 March 2011 and 1 April 2011 (Audited)	1,686,883
Arising from acquisition of subsidiaries *(Note 20)*	173,567
At 30 September 2011 (Unaudited)	1,860,450

Goodwill was allocated to the Group's cash-generating unit identified according to the operating segments as follows:

	At 30 September 2011 ***HK$'000*** **(Unaudited)**	At 31 March 2011 *HK$'000* (Audited)
Sustainable forest management	**1,686,883**	1,686,883
Zhongshan operation	**173,567**	—
	1,860,450	1,686,883

Sustainable forest management

The recoverable amount of the sustainable forest management segment was determined to be higher than its carrying amount, therefore, there was no impairment loss.

The recoverable amount of the sustainable forest management segment cash-generating unit was based on value in use and was determined with the assistance of independent valuer.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the unit. The calculation of the value in use was based on the following key assumptions:

— Cash flows for sustainable forest management segment were projected based on past experience and financial budget approved by management. Management estimated that the cash flows after 8 years are immaterial to the overall recoverable amount of the unit because the management planned to complete the harvesting and selling activities for the first 30-year cycle of the Brazil Forest within 8 years. Therefore, cash flows after 8 years are not included in the value in use calculations. Cash flows from year 5 to year 8 are extrapolated using an estimated weighted average growth rate of 3%, which is consistent with the expected long term growth rate of Consumer Price Index in USA. Management estimated that there would be a negative growth of 59% in year 9 as a result of the completion of harvesting and selling activities for the first 30-year cycle of the Brazil Forest.

— Revenue for sustainable forest management segment was projected based on management's past experience and their expectations for market development and the harvesting plan.

— Timber product average price growth at 3% per annum. The expected long term growth rate was estimated by reference to the Consumer Price Index in USA.

— A pre-tax discount rate of 19.5% (31 March 2011: 21.2%) based on the data and factors relevant to the economy of Brazil, the forest industry, the timber products in the Brazil Forest, and the weighted average cost of capital.

— The Group will obtain FSC certification in 2012. FSC certification demonstrates fulfillment of social and ecological criteria, while increasing the prices achievable for timber products. Based on current market practices, the Directors estimate that the Group can enjoy a price premium of 15% over non FSC timber products from 2012 when the Group obtains the FSC certification.

Zhongshan operation

The recoverable amount of Zhongshan operation segment was determined to be higher than its carrying amount, therefore, there was no impairment loss.

The recoverable amount of Zhongshan operation segment cash-generating unit was based on value in use and was determined with the assistance of independent valuer.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the unit. The calculation of the value in use was based on the following key assumptions:

— Cash flows for Zhongshan operation segment were projected based on past experience and financial budget approved by management. Management estimated that the cash flows after 5 years are immaterial to the overall recoverable amount of the unit.

— Revenue for Zhongshan operation segment was projected based on management's expectation for market development and the existing agreement with customers.

— Timber product average price growth at 3% per annum. The expected long term growth rate was estimated by reference to the Consumer Price Index in USA.

— A pre-tax discount rate of 21.95% (31 March 2011: NIL) based on the data and factors relevant to the economy of China, and the weighted average cost of capital.

16. INVENTORIES

	At 30 September 2011 *HK$'000* (Unaudited)	At 31 March 2011 *HK$'000* (Audited)
Timber logs	**14,202**	240,383
Raw materials	**4,568**	865
Work in progress	**1,327**	490
Finished goods	**73**	242
	20,170	241,980

17. TRADE AND OTHER RECEIVABLES

Customers are generally not given any credit terms. Letter of credit or advance deposits are required from customers, except for some where sales terms are based on cash on delivery.

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.

The ageing analysis of the trade receivables as at the reporting date, based on invoice date, was as follows:

	At 30 September 2011 *HK$'000* (Unaudited)	At 31 March 2011 *HK$'000* (Audited)
0 to 30 days	**52,824**	512,845
31 to 60 days	**25,176**	—
61 to 90 days	**14**	827
Over 90 days	**307,148**	21
Trade receivables, net	**385,162**	513,693
Other receivables	**6,031**	1,480
Prepayment and deposits	**16,805**	4,116
	407,998	519,289

18. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In February 2010, the Group commenced negotiations to dispose of the Chita forests operation in Russia as part of its ongoing strategy to seek forest assets or operations with better return on investments, hence improving the value they bring to shareholders. The assets and liabilities attributable to the forestry operation in Russia which are expected to be sold within twelve months, have been classified as assets held for sale and are presented separately in the condensed consolidated statement of financial position.

On 6 October 2011, the Group entered into a disposal agreement with Source Bright Limited to dispose of the Group's entire equity interest in issued share capital of Ally Rise Limited, which held 100% equity interest in ZLK. The expected completion date for disposal is before March 2012. Under the negotiation between the parties, the selling price of the disposal shall be greater than the book value, as such, the Directors expected that no impairment is necessary.

The major classes of assets and liabilities of Chita forests operation in Russia, which have been classified as held for sale at the end of the respective reporting period, are as follows:

	Note	**At 30 September 2011** *HK$'000* **(Unaudited)**	At 31 March 2011 *HK$'000* (Audited)
Property, plant and equipment		**66,236**	74,019
Intangible assets		**152,588**	152,506
Trade and other receivables		**696**	505
Amount due from a non-controlling shareholder	*(a)*	**55,669**	52,797
Cash and bank balances		**1**	1
Assets classified as held for sale		**275,190**	279,828
Trade and other payables		**24,935**	26,639
Other loans, secured	*(b)*	**3,686**	4,131
Other loans, unsecured	*(c)*	**2,246**	2,517
Deferred tax liabilities		**37,592**	37,569
Liabilities associated with assets classified as held for sale		**68,459**	70,856

(a) Amount due from a non-controlling shareholder

The amount is unsecured and interest-free. In the opinion of the Directors, the amount is expected to be realised within twelve months from the end of the reporting period.

The amount is guaranteed by a substantial shareholder of the Company, Assure Gain International Limited ("Assure Gain"). Under the guarantee agreement, Assure Gain agrees to dispose sufficient shares in the Company to repay the outstanding amount in the event of default by the non-controlling shareholder.

(b) Other loans, secured

The loans were secured by the subsidiary's building with carrying amount of HK$2,836,000 (31 March 2011: HK$3,139,000) and the personal assets given by a non-controlling shareholder. The loans are bearing fixed interest rate at 3% to 5% per annum and repayable within one year.

(c) Other loans, unsecured

Out of the amount of HK$2,246,000 (31 March 2011: HK$2,517,000), HK$1,220,000 (31 March 2011: HK$1,368,000) ("Loan A") is bearing fixed interest rate at 5% per annum, HK$147,000 (31 March 2011: HK$164,000) ("Loan B") is interest free and the remaining HK$879,000 (31 March 2011: HK$985,000) ("Loan C") is bearing fixed interest rate at 16% per annum.

19. TRADE AND OTHER PAYABLES

	Note	**At 30 September 2011** ***HK$'000*** **(Unaudited)**	At 31 March 2011 *HK$'000* (Audited)
Trade payables	*(a)*	**207,510**	180,231
Other payables and accruals		**19,533**	19,055
		227,043	199,286

(a) Trade payables

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

	At 30 September 2011 ***HK$'000*** **(Unaudited)**	At 31 March 2011 *HK$'000* (Audited)
0 to 30 days	**16,818**	130,566
31 to 60 days	**19,565**	—
61 to 90 days	**—**	—
Over 90 days	**171,127**	49,665
Total trade payables	**207,510**	180,231

20. ACQUISITION OF SUBSIDIARIES

On 2 August 2011, the Group obtained control of Originate Tech Group by acquiring 100% equity interest and voting rights in Originate Tech. Originate Tech is an investment holding company and its subsidiaries are engaged in manufacturing and sale of timber products including but not limited to wooden door, furniture and wooden floor panels.

The Group is optimistic about the prospect of the timber and wood processing and timber sales in the PRC having taking into consideration the continuous growth of gross domestic products and sales of floor panels in the PRC in recent years. Based on the increasing sales of floor panels in the PRC and as the Group has been seeking suitable investment opportunities to expand the business of the Group, the Group considers that the acquisition represents an attractive opportunity for the Group to diversify its business scope and income stream and is in line with its business strategy.

The following summarises the acquisition-date provisional fair value of consideration transferred and the acquisition-date provisional fair value of each major class of consideration:

	HK$'000
Fair value of first tranche ordinary consideration shares issued	42,000
Fair value of second tranche ordinary consideration shares issued	117,600
Fair value of third tranche ordinary consideration shares to be issued*	163,477
	323,077

* *The third tranche ordinary consideration shares to be issued is subject to the fulfillment of the profit guarantee. Pursuant to the acquisition agreement dated 21 March 2011 and entered into between Amplewell as the purchaser and Mr. Li Zhixiong as the vendor ("Vendor") regarding the acquisition of Originate Tech, the Vendor warranted and guaranteed to the Group that the aggregated audited consolidated net profits after taxation of Originate Tech for the three years ending 31 March 2012, 31 March 2013 and 31 March 2014 ("Guarantee Period") as reflected in the audited consolidated financial statements of the Originate Tech prepared in accordance with International Financial Reporting Standards shall not be less than HK$300,000,000 and that the consolidated results of Originate Tech as reflected in the audited consolidated financial statement for any of the financial years during the Guarantee Period will not be a net loss after taxation.*

The fair value of ordinary consideration shares are based on the published share price of HK$0.42 revised per share as at 2 August 2011.

The following summarized the recognised amounts of identifiable assets acquired and liabilities assumed as at 2 August 2011.

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Provisional fair value** *HK$'000*
Property, plant and equipment	165	—	165
Intangible assets *(Note 13)*	—	199,967	199,967
Cash and cash equivalent	897	—	897
Inventories	567	—	567
Other receivables	179	—	179
Trade and other payables	(2,273)	—	(2,273)
Deferred tax liabilities	—	(49,992)	(49,992)
Total net identifiable assets	(465)	149,975	149,510
Goodwill *(Note 15)*			173,567
Total consideration			323,077

Goodwill arising on acquisition

	HK$'000
Consideration transferred	323,077
Less: provisional fair value of identifiable net assets acquired	(149,510)
Goodwill arising on acquisition	173,567
Cash and cash equivalents acquired of	897

None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group incurred acquisition-related costs of HK$330,000 relating to legal and professional fees and other charges which have been excluded from the cost of acquisition. The acquisition related costs have been recognised as expenses in the six months ended 30 September 2011, within the 'other operating expenses' line item in the condensed consolidated income statement.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 September 2011, revenue totaled HK$88.5 million and net losses was HK$244.5 million, representing decreases of 74.0% and 233.3%, respectively when compared to 30 September 2010.

Total revenue consisted entirely of sales of forestry and timber products. No contributions were recorded from tree felling services segment.

Business Review

Rondonia Operations

The Group has provided tree felling services to hydro power plants under construction in Rondonia, Brazil since the second half of the financial year ended 31 March 2010. On 20 October 2011 and 7 November 2011, the Group made public announcements that it had reported to Policia Civil do Estado de Sao Paulo (Sao Paulo State Police Department) and to Hong Kong Police Force that it and its employees had been receiving extortion threats in Brazil from a working party. The working party also published and/or procured the publication on internet and other media serious accusations regarding the Group's integrity. The disputes with the working party escalated in denial of access to the sites of the hydro power plants in September 2011. The Group is taking legal advice on its options and rights.

The Group stored its own logs and residue inventory as well as logs purchased by its customers at various yards inside the hydro power plants. As a result of blocked access, the Board decided that it was prudent to write off HK$246 million for the full carrying value of the logs and HK$114 million of trade receivables relating to sales of logs stored in the hydropower plant for PRC customers during the interim period ended 30 September 2011. Please see Note 7 of the notes to the condensed consolidated financial statements for further details on these events.

The inventory stored at the hydro power plants represented inventories that would have been available for sale during the current financial year.

Acre Operations

Harvesting operations in our 45,000-hectare Acre forest in Brazil began as planned in July 2011. At the time of preparing the interim report, harvesting has stopped due to rainy season. Harvesting is expected to begin again in March–April 2012 when rainy season ends. Beginning financial year ending 31 March 2013, Acre forest is expected to contribute on average 60,000m^3 of logs each year.

China Operations

China continues to be the primary market for our forestry and timber products. During the interim period ended 30 September 2011, 91.1% of the total revenue were derived from sales to customers in China. The acquisition of Susfor-Oasis Timber (Zhongshan) Company Limited was completed in August 2011. The Group is carrying out its post acquisition consolidation activities. The Group will report its contribution and results in its annual report for the financial year ending 31 March 2012.

Chita (Russia) Operations

We have signed a definitive agreement to dispose of our Chita operations on 6 October 2011. The buyer is currently conducting due diligence on the disposal group and we expect to complete the sale before the end of the current financial year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group had cash and cash equivalents amounted to 18.2 million (31 March 2011: HK$23.7 million).

The Group gearing ratio expressed as a percentage of total interest bearing borrowings, excluding the interest bearing borrowings classified under liabilities held for sale, over equity attributable to the owners of the Company, decreased from 0.8% as at 31 March 2011 to 0.7% as at 30 September 2011.

As at 30 September 2011, the Group had HK$21.0 million (31 March 2011: HK$25.2 million) interest bearing borrowings, in which of HK$14.2 million are repayable within one year and the remaining of HK$6.8 million were repayable after one year. The total interest bearing borrowings consisted of HK$14.2 million in bank and other loans, HK$0.4 million in finance lease payable and HK$6.4 million in promissory notes. As at 30 September 2011, the Group's working capital was approximately HK$373.2 million (31 March 2011: HK$726.8 million).

CHARGE ON ASSETS

As at 30 September 2011, general banking facilities granted to the Group were secured by property, plant and equipment with a carry value of HK$0.4 million.

CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities as at 30 September 2011 and 31 March 2011.

FOREIGN EXCHANGE RISK

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

During the six months ended 30 September 2011, the revenue from continuing operations was denominated mainly in Renminbi, United States dollars and the Euro while its costs and expenses were primarily in Renminbi, Hong Kong dollars and Brazilian Reals where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies.

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 for financial instruments for the purpose of hedging against the potential foreign exchange risks during the period under review. Management believes that the Group's exposure to foreign exchange risks can be mitigated by increasing local sales denominated in Reals to pay for the operating costs and expenses were those currencies to rise substantially against US dollars or the Euro. In addition, the Group's Renminbi operating expenses are offset by revenue denominated in Renminbi. Costs of sales are primarily denominated in US dollars and Euro. There may be favourable foreign exchange exposure as the Group's sales are mainly in Renminbi and the market generally expects Renminbi to appreciate against those currencies in the medium term. 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 unrealized 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 30 September 2011, the Group has approximately 438 employees (30 September 2010: 203) mainly in Hong Kong, PRC, Brazil and Russia. The total remuneration paid by the Group to its employees (including Directors) for the period was approximately HK$25.4 million (30 September 2010: HK$36.8 million).

The Group rewards its employees according to prevailing market practices, individual experience and 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.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months period ended 30 September 2011 (2010: Nil).

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 six months ended 30 September 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2011.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2011, the Company has applied the principles of, and complied with, the applicable code provisions set out in the Code on Corporate Governance Practices ("**Code Provisions**") as set out in Appendix 14 to the Listing Rules, except for deviation mentioned below:

Code Provision A.2.1

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman ("**Chairman**") and the chief executive officer ("**CEO**") 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 CEO is responsible for the implementation of major decisions of the Board and overall management of the Group's business.

During the period under review, the role of the Chairman has been performed by Ms. Loh Jiah Yee Katherine. On 6 April 2011, Mr. Leung Chau Ping, Paul re-designated from the position as an executive director of the Company to a non-executive director and resigned as the CEO of the Company. Since 6 April 2011 to up the date of this announcement, the position of the CEO has not been appointed. During such period, the functions of the CEO have been performed by the executive directors of the Company with the assistance of the senior 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 E.1.2

Code Provision E.1.2 stipulates among others, that the chairman of the board should attend the annual general meeting.

Due to another business engagement, Ms. Loh Jiah Yee, Katherine, the Chairman, was unable to attend the annual general meeting of the Company held on 25 August 2011. However, Ms. Fletcher Yurk Nam, Sandy, an executive director, took the chair of that meeting. The non-executive director , namely Mr. Leung Chau Ping, Paul and one of the then independent non-executive directors, namely, Mr. Leung Siu Hung, Joel (who was also the then chairman of the audit committee and a member of the remuneration committee of the Board) were also present at that meeting who were available to answer questions from the shareholders.

AUDIT COMMITTEE

During the six months ended 30 September 2011, the audit committee of the Board comprised three independent non-executive directors of the Company, namely Mr. Leung Siu Hung, Joel, Mr. John Tewksbury Banigan and Mr. Keung Paul Hinsum. On 4 November 2011, Mr. Leung Siu Hung, Joel was re-designated as an executive director and resigned as a member of the audit committee. Mr. Donald Smith Worthley was appointed as an independent non-executive director and a member of the audit committee. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 September 2011. After review and discussions, the audit committee recommended the Board to approve the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2011.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.susfor.com) and the Stock Exchange (www.hkexnews.hk). The Company's 2011 interim report for the six months ended 30 September 2011 will be published on the above websites and despatched to the shareholders of the Company in due course.

By order of the Board
Sustainable Forest Holdings Limited
Loh Jiah Yee, Katherine
Chairman

Hong Kong, 28 November 2011

As at the date of this announcement, the Board comprises Ms. Loh Jiah Yee, Katherine, Ms. Fletcher Yurk Nam, Sandy, Mr. Shih Chiu, David, Mr. Li Zhixiong and Mr. Leung Siu Hung, Joel as executive directors; Mr. Leung Chau Ping, Paul as non-executive director; and Mr. John Tewksbury Banigan, Mr. Keung Paul Hinsum and Mr. Donald Smith Worthley as independent non-executive directors.