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 2013

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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

		For the six months ended 30 September	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*6*	**26,450**	47,526
Cost of sales		**(21,318)**	(45,904)
Gross profit		**5,132**	1,622
Other income	*7*	**12,467**	124,498
Other net gain	*7*	**2,876**	5,919
Selling and distribution costs		**(2,565)**	(1,613)
Administrative expenses		**(47,482)**	(54,365)
Change in fair value of biological assets less costs to sell	*12*	**(87,776)**	(90,594)

* *For identification purpose only*

		For the six months ended 30 September	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Loss from operations		**(117,348)**	(14,533)
Finance income		**–**	6
Finance costs		**(1,750)**	(6,221)
Net finance costs	*8(a)*	**(1,750)**	(6,215)
Loss before taxation	*8*	**(119,098)**	(20,748)
Income tax	*9*	**29,844**	30,802
(LOSS)/PROFIT FOR THE PERIOD		**(89,254)**	10,054
Attributable to:			
Owners of the Company		**(89,254)**	10,054
Non-controlling interests		**–**	–
		(89,254)	10,054
(Loss)/Earnings per share	*11*		
			(Restated)
– Basic		**(6.647) cents**	0.866 cents
– Diluted		**(6.647) cents**	0.827 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	**(89,254)**	10,054
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statement of overseas subsidiaries	**(18,994)**	(50,058)
Other comprehensive loss for the period, net of tax	**(18,994)**	(50,058)
Total comprehensive loss for the period	**(108,248)**	(40,004)
Total comprehensive loss attributable to:		
Owners of the Company	**(108,248)**	(40,004)
Non-controlling interests	**–**	–
	(108,248)	(40,004)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**171,646**	190,274
Biological assets	*12*	**225,550**	344,172
Goodwill	*13*	**302,118**	302,118
		699,314	836,564
CURRENT ASSETS			
Inventories	*14*	**8,606**	4,337
Trade and other receivables	*15*	**5,333**	10,583
Cash and cash equivalents		**21,296**	216,540
		35,235	231,460
CURRENT LIABILITIES			
Trade and other payables	*16*	**80,456**	79,401
Loans and borrowings		**–**	36,132
Provision for taxation		**50,255**	50,255
Promissory notes		**6,715**	6,648
		137,426	172,436
NET CURRENT (LIABILITIES)/ASSETS		**(102,191)**	59,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**597,123**	895,588

	Notes	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Amounts due to shareholders		**13,198**	231,568
Amounts due to related companies		**–**	3,717
Financial liabilities	*17*	**7,175**	–
Deferred tax liabilities		**100,398**	143,296
		120,771	378,581
NET ASSETS		**476,352**	517,007
CAPITAL AND RESERVES			
Share capital		**460,429**	390,832
Reserves		**15,916**	126,168
Total equity attributable to the owners of the Company		**476,345**	517,000
Non-controlling interests		**7**	7
TOTAL EQUITY		**476,352**	517,007

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Sustainable Forest Holdings Limited (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**") 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 sustainable forest management and manufacturing and sale of timber products including but not limited to wooden door, furniture and wooden floor panels.

2. BASIS OF PREPARATION

The Group incurred a loss attributable to owners of the Company of approximately HK$89,254,000 for the six months ended 30 September 2013 and had net current liabilities of approximately HK$102,191,000 as at 30 September 2013.

In preparing these condensed consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain positive cash flow from operations in the immediate and long term.

In order to strengthen the capital base of the Group and to improve the Group's financial position, liquidity and cash flows in the immediate foreseeable future, and otherwise to sustain the Group as a going concern, the Group has adopted the following measures.

(a) The Group has been taking stringent cost controls;

(b) The Group has been exploring new business opportunities to enhance the Group's revenue; and

(c) The directors of the Company are considering various alternatives to strengthen the capital base of the Group including through fund raising exercises.

On the basis of the successful implement of the measures described above in the foreseeable future, the directors of the Company are satisfied that the Group will have sufficient working capital for its current requirements. Accordingly, the directors of the Company consider that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the condensed consolidated financial statements.

The condensed consolidated financial statements for the six months ended 30 September 2013 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 ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**").

These condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

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

3. COMPARATIVE FINANCIAL INFORMATION

The Company's auditor issued qualified opinions on the condensed consolidated financial statements of the Group for the six months ended 30 September 2012 and the consolidated financial statements of the Group for the year ended 31 March 2013. The details of the qualified opinions are set out in the Company's interim report 2012 and annual report 2012/13.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared under the historical cost convention except that the biological assets and financial liabilities 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 2013, 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.

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle
Amendments to IFRS 1	Government Loans
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above new and revised IFRSs had no significant financial impact on these condensed consolidated interim financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 32	Offsetting Finance Assets and Financial Liabilities[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets[1]
IFRIC – Int 21	Levies[1]
IFRS 9	Financial Instruments[2]
Amendments to IFRS 7 and IFRS 9	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]

[1] *Effective for annual periods beginning on or after 1 January 2014.*

[2] *Effective for annual periods beginning on or after 1 January 2015.*

The Group is assessing the impact of such new standards, amendments to standards and interpretations and will adopt the relevant standards, amendments to standards and interpretations in the subsequent periods as required.

5. 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**") of the Company for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. 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 sale of timber products including but not limited to wooden door, furniture and wooden flooring (previously named as Zhongshan Operations).

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 those 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 2013 (Unaudited)		
	Sustainable forest management *HK$'000*	**Manufacturing and sale of timber products** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**–**	**26,450**	**26,450**
Reporting segment revenue	**–**	**26,450**	**26,450**
Reportable segment (loss)/profit before taxation	**(112,833)**	**7,977**	**(104,856)**
Change in fair value of biological assets less costs to sell	**(87,776)**	**–**	**(87,776)**
Depreciation	**(335)**	**(138)**	**(473)**
Waiver of liabilities by trade creditors	**–**	**–**	**–**
Interest expenses	**(1,683)**	**–**	**(1,683)**
Interest income	**–**	**–**	**–**
Reportable segment assets	**699,331**	**17,921**	**717,252**
Additions to non-current segment assets	**–**	**–**	**–**
Reportable segment liabilities	**(69,090)**	**(21,241)**	**(90,331)**

	For the six months ended 30 September 2012 (Unaudited)		
	Sustainable forest management	Manufacturing and sale of timber products	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue from external customers	193	47,333	47,526
Reporting segment revenue	193	47,333	47,526
Reportable segment loss before taxation	(5,256)	(10,153)	(15,409)
Change in fair value of biological assets less costs to sell	(90,594)	–	(90,594)
Depreciation	(621)	(137)	(758)
Waiver of liabilities by trade creditors	123,684	–	123,684
Interest expenses	(5,591)	–	(5,591)
Interest income	6	–	6

	As at 31 March 2013 (Audited)		
	Sustainable forest management	Manufacturing and sale of timber products	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	836,011	14,906	850,917
Additions to non-current segment assets	450	2,239	2,689
Reportable segment liabilities	(319,476)	(26,038)	(345,514)

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

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(i) Revenue		
Reportable segment revenue	**26,450**	47,526
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**26,450**	47,526

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(ii) Loss		
Reportable segment loss before taxation	**(104,856)**	(15,409)
Unallocated corporate income	**14,540**	6,423
Unallocated depreciation	**(1)**	(9)
Unallocated interest income	**–**	–
Unallocated interest expense	**(67)**	(630)
Unallocated corporate expenses	**(28,714)**	(11,123)
Loss before taxation	**(119,098)**	(20,748)

		At **30 September** **2013** ***HK$'000*** **(Unaudited)**	At 31 March 2013 *HK$'000* (Audited)
(iii)	**Assets**		
	Segment assets for reportable segments	**717,252**	850,917
	Unallocated corporate assets	**17,297**	217,107
	Total assets per condensed consolidated statement of financial position	**734,549**	1,068,024
	Liabilities		
	Segment liabilities for reportable segments	**90,331**	345,514
	Unallocated:		
	– Provision for taxation	**50,255**	50,255
	– Deferred tax liabilities	**100,398**	143,296
	– Corporate liabilities	**17,213**	11,952
	Total liabilities per condensed consolidated statement of financial position	**258,197**	551,017

(iv) Other material items

	For the six months ended 30 September 2013 (Unaudited)			
	Sustainable forest management	**Manufacturing and sale of timber products**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation	**335**	**138**	**1**	**474**
Interest expenses	**1,683**	**–**	**67**	**1,750**
Interest income	**–**	**–**	**–**	**–**

	For the six months ended 30 September 2012 (Unaudited)			
	Sustainable forest management	Manufacturing and sale of timber products	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	621	137	9	767
Interest expenses	5,591	–	630	6,221
Interest income	6	–	–	6

(c) Revenue from major products and services:

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of forestry and timber products	**26,450**	47,526

6. REVENUE

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

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of forestry and timber products	**26,450**	47,526

7. OTHER INCOME AND OTHER NET GAIN

	For the six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Rental income	**–**	15
Reversal of write down of inventories	**12,375**	–
Waiver of liabilities by trade creditors *(note i)*	**–**	123,684
Others	**92**	799
	12,467	124,498
Other net gain		
Change in fair value of financial liabilities *(note 17), (2012: note ii)*	**14,540**	5,903
Net exchange (loss)/gain	**(11,664)**	16
	2,876	5,919

Notes:

(i) In March 2011, the Group purchased logs and timber from independent suppliers in Democratic Republic of Congo ("**DRC**") and Virginia, USA and sold them at a total sale prices of approximately HK$396 million to some PRC customers who are independent to the Group and its directors on an ex-yard basis. Ex-yard means the seller was required to deliver the goods to its yard. All other transportation costs and risks are assumed by the buyers. The customers inspected and accepted the goods sold at the respective designated yards in DRC and USA. The sales contracts were signed under Hong Kong laws. According to the terms and conditions of the sales contracts, the customers were responsible for arranging transportation after inspection and acceptance of delivery.

In April 2011, China placed a ban on importation of logs from Virginia, USA. No one could move any logs originated from Virginia to China. The ban was only lifted, on a test basis, beginning 1 June 2012.

The Group understood that Chinese customs places ban on importation of products and goods from time to time. These bans may be politically motivated as retaliations to discriminatory policies against Chinese goods by foreign countries. Bans based on such motivations may be difficult for market participants to predict the duration. The Group was not aware of any similar rationale behind the April 2011 ban which stemmed from pests being found in some shipments from those selected states involved. Pest problems in general should be easily addressed by proper fumigation. Based on public information, the US government from those states involved seemed to be working actively and immediately to resolve the problem with the Chinese customs. In addition, the views of the Group's sales in the PRC and market views collected by them indicated that the concerns could be resolved quickly. As such, the Group believed that the ban would be short-lived.

Concurrently, the customers began looking for vessels to transport the African logs and timber from DRC to China since signing of the sales contracts. It proved to be very difficult to secure vessels as there are limited choice of shipping lines due to the perceived security risks associated with DRC, the limiting conditions of the port and the lack of proper port facilities for loading. The Group tried to assist the customers out of courtesy but was also not successful.

Timber prices in China began to soften in the second half of 2011 and continued with a downward trend for the rest of the year. Demand and prices dropped significantly after Chinese New Year in February 2012 generally due to poor housing market and negative economic outlook in China.

The sales contracts required payments be made in five installments by the customers with the last of the installments paid by 31 August 2011. Up to 28 December 2012, only a total of approximately HK$84 million was collected from the customers. No further payments were received from the PRC customers since July 2011. The Group requested the customers to settle the outstanding payments due to it numerous times while understanding the unusual circumstances surrounding the delays in shipment of the goods sold both from the USA and DRC to China. When considering to allow the customers to make deposit payments slower than the original plan, the Company took into consideration amongst other factors that it may physically block the movement of the logs and timber if payments received were not adequate to cover the quantity of logs and timber that the buyers ship. The physical block would be feasible as the Brazilian logs sold were stored inside the hydropower plant at our log yards; and the African logs and timber sold were stored at our supplier's warehouse at the port which we helped to arrange.

Timber prices began decreasing during the last quarter of 2011 and dropped significantly and suddenly during the first quarter of 2012 due to slow down in the Chinese housing market and economy. The customers notified the Group its intention to default on the contracts in May 2012. After repeated unsuccessful attempts in collecting the outstanding receivables from the PRC customers, the Group agreed with the African and US suppliers to terminate its purchase agreements with them on 31 May 2012 amicably. The Group recognised the waiver of liabilities by trade creditors as other income of HK$124 million during the interim period ended 30 September 2012. The African and US suppliers took back the logs and timber with no further liabilities due from the Group. The Group understood that the supplier sold the logs in the domestic market with some profit after taking back the logs.

Trade receivable of HK$299 million for the sale of the above logs and timber were written off during the year ended 31 March 2012.

(ii) On 19 December 2011, the Company issued 300,000,000 non-listed warrants to a strategic investor. The 300,000,000 non-listed warrants carry the rights to subscribe for 300,000,000 ordinary shares of the Company at an exercise price of HK$0.25 per each ordinary share for a term of twelve months from the completion date of the subscription. The warrants are classified as financial liabilities and are measured at fair value at each end of the reporting period. For the six months ended 30 September 2012, the valuation was carried out by Grant Sherman Appraisal Limited independently based on Binomial Option Pricing Model. The fair value of the warrants decreased from HK$6,030,000 at 31 March 2012 to HK$127,000 at 30 September 2012 mainly due to the elapse of time closer to maturity of time and decrease in the value of the underlying shares. Accordingly, a gain from change in fair value of financial liabilities of HK$5,903,000 was recognized during the six months ended 30 September 2012.

8. LOSS BEFORE TAXATION

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

		For the six months ended 30 September	
		2013	2012
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
(a)	**Net finance costs**		
	Finance income on financial assets not at fair value through profit or loss	**–**	(6)
	Finance costs		
	Interest on bank and other borrowings wholly repayable within five years	**1,009**	573
	Interest on promissory notes	**67**	65
	Interest on amounts due to shareholders	**668**	5,252
	Interest on amounts due to related companies	**6**	283
	Finance charges on obligations under finance leases	**–**	48
	Total interest expenses on financial liabilities not at fair value through profit or loss	**1,750**	6,221
		1,750	6,215
(b)	**Staff costs (including Directors' remuneration)**		
	Salaries, wages and other benefits	**10,526**	22,055
	Pension scheme contributions	**663**	791
	Equity-settled share-based payment expenses	**446**	(98)
		11,635	22,748
(c)	**Other items**		
	Cost of inventories*	**21,318**	45,904
	Reversal of write down of inventories	**(12,375)**	–
	Depreciation	**474**	767
	Minimum lease payments under operating leases for land and buildings (including Directors' quarters)	**240**	2,267
	Auditor's remuneration		
	– audit services	**–**	–
	– other services	**587**	764

* Cost of inventories sold includes depreciation of HK$6,000 (2012: HK$8,000) and staff costs of HK$1,746,000 (2012: HK$1,655,000), 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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	**–**	–
Deferred tax		
– Reversal of temporary differences	**(29,844)**	(30,802)
	(29,844)	(30,802)

Hong Kong Profits Tax is calculated at 16.5% (2012: 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. DIVIDENDS

The Directors do not recommend the payment or declaration of any dividend for both six months ended 30 September 2012 and 30 September 2013 respectively.

11. (LOSS)/EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2013	2012
	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	**(89,254)**	10,054
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**1,342,763**	1,160,944
Effect of dilutive potential ordinary shares arising from conversion of convertible preference shares	**–**	54,993
Effect of dilutive potential ordinary shares arising from exercise of share options	**–**	–
Effect of dilutive potential ordinary shares arising from exercise of warrants	**–**	–
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**1,342,763**	1,215,937

Diluted loss per share equals to the basic loss per share for the six months ended 30 September 2013 because the outstanding convertible preferred share, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

The share options and warrants had no dilutive effect on the basic earnings per share for the six months ended 30 September 2012.

Note: As disclosed in note 20, the share consolidation became effect from 2 October 2013. The figures of basic and diluted loss per share for the six months ended 30 September 2013 have been taken up the effect of the share consolidation. The figures of basic and diluted earnings for the six months ended 30 September 2012 have been restated for the effect of the share consolidation.

12. BIOLOGICAL ASSETS

	HK$'000
At 1 April 2012 (Audited)	913,049
Changes in fair value less costs to sell	(482,190)
Exchange movement	(86,687)
At 31 March 2013 (Audited)	344,172
Changes in fair value less costs to sell	(87,776)
Exchange movement	(30,846)
At 30 September 2013 (Unaudited)	(225,550)

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 31 March 2013 and 30 September 2013, 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, 20% or 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 30m^3 per hectare, an average, over a 25 to 30-year harvesting cycle.

In November 2009, Universal Timber Resources Do Brasil Participacao Ltda ("**UTRB**"), a subsidiary of the Company in Brazil, 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 its staff had been harassed by the Alleged Agent of the 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 has also created a difficult and hostile environment for UTRB and its staff in Brazil. 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 period ended 30 September 2013, the Group recorded a decrease in fair value less cost to sell on biological assets of HK$87.8 million (year ended 31 March 2013: HK$482.2 million). The loss was primarily attributable to decrease in log prices.

The forest engineer adopted the following methodology in determining the harvestable area of the Brazil forests in the technical report used for the 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.

The Brazil Forest was independently valued by Greater China Appraisal Limited ("**GCA**"), an independent qualified professional valuers not connected with the Group. GCA has experience in valuing similar forestry assets. During the valuation process, 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. The whole farm area will be divided into certain units of production area. 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 every year with spatial resolution of 15m (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 15m 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/.

GCA has adopted a discounted cash flow methodology in valuing 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 post tax discount rate of 17.30% 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) harvesting activities for the first 30-year cycle will resume from the calendar year of 2014 and complete in 7 years. Revenue or costs from subsequent harvesting cycles are not taken into account.

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

(v) the Group will obtain Forest Stewardship Council ("**FSC**") certification in 2015. 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 2015 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 2013.

(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.

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 2012 (Audited) and 31 March 2013 (Audited), at 1 April 2013 and 30 September 2013 (Unaudited)	1,686,883	77,353	1,764,236
Accumulated impairment losses			
At 1 April 2012 (Audited) and 31 March 2013 (Audited), at 1 April 2013 and 30 September 2013 (Unaudited)	1,384,765	77,353	1,462,118
Carrying amount			
At 30 September 2013 (Unaudited)	302,118	–	302,118
At 31 March 2013 (Audited)	302,118	–	302,118

Notes:

(i) Sustainable forest management

Goodwill was allocated to the Group's cash-generating unit identified according to the operating segment. Goodwill as at 30 September 2013 and 31 March 2013 was attributable to the cash-generating unit that comprises the sustainable forest management segment.

For the period ended 30 September 2013 and for the year ended 31 March 2013, the recoverable amount of the sustainable forest management segment was determined to be higher than its carrying amount, therefore, there was no impairment.

The forest engineer adopted the following methodology in determining the harvestable area of the Brazil forests in the technical report used for the 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.

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. The financial budget is for 9 years. The management considers that the harvesting activities have 30-year cycle so long period of budget can be justified. Management estimated that the cash flows after 9 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 9 years. Therefore, cash flows after 9 years are not included in the value in use calculations. Management estimated that there would be a negative growth of 58% 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 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 28.38% 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 2015. 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 2015 when the Group obtains the FSC certification.

(ii) Manufacturing and sale of timber products

The goodwill of 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 recoverable amount of manufacturing and sale of timber products segment cash-generating unit was based on value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the unit.

For the year ended 31 March 2012, goodwill relating to manufacturing and sale of timber products segment suffered an impairment loss of HK$77 million. Manufacturing and sale of timber products segment incurred a net loss of approximately HK$18 million in its first year of operations since consolidation into the Group. The net loss was mainly due to rapid slow down of the PRC property market and falling property prices in the PRC. As a result of the uncertainties in the PRC economy and continued depressed timber demand and prices, the Group considered that the value of the goodwill related to manufacturing and sale of timber products segment suffered impairment.

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

14. INVENTORIES

	At 30 September 2013 ***HK$'000*** **(Unaudited)**	At 31 March 2013 *HK$'000* (Audited)
Timber logs	**–**	–
Sawn timber	**3,960**	3,320
Raw materials	**–**	–
Work in progress	**1,806**	–
Finished goods	**2,840**	1,017
	8,606	4,337

15. TRADE AND OTHER RECEIVABLES

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.

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

	At 30 September 2013 *HK$'000* (Unaudited)	At 31 March 2013 *HK$'000* (Audited)
0 to 30 days	**334**	197
31 to 60 days	**3**	–
61 to 90 days	**–**	–
Over 90 days	**74**	77
Trade receivables, net	**411**	274
Other receivables	**4,134**	5,608
Amount due from a director	**–**	183
Amount due from a shareholder	**–**	422
Prepayment and deposits	**788**	4,096
	5,333	10,583

16. TRADE AND OTHER PAYABLES

	Note	At 30 September 2013 *HK$'000* (Unaudited)	At 31 March 2013 *HK$'000* (Audited)
Trade payables	*(a)*	**39,729**	51,650
Other payables and accruals		**34,221**	19,818
Amount due to related companies		**6,506**	7,933
		80,456	79,401

(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 2013 *HK$'000* **(Unaudited)**	At 31 March 2013 *HK$'000* (Audited)
0 to 30 days	**1**	3,930
31 to 60 days	**–**	190
61 to 90 days	**11**	–
Over 90 days	**39,717**	47,530
Total trade payables	**39,729**	51,650

17. FINANCIAL LIABILITIES

	At 30 September 2013 *HK$'000* **(Unaudited)**	At 31 March 2013 *HK$'000* (Audited)
At beginning of the period/year	**–**	6,030
Issue of warrants	**23,337**	–
Exercise of warrants	**(1,622)**	–
Change in fair value	**(14,540)**	(6,030)
	7,175	–

On 7 May 2013, the Company issued 1,180,938,718 ordinary share warrants and 215,525,161 convertible preferred share warrants in connection with an open offer. The warrants are classified as financial liabilities and measured at fair value at each end of the reporting period. The valuations were carried out by GCA independently based on Black-Scholes Option Pricing Model and Merton's Model.

18. 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 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 inhouse and external legal counsels, UTRB has adequate legal ground to terminate the Agreement, demand for the return of the deposit and ask for penalties.

19. LITIGATIONS

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$3,097,000). 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$1,300,000 (or approximately HK$4,511,000) and filed a precautionary injunction to prevent UTRB of selling its freehold lands without properly paying possible claim to itself. At the moment, UTRB did not receive any writ from the court in due course. According to some preliminary information, the court hearing has not yet been scheduled. UTRB will investigate the issue and defend itself vigorously in the 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. For the sake of prudence, the claim of R$1,300,000 (or approximately HK$4,511,000) has been provided and included in other payables.

Labour claim

In the land search of the freehold lands of UTRB, it revealed that a labour claim against UTRB for approximately R$1,100,000 (or approximately HK$3,817,000) and a precautionary injunction to prevent UTRB of selling its freehold lands without properly paying possible claim 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. According to some preliminary information, the court made an order to UTRB for paying Leandro the claim of R$1,100,000 (or approximately HK$3,817,000). UTRB will investigate the issue and is consulting legal counsels for legal appeal. The Company will inform its shareholders in due course. For the sake of prudence, the claim of R$1,100,000 (or approximately HK$3,817,000) has been provided and 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 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 30 September 2013.

20. SUBSEQUENT EVENT

On 6 September 2013, the Company issued a circular (the "**Circular**") pursuant to which the Company proposed share consolidation, capital reorganisation and share premium cancellation. Pursuant to the announcement of the Company dated 30 September 2013 (the "**Announcement**"), as all conditions of each of the share consolidation, the capital reorganisation and the share premium cancellation were fulfilled, the share consolidation, the capital reorganisation and the share premium cancellation became effective from 2 October 2013. Details and effect of the share consolidation, the capital reorganisation and the share premium cancellation are set out in the Circular.

As a result of the share consolidation, adjustments have been made to the conversion price of the convertible preferred shares, the exercise prices and the numbers of the outstanding share options and the exercise price of the ordinary share warrants pursuant to the relevant terms of the convertible preferred shares, the share option scheme and the ordinary share warrants, details of which are set out in the Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group's revenue decreased from HK$47.5 million for the six months ended 30 September 2012 to HK$26.5 million for the six months ended 30 September 2013. The total revenue consisted primarily of sales of forestry and timber products. The Group's results decreased from net profit of HK$10.1 million for the six months ended 30 September 2012 to net loss of HK$89.3 million for the six months ended 30 September 2013. The net loss for the current interim period was primarily due to a decrease in fair value of biological assets of HK$87.8 million.

BUSINESS REVIEW

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 until the operating environment for its Brazilian subsidiary improves. For the six months ended 30 September 2013, Acre's operations remained suspended.

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. During the six months ended 30 September 2013, all revenue was derived from sales to customers in the PRC.

Demand for the Group's timber products remained sluggish as the slow down of the economy and real estate sector continued during the six months ended 30 September 2013.

OUTLOOK

Uncertain market conditions and poor demand for timber products continued to affect the Group's near term outlook. The Group will continue to control its expenses and look for new business opportunities to enhance the income stream and to restore shareholders' value.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the Group had cash and cash equivalents amounted to 21.3 million (31 March 2013: HK$216.5 million).

The Group gearing ratio expressed as a percentage of total interest bearing borrowings, (including all interest bearing borrowings from shareholders and/or related companies), over equity attributable to the owners of the Company, decreased from 53.8% as at 31 March 2013 to 4.2% as at 30 September 2013.

As at 30 September 2013, the Group did not have any interest bearing borrowings from independent third parties (31 March 2013: HK$36.1 million). As at 30 September 2013, the Group had net current liabilities of HK$102.2 million (31 March 2013: net current assets of HK$59.0 million). In addition, interest bearing borrowings from shareholders and related companies totaled HK$19.9 million and HK$241.9 million as at 30 September and 31 March 2013, respectively.

The directors of the Company are consulting various alternatives to strengthen the capital base of the Group including through fund raising exercises.

CONTINGENT LIABILITIES AND LITIGATIONS

The Group's contingent liabilities and litigations at 30 September 2013 are disclosed in Notes 18 and 19 respectively.

FOREIGN EXCHANGE RISK

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

During the six months ended 30 September 2013, revenue from operations was denominated mainly in Renminbi while its costs and expenses were primarily in Renminbi, Hong Kong dollars and Brazilian Reals 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 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 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 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 2013, the Group has approximately 281 employees (31 March 2013: 305) mainly in Hong Kong, the PRC and Brazil. The total remuneration paid by the Group to its employees (including Directors) for the period was approximately HK$11.6 million (30 September 2012: HK$22.7 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 DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 September 2013 (30 September 2012: Nil).

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 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 2013.

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 2013.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2013, the Company has applied the principles of, and complied with, the applicable code provisions of 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 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 up to the date of this announcement, the position of the CE has not been appointed. Since the beginning of the current financial period, Ms. ZHOU Jing acted as the Chairman. During the current financial period 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 in Hong Kong on 30 September 2013 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.

AUDIT COMMITTEE

During the six months ended 30 September 2013, the audit committee of the Board comprised three independent non-executive directors of the Company, namely Mr. William Keith JACOBSEN, Mr. WU Wang Li and Mr. NG Wai Hung. The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended 30 September 2013. 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 2013.

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 2013 interim report for the six months ended 30 September 2013 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
Zhou Jing
Chairman

Hong Kong, 29 November 2013

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