中國農林低碳控股有限公司

China Agroforestry Low-Carbon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01069)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Turnover of the Group for the six months ended 30 June 2014 from continuing operations, which is entirely contributed from the newly commenced biomass fuel business of the Group, amounted to approximately RMB10.2 million (For the six months ended 30 June 2013: nil).

- Loss attributable to the owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB27.4 million (Profit attributable to the owners of the Company for the six months ended 30 June 2013: approximately RMB18.7 million).

- Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB29.1 million (Total comprehensive income attributable to the owners of the Company for the six months ended 30 June 2013: approximately RMB22.5 million).

- Basic loss per share for the six months ended 30 June 2014 amounted to approximately RMB0.065 (Basic and diluted earnings per share for the six months ended 30 June 2013: RMB0.051 and RMB0.050 respectively).

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (For the six months ended 30 June 2013: nil).

FINANCIAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Agroforestry Low-Carbon Holdings Limited (the "Company", together with its subsidiaries, the "**Group**") announces the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2014, which have been reviewed by the Company's audit committee (the "**Audit Committee**"), together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	**2014** *RMB'000* **(unaudited)**	2013 *RMB'000* (unaudited) (restated)
Continuing operations			
Turnover	*4*	**10,174**	–
Cost of sales		**(7,749)**	–
Gross profit		**2,425**	–
Gain (loss) on change in fair value less costs to sell of plantation forest assets		**16,190**	(38)
Gain on bargain purchase of subsidiaries		**–**	43,606
Sundry income		**12**	3
Loss on change in fair value of derivative financial assets		**–**	(861)
Loss on early repayment of promissory notes payable		**(5,124)**	–
Selling and distribution costs		**(170)**	–
Administrative expenses		**(11,781)**	(3,945)
Finance costs	*6*	**(23,361)**	(18,318)
(Loss) profit before tax	*7*	**(21,809)**	20,447
Income tax expense	*8*	**(330)**	–
(Loss) profit for the period from continuing operations		**(22,139)**	20,447
Discontinued operations			
Loss for the period from discontinued operations	*9*	**(5,232)**	(1,703)
(Loss) profit for the period		**(27,371)**	18,744
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		**(542)**	3,717
Reclassification adjustments relating to foreign operations disposed of		**(1,182)**	–
Total comprehensive (expense) income for the period		**(29,095)**	22,462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited) (restated)
(Loss) profit for the period attributable to owners of the Company		**(27,371)**	18,744
Total comprehensive (expense) income for the period attributable to owners of the Company		**(29,095)**	22,462
(Loss) earnings per share	*11*		
From continuing and discontinued operations			
Basic		**RMB(6.54) cents**	RMB5.07 cents
Diluted		**N/A**	RMB5.02 cents
From continuing operations			
Basic		**RMB(5.29) cents**	RMB5.53 cents
Diluted		**N/A**	RMB5.44 cents

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**9,298**	6,940
Prepaid lease payments		**8,894**	10,768
Plantation forest assets		**245,307**	229,117
		263,499	246,825
Current assets			
Inventories		**742**	–
Trade and other receivables	*12*	**67,950**	55,509
Prepaid lease payments		**223**	267
Current tax recoverable		**–**	232
Bank balances and cash		**39,824**	21,844
		108,739	77,852
Current liabilities			
Trade and other payables	*13*	**4,424**	5,917
Current tax payable		**330**	–
Amount due to a former controlling shareholder		**–**	1,345
Promissory notes payable		**132,247**	–
		137,001	7,262
Net current (liabilities) assets		**(28,262)**	70,590
Total assets less current liabilities		**235,237**	317,415
Non-current liabilities			
Promissory notes payable		**47,723**	235,671
Corporate bonds payable		**59,652**	–
		107,375	235,671
Net assets		**127,862**	81,744
Capital and reserves			
Share capital		**4,053**	3,466
Reserves		**123,809**	78,278
Total equity attributable to owners of the Company		**127,862**	81,744

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

1. GENERAL INFORMATION

China Agroforestry Low-Carbon Holdings Limited is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Group is principally engaged in forestry management, production and sale of biomass fuel products and investment holding.

The Company's functional currency is Hong Kong dollar ("**HK$**") while that for the major subsidiaries in the People's Republic of China ("**PRC**") is Renminbi ("**RMB**"). As the operations of the Group are mainly undertaken in the PRC, the directors of the Company consider that it is appropriate to present the condensed consolidated interim financial information in RMB.

Restatement of comparative information

As referred to in Note 9, in the current period, the directors of the Company have determined to discontinue the business of manufacturing and sale of apparel products, accordingly the condensed consolidated statement of profit or loss and other comprehensive income is presented to reflect the discontinued operations. Comparative figures for the prior period have been restated to conform with the current period's presentation.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for certain financial instruments and biological assets which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

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

The application of the above new or revised HKFRSs in the current interim period has no material effect on the amounts reported in and/or on the disclosures set out in the condensed consolidated interim financial information.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold, net of discounts and sales related taxes.

5. SEGMENT INFORMATION

Information reported to the chairman of the board (being the chief operating decision maker) for the purposes of resources allocation and assessment of segment performance.

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

Continuing operations

(i) Forestry Business — plantation, logging and sale of timber related products.

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

Discontinued operations

(i) OEM Business — manufacturing and sale of apparel products made according to design and specifications specified by customers.

(ii) Brand Business — sale of apparel designed in — house and sold under the Group's own brand name.

Information regarding the above segments for the six months ended 30 June 2014 and 2013 is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the six months ended 30 June 2014 and 2013:

Six months ended 30 June 2014

	Continuing Operations			Discontinued Operations			
	Forestry Business *RMB'000* (unaudited)	Biomass Fuel Business *RMB'000* (unaudited)	Sub-total *RMB'000* (unaudited)	OEM Business *RMB'000* (unaudited)	Brand Business *RMB'000* (unaudited)	Sub-total *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Turnover	–	10,174	10,174	–	–	–	10,174
Segment profit (loss)	14,345	1,213	15,558	(5,967)	(1,735)	(7,702)	7,856
Bank interest income							11
Sundry income							1
Gain on disposal of a subsidiary							2,467
Gain on bargain purchase of subsidiaries							–
Loss on change in fair value of derivative financial assets							–
Loss on early repayment of promissory notes payable							(5,124)
Central administrative costs							(8,891)
Finance costs							(23,361)
Loss before tax							(27,041)
Income tax expense							(330)
Loss for the period							(27,371)

Six months ended 30 June 2013

	Continuing Operations			Discontinued Operations			
	Forestry Business	Biomass fuel Business	Sub-total	OEM Business	Brand Business	Sub-total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	–	–	–	22,910	2,169	25,079	25,079
Segment (loss)	(804)	–	(804)	(621)	(384)	(1,005)	(1,809)
Bank interest income							8
Sundry income							2
Gain on disposal of a subsidiary							–
Gain on bargain purchase of subsidiaries							43,606
Loss on change in fair value of derivative financial assets							(861)
Loss on early repayment of promissory notes payable							–
Central administrative costs							(3,884)
Finance costs							(18,318)
Profit before tax							18,744
Income tax expense							–
Profit for the period							18,744

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Segment assets		
Forestry Business	**270,683**	258,707
Biomass Fuel Business	**22,155**	–
OEM Business	**–**	35,022
Brand Business	**–**	6,678
Total segment assets	**292,838**	300,407
Unallocated	**79,400**	24,270
Consolidated assets	**372,238**	324,677
Segment liabilities		
Forestry Business	**544**	2,172
Biomass Fuel Business	**677**	–
OEM Business	**–**	785
Brand Business	**–**	151
Total segment liabilities	**1,221**	3,108
Unallocated	**243,155**	239,825
Consolidated liabilities	**244,376**	242,933

6. FINANCE COSTS

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	(unaudited)	(unaudited)	(unaudited)
Interest expenses on promissory notes payable	**22,457**	**–**	**22,457**	17,456	–	17,456
Interest expenses on convertible bonds payable	**–**	**–**	**–**	862	–	862
Interest expenses on corporate bonds payable	**904**	**–**	**904**	–	–	–
	23,361	**–**	**23,361**	18,318	–	18,318

7. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	(unaudited)	(unaudited)	(unaudited)
(Loss) profit before tax has been arrived at after charging:						
Directors' emoluments	**380**	**34**	**414**	63	38	101
Other staff costs	**1,563**	**4,696**	**6,259**	350	5,095	5,445
Retirement benefits scheme contributions, excluding directors	**54**	**2,613**	**2,667**	30	2,044	2,074
Total staff costs	**1,997**	**7,343**	**9,340**	443	7,177	7,620
Amortisation of prepaid lease payments	**61**	**22**	**83**	–	22	22
Cost of inventories recognised	**7,749**	**–**	**7,749**	–	25,647	25,647
Depreciation of property, plant and equipment	**384**	**204**	**588**	26	258	284
Net exchange loss	**280**	**–**	**280**	–	282	282
Operating lease rental paid in respect of rented premises	**1,076**	**116**	**1,192**	398	78	476
Research and development costs recognised as an expense (included in the administrative expenses) *(Note)*	**–**	**–**	**–**	–	99	99

Note: During the six months ended 30 June 2013, research and development costs included staff costs of approximately RMB93,000 for the Group's employees engaged in research and development activities, which are also included in staff costs. No such staff costs was recorded for the six months ended 30 June 2014.

8. INCOME TAX EXPENSE

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	(unaudited)	(unaudited)	(unaudited)
Current tax						
— PRC Enterprise Income Tax	**330**	**–**	**330**	–	–	–

No provision for Hong Kong Profits Tax has been made in the condensed consolidated interim financial information as the Group had no assessable profits derived from Hong Kong for both of the periods presented.

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

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

As at 30 June 2014, the Group had unrecognised tax losses of approximately RMB522,000 (31 December 2013: RMB12,270,000), which can be carried forward to offset future taxable profit and will expire after five years. No deferred tax asset had been recognised in respect of the unrecognised tax loss of RMB522,000 (31 December 2013: RMB12,270,000) due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated interim financial information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB1,214,000 (31 December 2013: RMB27,164,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

9. DISCONTINUED OPERATIONS

On 30 June 2014, the Company disposed of 100% equity interest in a subsidiary, Newshine International Limited and its subsidiaries (together the "**Disposed Group**"), to Pu Xing Group Limited, which is wholly owned by an independent third party, for a cash consideration of RMB34,012,000. On the same date, the Group discontinued its business of OEM business and Brand business undertaken by the Disposed Group. An analysis of the profit/loss for the period from the discontinued operations is as follows:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period from discontinued businesses (Note below)	**(7,699)**	(1,703)
Gain on disposal of the Disposed Group *(Note 14)*	**2,467**	–
Loss for the period from discontinued operations	**(5,232)**	(1,703)

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

	OEM Business		**Brand Business**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Turnover	**–**	22,910	**–**	2,169	**–**	25,079
Cost of sales	**–**	(23,632)	**–**	(2,015)	**–**	(25,647)
Gross (loss) profit	**–**	(722)	**–**	154	**–**	(568)
Sundry income	**37**	6	**–**	2	**37**	8
Selling and distribution expenses	**–**	–	**–**	(258)	**–**	(258)
Administrative expenses	**(5,968)**	(368)	**(1,768)**	(517)	**(7,736)**	(885)
Finance costs	**–**	–	**–**	–	**–**	–
Loss before tax	**(5,931)**	(1,084)	**(1,768)**	(619)	**(7,699)**	(1,703)
Income tax expense	**–**	–	**–**	–	**–**	–
Loss for the period attributable to owners of the Company	**(5,931)**	(1,084)	**(1,768)**	(619)	**(7,699)**	(1,703)

10. DIVIDEND

No dividends were paid or declared during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

11. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(i) From continuing and discontinued operations		
(Loss) earnings for the purpose of basic loss/earnings per share		
(Loss) profit for the period attributable to the owners of the Company	**(27,371)**	18,744
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	**–**	862
Loss on change in fair value of derivative financial assets	**–**	861
Interest expense on promissory notes	**10,740**	–
(Loss) earnings for the purpose of diluted loss/earnings per share	**N/A**	20,467
(ii) From continuing operations		
(Loss) earnings for the purpose of basic loss/earnings per share		
(Loss) profit for the period attributable to the owners of the Company	**(22,139)**	20,447
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	**–**	862
Loss on change in fair value of derivative financial assets	**–**	861
Interest expense on promissory notes	**10,740**	–
(Loss) earnings for the purpose of diluted loss/earnings per share	**N/A**	22,170

	For the six months ended 30 June	
	2014	2013
	'000	*'000*
Number of shares		
From continuing and discontinued operations and from continuing operations		
Weighted average number of ordinary shares for the purpose of basic loss/earnings per share	**418,374**	370,000
Effect of dilutive potential ordinary shares:		
Warrants	**47,000**	11,489
Convertible bonds	**–**	26,296
Weighted average number of ordinary shares for the purpose of diluted loss/earnings per share	**465,374**	407,785

Notes:

(a) Diluted loss per share from continuing and discontinued operations and from continuing operations for the six months ended 30 June 2014 are not presented because the Group suffered a loss for the period and the impact of conversion of warrants, if any, is regarded anti-dilutive.

(b) The computation of diluted earnings per share for the six months ended 30 June 2013 assumes the exercise/conversion of the Company's outstanding warrants and convertible bonds since their exercise/conversion would result in an dilutive effect on the basic earnings per share for the six months ended 30 June 2013.

12. TRADE AND OTHER RECEIVABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**8,782**	67,119
Impairment loss recognised	**–**	(13,712)
	8,782	53,407
Consideration receivable from disposal of subsidiaries *(Note 14)*	**34,012**	–
Other receivables	**4,105**	671
Prepayments	**661**	746
Deposits paid	**20,390**	685
	67,950	55,509

The Group generally allows an average credit period of 30 to 180 days to its trade customers, where payment in advance is normally required. The Group does not hold any collateral over these balances.

Subsequent to the reporting period, consideration receivable from disposal of subsidiaries was fully settled.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date:

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0–90 days	**7,023**	17,778
91–180 days	**1,759**	22,951
181–365 days	**–**	12,678
	8,782	53,407

Movements of allowance of trade receivables are as follows:

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
At the beginning of the period	**13,712**	11,222
Impairment loss recognised	**–**	2,490
Derecognised on disposal of subsidiary	**(13,712)**	–
At the end of the period	**–**	13,712

13. TRADE AND OTHER PAYABLES

	2014 *RMB'000*	2013 *RMB'000*
Trade payables	**–**	10
Other payables	**3,819**	3,799
Accruals	**605**	2,108
	4,424	5,917

The average credit period on purchase of goods ranged from 45 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is an analysis of the trade payables by age, presented based on the invoice date at the end of the reporting period.

	30 June 2014 *RMB'000* **(unaudited)**	31 December 2013 *RMB'000* (audited)
Over 90 days	**–**	10

14. DISPOSAL OF SUBSIDIARIES

As referred to in Note 9, the Group disposed of the Disposal Group on 30 June 2014 for a cash consideration of RMB34,012,000.

	RMB'000
Consideration receivable	
Consideration receivable in cash	34,012

Analysis of assets and liabilities at the date of disposal over which control was lost

	RMB'000
Property, plant and equipment	3,409
Prepaid lease payments	1,835
Trade and other receivables	29,633
Current tax recoverable	233
Bank balances and cash	74
Trade and other payables	(2,413)
Net assets disposed of	32,727

Gain on disposal of subsidiaries

	RMB'000
Consideration receivable	34,012
Net assets disposed of	(32,727)
Cumulative exchange gains in respect of the net assets of the subsidiaries	1,182
Gain on disposal of a subsidiary	2,467

Net cash outflow on disposal of subsidiaries

	RMB'000
Consideration for disposal	34,012
Less: Cash consideration receivable	(34,012)
Bank balances and cash disposed of	(74)
	(74)

15. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

(a) On 16 July 2014, the Company entered into a placing agreement with a placing agent, KGI Asia Limited, pursuant to which the placing agent has conditionally agreed to procure placements, on a best effort basis, of up to 94,059,259 new shares of the Company at the placing price of HK$1.65 per share. The placing was completed on 7 August 2014 and 47,504,000 new shares of HK$1.65 per share was issued by the Company giving rise to a net proceed of HK$77,500,000.

(b) In August 2014, the Company entered into a subscription agreement to issue corporate bond with the principal amount of HK$6,700,000. The corporate bond, which is unsecured and carry interest at 6% per annum, is repayable on the maturity date of 5 years after the date of issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

As a result of the continuing adverse conditions in the garment business segment and the implementation of strategic diversification, the Company had been actively seeking diversified business opportunities since 2012. In 2013, the Company started to venture into the forestry business via acquisitions of companies engaging in the operation and management of forest lands in the PRC.

After the completion of the acquisition of China Timbers Limited ("**China Timbers**") and its subsidiaries (collectively referred to as "**China Timbers Group**") in late May 2013 and the disposal of the entire issued share capital of Newshine International Limited ("**Newshine**") and its subsidiaries on 30 June 2014, the Group has ceased its engagement in manufacturing and wholesaling of apparels, and focused on its business on the sale, research and development of biomass fuel produced by biomass materials such as timber processing and forestry waste, and forestry management.

Continuing Operations

Forestry business

As at 30 June 2014, the long and medium-lease forest lands in the PRC owned by the Group were approximately 3,530 Chinese Mu and 21,045 Chinese Mu in Dali City of Yunnan Province and Jiange County of Sichuan Province, respectively.

As at 30 June 2014, the Group's application for logging and transportation permits for the plantation forest assets in the Jiange County and the Dali City for the year ending 31 December 2014 is still being processed. As a result, no harvesting works has been carried out on such assets for the six months ended 30 June 2014 (For the six months ended 30 June 2013: nil).

The said forest lands have been under various maintenance works, and harvesting will commence when the logging and transportation permits of the forest lands are approved.

Biomass fuel business

In early 2014, the Group has successfully commenced operation of its first biomass energy base in Jiange County of Sichuan Province, with an expected annual production capacity of 30,000 tons. For the six months ended 30 June 2014, the Group produced approximately 11,000 tons of biomass fuel. The entire turnover of the Group from continuing operations for the six months ended 30 June 2014 was contributed by such biomass energy base.

Discontinued Operations

Garment business

During the six months ended 30 June 2014, the Group's garment business faced a very complex and volatile environment both domestically and internationally. The core garment manufacturing business of the Group has been significantly impacted by the unfavorable and uncertain global macroeconomic environment and the said business continues to face considerable head winds from mounting manufacturing costs, shortage of skilled sewing workers, slowing domestic demand as well as strong domestic and international competitions. The Group considered its garment business was not profit making and have not carried out any production in its garment business in 2014.

As stated above, upon the completion of the disposal of Newshine and its subsidiaries on 30 June 2014, the Group has ceased its business on manufacturing and wholesaling of apparels. For the six months ended 30 June 2014, no revenue was generated from the Group's garment business (For the six months ended 30 June 2013: RMB25.1 million).

FINANCIAL REVIEW

Turnover

During the period under review, the Company recorded a turnover from continuing operations of RMB10.2 million for the six months ended 30 June 2014 (For the six months ended 30 June 2013: nil). The Group's turnover from continuing operations for the six months ended 30 June 2014 is entirely represented by the turnover from the biomass fuel business of the Group, which commenced operation at the beginning of 2014.

For the six months ended 30 June 2014, no turnover was recorded for the forestry management business.

Cost of Sales

The cost of sales of the Group for the six months ended 30 June 2014 was mainly attributable to labour costs and the cost of raw materials consumed in the biomass fuel business.

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

During the six months ended 30 June 2014, the Group recognised an increase of fair value less costs to sell of plantation forest assets of approximately RMB16.2 million, which was valued by Ascent Partners Valuation Service Limited ("**Ascent Partners**"), the independent qualified professional valuer appointed by the Company, who undertook the valuations of the plantation forest assets in Yunnan Province and Sichuan Province of the Group as at 30 June 2014.

Biological Assets

The biological assets of the Group included the forest lands situated in Dali City of Yunnan Province and Jiange County of Sichuan Province.

Ascent Partners has performed valuations update on the aforesaid forests assets to assist the Group in assessing the fair value of those biological assets.

The net increase in value was mainly due to the changes in fair value less costs to sell of RMB16.2 million. The movements of biological assets were as follows:

	Yunnan Forest *RMB'000*	Sichuan Forest *RMB'000*	Total *RMB'000*
At 1 January 2013 (audited)	19,195	–	19,195
Acquisition of assets on an acquisition of subsidiaries	–	223,930	223,930
Change in fair value less costs to sell	(38)	–	(38)
At 30 June 2013 (unaudited)	19,157	233,930	243,087
Harvested timber transfer to cost of inventories sold	–	(27,127)	(27,127)
Gain on change in fair value less costs to sell	826	12,331	13,157
At 31 December 2013 and at 1 January 2014 (audited)	19,983	209,134	229,117
Changes in fair value less costs to sell	(3,525)	19,715	16,190
At 30 June 2014 (unaudited)	16,458	228,849	245,307

(a) Forest Lands situated in Dali City of Yunnan Province

The forest lands situated in Dali City of Yunnan Province (the "**Yunnan Forest**") had a total leasehold land base of approximately 3,530 Chinese Mu (equivalent to approximately of 235 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Yunnan Forest. During the period under review, no timber logs in respect of the Yunnan Forest were harvested (For the six months ended 30 June 2013: nil). As at 30 June 2014, the Yunnan Forest is estimated to comprise approximately 142 hectares of pine trees and 93 hectares of oak trees with approximately 118 hectares of tree plantations with aged 40 years or older.

(b) Forest Lands Situated in Jiange County of Sichuan Province

The forest lands situated in Jiange County of Sichuan Province (the "**Sichuan Forest**") had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Sichuan Forest. During the period under review, no timber logs in respect of the Sichuan Forest were harvested (For the six months ended 30 June 2013: nil). As at 30 June 2014, the Sichuan Forest is estimated to comprise approximately 1,393 hectares of Cypress with approximately 982 hectares of tree plantations aged 40 years or older.

(c) Valuation of plantation forest assets

The Group's plantation forest assets are regarded as biological assets and are carried at 30 June 2014 at fair value less costs to sell, which were valued by Assent Partners Valuation Service Limited, independent professional valuers. In view of the non-availability of market value for tree plantations in the PRC, the net present value approach has been applied whereby projected future net cash flows, based on assessments of current timber log prices, were discounted at the pre-tax discount rate of 16.13% and 16.61% for the Yunnan Forest and Sichuan Forest respectively, to arrive at their fair value less costs to sell.

The principal valuation methodology and assumptions adopted are as follows:

Applicable to both the Yunnan Forest and Sichuan Forest

— The logging permit will be granted by the relevant government authorities.

— The forests are managed on a sustainable basis and sufficient logging quota will be continuously granted by the relevant government authorities.

— The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishment following harvest, or of land not yet planted.

— The cash flows do not take into account income tax and finance costs.

— The cash flows have been prepared in real terms and have not therefore included inflationary effects.

— The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forests is not taken into account.

— Costs have been derived from external sources and discussion with staff of the Group. The costs are current average costs. No allowance has been made for cost improvements in future operations.

— Prices have been derived from independent market information and not prices received by the Group.

— The discount rates used in the valuation of the plantation forest assets are determined on Capital Assets Pricing Model (CAPM) with reference to applicable risk-free rates and expected rates of return.

Applicable to the Yunnan Forest

— Cash flow projection is determined for a forecast period of 5 years up to 2019 with the first year of logging activities taken to be from January 2015. Management has assumed that the logging volume during the forecast period is 3,000 cubic meters in the first year , 5,000 cubic meters in the second year, 8,000 cubic meters in the third year, 9,950 cubic meters in the fourth year and 9,759 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2015 and onwards.

— The average increment in log sales prices is expected to be 6.66% per annum, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 2.99% per annum for the forecast period.

— The discount rate applied is 15.32%.

— The inflation rate on other operation costs is 2.99% per annum.

— The biological growth rates of pine and oak are 5.73% and 4.78% per annum respectively.

— The yielding rates for pine and oak are 55% and 52% respectively.

Applicable to the Sichuan Forest

— Cash flow projection is determined for a forecast period of 5 years up to 2018 with the first year of logging activities taken to be from August 2014. Management has assumed that the logging volume during the forecast period is 40,000 cubic meters in the first year, 50,000 cubic meters in the second year, 60,000 cubic meters in the third year, 60,000 cubic meters in the fourth year and 48,918 cubic meters in the last year based on the current best estimated harvesting plan. As at the date of approval of these condensed consolidated interim financial information, the Group has not obtained logging permits for the harvest of timber logs in the year of 2014 and onwards.

— The average increment in log sales prices is expected to be 6.66% per annum, which is in line with the long-term producer price index of forestry product. The increment in logging, transportation and maintenance and other costs relating to the logging activities and forestry management is 2.99% per annum for the forecast period.

— The discount rate applied is 15.11%.

— The inflation rate on other operation costs is 2.99% per annum.

— The biological growth rate of cypress is 5.43% per annum.

— The yielding rate for cypress is 66%.

The fair value less costs to sell of the plantation forest assets at 30 June 2014 and 31 December 2013 have been determined on Level 3 fair value measurement. There has been no change from the valuation technique used in prior periods. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment. During the six months ended 30 June 2014, approval of the logging permit for the Yunnan Forest and Sichuan Forest were not obtained by the Group. In the opinion of the Directors, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits to the PRC government.

Selling and Distribution Costs

The selling and distribution costs of the Group for the six months ended 30 June 2014 was approximately RMB0.2 million (For the six months ended 30 June 2013: nil). The increase in selling and distribution costs was mainly attributable to the increased amount of transportation costs incurred by the newly commenced biomass fuel business.

Administrative Expenses

The administrative expenses of the Group increased by approximately 198.6% from approximately RMB3.9 million for the six months ended 30 June 2013 to approximately RMB11.8 million for the six months ended 30 June 2014. The significant increase in administrative expenses was mainly attributable to the addition of staff and administrative costs associated with the forestry and biomass fuel business.

Finance Costs

During the period under review, the finance costs were related to the interests on (i) the issue of promissory notes ("**Note A**"), bearing 15% interest per annum, in the principal amount of HK$190 million issued by the Company on 8 January 2013 for cash; (ii) the promissory notes ("**Note B**"), bearing 3% interest per annum, in the principal amount of HK$144 million issued by the Company on 28 May 2013 as partial settlement of the consideration for the acquisition of the entire issued share capital of China Timbers; and (iii) the corporate bonds issued by the Group for cash during the six months ended 30 June 2014.

The finance costs of the Group increased by approximately 28.6% from approximately RMB17.5 million for the six months ended 30 June 2013 to approximately RMB22.5 million for the six months ended 30 June 2014. The increase in finance cost was mainly attributable to the additional interest incurred by Note A and Note B issued in the first half of 2013 and the corporate bonds issued during the six months ended 30 June 2014, while partly offset by the decrease in finance costs incurred by the zero coupon convertible bonds for the acquisition of the Rongxuan Forestry Investment Holdings Limited ("**Rongxuan**") and its subsidiaries (collectively referred to as "**Rongxuan Group**") on 11 July 2012, which has been entirely converted into 29,296,296 ordinary shares of the Company in July 2013.

Income Tax Expense

The income tax expense of the Group for the six months ended 30 June 2014 was approximately RMB0.3 million (For the six months ended 30 June 2013: nil), despite there was loss before tax. The income tax expense incurred for the six months ended 30 June 2014 was attributable to the PRC Enterprise Income Tax imposed on accumulated profits of the PRC subsidiaries.

Loss and Total Comprehensive Expense Attributable to Owners of the Company

Loss for the period under review from continuing operations and discontinued operations were approximately RMB22.1 million (For the six months ended 30 June 2013: profit of RMB20.4 million) and RMB5.2 million (For the six months ended 30 June 2013: RMB1.7 million), respectively.

As a result of the above changes, the Company has recorded a loss of approximately RMB27.4 million for the six months ended 30 June 2014, compared to a profit of approximately RMB18.7 million for the six months ended 30 June 2013. The total comprehensive expenses attributable to owners of the Company was approximately RMB29.1 million for the six months ended 30 June 2014, when comparing to a total comprehensive income of approximately RMB22.5 million for the six months ended 30 June 2013.

The profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2013 were mainly attributable to the gain on bargain purchase from acquisition of subsidiaries. Without taking the gain on bargain purchase from acquisition of subsidiaries into consideration, the Company experienced total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2013.

Basic and Diluted Loss Per Share

Basic loss per share from continuing operations for the six months ended 30 June 2014 amounted to approximately RMB0.053 (Basic and diluted earnings per share from continuing operations for the six months ended 30 June 2013: RMB0.055 and RMB0.054, respectively).

Basic loss per share for the six months ended 30 June 2014 amounted to approximately RMB0.065 (The basic and diluted earnings per share for the six months ended 30 June 2013: RMB0.051 and RMB0.050, respectively).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed a total of 80 employees as compared to 766 employees as at 31 December 2013, including the Directors. Total staff costs for continuing operations for the period under review, including Directors' remuneration, amounted to approximately RMB2.0 million (For the six months ended 30 June 2013: RMB0.4 million). Total staff costs for discontinued operations for the period under review, including Directors' remuneration amounted to approximately RMB7.3 million (For the six months ended 30 June 2013: RMB7.2 million). The Group's remuneration policy is in line with the prevailing market standards and is determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and bank borrowings. As at 30 June 2014, the Group had total assets of approximately RMB372.2 million and net assets of approximately RMB127.9 million. The Group's cash and bank balances as at 30 June 2014 amounted to approximately RMB39.8 million. As at 30 June 2014, there was no unutilised banking facilities (As at 31 December 2013: nil).

During the six months ended 30 June 2014, the Company entered into separate subscription agreements with twelve independent private investors pursuant to which these investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK$83,000,000 at par value, bearing interest rates of not more than 7% per annum and maturity dates ranging from seven to eight years from the date of issue.

On 8 May 2014, an aggregate of 74,000,000 placing shares of the Company were placed by Emperor Securities Limited to not less than six placees at the placing price of HK$1.30 per placing share under the general mandate. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$94.70 million.

On 30 June 2014, the disposal of Newshine International Limited and its subsidiaries was completed in accordance with the terms and conditions of the sale and purchase agreement dated 13 May 2014 entered into among the Company and Pu Xing Group Limited. The consideration of RMB34,012,000 (equivalent to approximately HK$42,294,000) was payable by Pu Xing Group Limited to the Company upon the completion of the disposal. As at the date of this announcement, the consideration from the said disposable has been fully settled.

During the period under review, approximately HK$47.6 million of Note A was redeemed at a cash consideration of approximately HK$47.6 million and HK$40.0 million of Note B was redeemed at a cash consideration of HK$40.0 million. Accordingly, the principal amount of approximately HK$142.4 million of Note A and HK$79.0 million of Note B remain outstanding as at 30 June 2014.

On 7 August 2014, an aggregate of 47,504,000 placing shares were placed by the KGI Asia Limited to not less than six placees at the placing price of HK$1.65 per placing share under the general mandate. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$77.5 million.

During the period from 1 July 2014 to the date of this announcement, approximately HK$49.2 million of Note A was redeemed at a cash consideration of approximately HK$49.2 million and approximately HK$44.5 million of Note B was redeemed at a cash consideration of HK$44.5 million. Accordingly, the principal amount of approximately HK$93.2 million of Note A and HK$34.5 million of Note B remain outstanding as at the date of this announcement. The Company also entered into a subscription agreement in August 2014 with an independent private investor pursuant to which, the investor has agreed to subscribe and the Company has agreed to issue the corporate bonds in the principal amount of HK$6.7 million at par value, bearing an interest rate of 6% per annum and with a maturity date of five years from the date of issue.

Taking into account the cash reserves and the proceeds from the placing completed on 7 August 2014, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and seek other opportunities in order to achieve its business objectives.

PLEDGE OF ASSETS

As at 30 June 2014, the Company has pledged its entire equity interest of all subsidiaries under Rongxuan and China Timbers to Maple Reach Limited ("**Maple Reach**") as security for the pledged notes issued to Maple Reach.

MATERIAL LITIGATION

As at 30 June 2014, the Group was not involved in any material litigation or arbitration (As at 31 December 2013: nil).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities (As at 31 December 2013: nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the six months ended 30 June 2014, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 65.7% as at 30 June 2014 (As at 31 December 2013: 74.8%).

The increase in the gearing ratio of the Group is primarily attributable to the issue of Note A, Note B and corporate bonds.

During the period under review, approximately HK$47.6 million of Note A was redeemed at a cash consideration of approximately HK$47.6 million and HK$40.0 million of Note B was redeemed at a cash consideration of HK$40.0 million. Accordingly, the principal amount of approximately HK$142.4 million of Note A and HK$79.0 million of Note B remain outstanding as at 30 June 2014.

During the period from 1 July 2014 to the date of this announcement, approximately HK$49.2 million of Note A was redeemed at a cash consideration of approximately HK$49.2 million and approximately HK$44.5 million of Note B was redeemed at a cash consideration of HK$44.5 million. Accordingly, the principal amount of approximately HK$93.2 million of Note A and HK$34.5 million of Note B remain outstanding as at the date of this announcement.

CAPITAL STRUCTURE

The capital of the Group comprises only ordinary shares. As at 30 June 2014, the total number of the ordinary shares of the Group in issue was 470,296,296 shares (As at 31 December 2013: 396,296,296 shares). The total equity attributable to the owners of the Company was approximately RMB127.9 million (As at 31 December 2013: approximately RMB81.7 million).

On 8 January 2013, the Company issued Note A with the principal amount of HK$190,000,000 to a third party, Maple Reach, for a cash consideration of HK$190,000,000. The Note A bears interest at 15% per annum, payable on a semi-annual basis, and is payable on the maturity date of two years after the date of issue with a redemption premium of HK$26,610,000 (the "**Redemption Premium**"). Under the terms of Note A, the Company was entitled to early redeem the note after six months from the issue date at the principal amount of the note plus the redemption premium as specified therein. Note A was secured by 186,850,000 shares of the Company owned by existing shareholders of the Company, the Company's entire equity interest of all subsidiaries under the Rongxuan Group and the Group's entire equity interest of all subsidiaries under the China Timbers Group upon completion of its acquisition by the Group.

On 18 January 2013, the Company entered into the warrant subscription agreements with seven independent subscribers, pursuant to such agreements the Company agreed to issue, and the seven subscribers agreed to subscribe for an aggregate of 22,000,000 unlisted warrants at the issue price of HK$0.01 per warrant. Pursuant to the warrant subscription agreements, the holders of the unlisted warrants will be entitled to subscribe for up to 22,000,000 new shares at the initial subscription price of HK$0.99 per share for a period of 3 years commencing from the date of the issuance of the warrants.

On 16 May 2013, the parties to Note A reached an agreement for the change in the terms of the note, under which the Company issued warrants convertible into 25,000,000 new shares of the Company at the total price of HK$26,610,000 to Maple Reach ("**Warrant A**"). Under the relevant agreements, the exercise price payable on the conversion of the warrants will be satisfied by applying the Redemption Premium of the Note A.

During the period under review, approximately HK$47.6 million of Note A was redeemed at a cash consideration of approximately HK$47.6 million and no part of the Warrant A was converted into shares of the Company. As at 30 June 2014, Note A with the principal amount of approximately HK$142.4 million (As at 31 December 2013: HK$190,000,000) and Warrant A convertible into 25,000,000 new shares of the Company (As at 31 December 2013: 25,000,000) remained outstanding.

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

During the period under review, the Company redeemed part of Note B with the principal amount of HK$40,000,000 at a cash consideration of HK$40,000,000. As at 30 June 2014, Note B with the principal amount of HK$79,000,000 (As at 31 December 2013: HK$119,000,000) remained outstanding.

During the six months ended 30 June 2014, the Company entered into separate subscription agreements with twelve independent private investors pursuant to which these investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK$83,000,000 at par value, bearing interest rates of not more than 7% per annum and maturity dates ranging from seven to eight years from the date of issue.

On 8 May 2014 and 7 August 2014, an aggregate of 74,000,000 and 47,504,000 placing shares of the Company were placed by Emperor Securities Limited and KGI Asia Limited at the placing price of HK$1.30 and HK$1.65 per placing share, respectively, under the general mandate. Accordingly, as at the date of this announcement, the total number of ordinary shares of the Group in issue was 517,800,296 shares.

During the period from 1 July 2014 to the date of this announcement, approximately HK$49.2 million of Note A was redeemed at a cash consideration of approximately HK$49.2 million and approximately HK$44.5 million of Note B was redeemed at a cash consideration of HK$44.5 million. Accordingly, the principal amount of approximately HK$93.2 million of Note A and HK$34.5 million of Note B remain outstanding as at the date of this announcement. The Company also entered into a subscription agreement in August 2014 with an independent private investor pursuant to which, the investor has agreed to subscribe and the Company has agreed to issue the corporate bonds in the principal amount of HK$6.7 million at par value, bearing an interest rate of 6% per annum and with a maturity date of five years from the date of issue.

CAPITAL COMMITMENT

Save as disclosed herein, as at 30 June 2014, the Group did not have any significant capital commitment (As at 31 December 2013: nil).

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL

On 13 May 2014, the Company and Pu Xing Group Limited ("**Pu Xing**") entered into the sale and purchase agreement, pursuant to which, the Company conditionally agreed to sell and Pu Xing conditionally agreed to purchase the entire issued share capital of Newshine at a consideration of cash. The disposal of Newshine was approved by the shareholders and completed on 30 June 2014 with a cash consideration of RMB34,012,000 (equivalent to approximately HK$42,294,000). Details of the disposal of Newshine was disclosed in the announcements of the Company dated 13 May 2014 and 4 June 2014 and the circular and the notice of the Company both dated 13 June 2014. As well as the poll results and completion of disposal announcements both dated 30 June 2014.

Save as disclosed above, there were no significant investments held, material acquisitions or disposals of subsidiaries for the six months ended 30 June 2014.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The biomass fuel base located in the Jiange County of Sichuan Province, with the designed capacity of 30,000 to 40,000 tons per year, successfully commenced operation at the beginning of 2014 and its operation was on track, with an annual production capacity of 30,000 tons. The Group expected to use such biomass fuel base as the Group's standard model in building new factories in regions and provinces such as North Guangdong, Beijing and Tianjin, Hebei and Jiangsu where there is serious problem of air pollution, so as to further expand the Group's biomass fuel business. It is expected that the designed annual production capacity of each new factory will be 30,000 tons and the Group targets to increase the number of factories to approximately 100 in the next three years. It is also expected that there will be five to six new factories commencing their operation in the second half of 2014. For further details, please refer to the announcements of the Company dated 17 January 2014 and 23 July 2014.

Save as disclosed above, the Group had no future plans for material investments or capital assets as at 30 June 2014.

PROSPECT AND OUTLOOK

For 2014, we expect to see modest growth in major economies. While the US economy continues its gradual recovery, the PRC economy is expected to slow down but in a managed manner. However, uncertainties still exist in the macro environment that could lead to unexpected market volatility and need to be monitored closely. The US economic recovery and the tapering of the quantitative easing programme will have important implications for the global markets.

In the first half of 2014, the Group continually reviewed its existing businesses and opportunities, both in terms of acquisitions and divestments, which may improve its profitability and overall financial position.

The Group had recorded a gross loss for the apparel business for the financial year ended 31 December 2013 and a segment loss for the apparel business for the financial years ended 31 December 2012 and 2013 due to the fluctuation of the price of raw materials, the rise of the statutory minimum wages in the PRC and fierce competition in the garment industry. The outlook for margins of the apparel business shows no clear potential for material improvement and this will limit the ability of the Group to invest for future growth and provide adequate returns to the Shareholders.

On 30 June 2014, the Company completed the disposal of Newshine. With the disposal of Newshine, the Company has positioned development of biomass fuel business and forestry management business as its core business segment of the Group. The biomass fuel business generated a negligible stream of profit for the six months ended 30 June 2014. Following the policies implemented by the PRC Government categorizing biomass fuel as clean energy and the rapid development of the biomass fuel business by the Group, the Board holds the view that the earnings derived from the biomass fuel business will grow tremendously in the near future and the profitability of the Group will improve accordingly.

The Group targets to increase the number of factories to approximately 100 in the next three years, and annual production capacity will be increased to approximately 3 million tonnes. It is expected that five to six new factories will be completed and commence their operation in the second half of 2014. It is expected that the designed annual production capacity of each new factory will be 30,000 tonnes.

Additionally, the Group intends to expand the biomass fuel business to moderately developed areas where there is no natural gas supply and within 200 kilometres from factories, by securing large-scale industrial park projects, constructing energy equipment and boilers for customers, providing energy supply technology and services, and sharing the reduction of energy costs with customers. It is expected that one or two such projects will be completed by the end of the year, which will complete the whole supply chain of the biomass fuel business of the Group and maximise profitability.

The Group will continue to increase its investment and research and development, and co-operate with forestry research universities in China to establish a biomass fuel academy in the PRC, which aims to research biomass materials liquefaction, specialisation and minimisation of biomass fuel's production facilities and upgrade of biomass boilers. At the same time, the Group will actively cooperate with enterprises which produce biomass fuels in the PRC to broaden the upstream supply sources and actively expand into the downstream market.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the six months ended 30 June 2014.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the disposal of Newshine as discussed in the section of "Significant investments held and material acquisitions and disposals", the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Having made specific enquiry with all the Directors, the Company confirmed that all the Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the six months ended 30 June 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted all the code provisions (the "**Code Provisions**") contained in the Corporate Governance Code (the "**CG Code**") as set out in the Appendix 14 to the Listing Rules as the Company's code on corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the six months ended 30 June 2014, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8 and A.4.1 as addressed below:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this announcement, the Company has not arranged to purchase any Directors and Officers' Liability Insurance, which covers in respect of legal action against the Directors, as the Directors take the view that the Company shall support Directors in any events arising from corporate activities;

2. Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, none of the non-executive Directors has been appointed for a specific term. Notwithstanding the aforesaid deviation, one-third of the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at each of the Company's annual general meeting and every Director shall be subject to retirement by rotation at least once in every three years in compliance with the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line with the underlying intentions of Code Provision A.4.1 of the CG Code.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the Code Provisions contained in the CG Code.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (For the six months ended 30 June 2013: nil).

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2014 and is of the opinion that the preparation of such results complied with the applicable accounting standards, rules and requirements, and that adequate disclosure has been made.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors for the six months ended 30 June 2014 and up to the date of this announcement are set out as below:

Name of Director	Details of changes
Mr. Zhou Xianyan	Appointed as a non-executive Director with effect 5 March 2014
Mr. Zhou Wei	Resigned as an independent non-executive Director with effect 16 April 2014
Mr. Liu Zhaoxiang	Appointed as an independent non-executive Director with effect 16 April 2014
Mr. Cai Shuiyong	Resigned as an executive Director with effect 4 July 2014

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinacaflc.com). The interim report of the Group for the six months ended 30 June 2014 containing all the relevant information required by the Listing Rules will be published on the aforesaid websites in September 2014.

By order of the Board
China Agroforestry Low-Carbon Holdings Limited
Lei Zuliang
Chairman

Shenzhen, the PRC, 29 August 2014

As at the date of this announcement, the executive Directors are Mr. Lei Zuliang and Mr. Long Weihua. The non-executive Directors are Professor Liu Zhikun and Mr. Zhou Xianyan. The independent non-executive Directors are Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang.