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 2014

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 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2014

		For the six months ended 30 September	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*6*	**3,747**	26,450
Cost of sales		**(2,722)**	(21,318)
Gross profit		**1,025**	5,132
Other income	*7*	**6**	12,467
Other net gain	*7*	**6,727**	2,876
Selling and distribution costs		**(107)**	(2,565)
Administrative expenses		**(26,524)**	(47,482)
Change in fair value of biological assets less costs to sell	*12*	**–**	(87,776)

* *For identification purpose only*

		For the six months ended 30 September	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Loss from operations		**(18,873)**	(117,348)
Finance income		**233**	–
Finance costs		**(691)**	(1,750)
Net finance costs	*8(a)*	**(458)**	(1,750)
Loss before taxation	*8*	**(19,331)**	(119,098)
Income tax	*9*	**–**	29,844
LOSS FOR THE PERIOD		**(19,331)**	(89,254)
Attributable to:			
Owners of the Company		**(19,332)**	(89,254)
Non–controlling interests		**1**	–
		(19,331)	(89,254)
Loss per share	*11*		
			(Restated)
– Basic		**(0.782) cents**	(5.047) cents
– Diluted		**(0.782) cents**	(5.047) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(19,331)**	(89,254)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statement of overseas subsidiaries	**19,796**	(18,994)
Other comprehensive income/(loss) for the period, net of tax	**465**	(18,994)
Total comprehensive income/(loss) for the period	**465**	(108,248)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**465**	(108,248)
Non–controlling interests	**–**	–
	465	(108,248)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	At 30 September 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
NON–CURRENT ASSETS			
Property, plant and equipment		**156,894**	157,769
Investment properties		**23,699**	23,699
Biological assets	*12*	**16,297**	17,538
		196,890	199,006
CURRENT ASSETS			
Inventories	*14*	**1,088**	3,741
Trade and other receivables	*15*	**35,523**	39,340
Cash and cash equivalents		**10,445**	8,965
		47,056	52,046
CURRENT LIABILITIES			
Trade and other payables	*16*	**54,537**	82,776
Loans and borrowings	*17*	**1,240**	5,310
Provision for taxation		**2,158**	2,158
Amount due to a non-controlling shareholder	*19*	**835**	1,235
Amout due to a shareholder	*20*	**–**	13,410
Promissory notes	*21*	**–**	6,782
		58,770	111,671
NET CURRENT LIABILITIES		**(11,714)**	(59,625)
TOTAL ASSETS LESS CURRENT LIABILITIES		**185,176**	139,381

	Notes	At 30 September 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
NON–CURRENT LIABILITIES			
Loans and borrowings	*17*	**22,975**	22,994
Financial liabilities	*22*	**3,536**	1,984
Deferred tax liabilities		**55,577**	55,605
		82,088	80,583
NET ASSETS		**103,088**	58,798
CAPITAL AND RESERVES			
Share capital		**46,408**	29,005
Reserves		**56,604**	29,718
Total equity attributable to the owners of the Company		**103,012**	58,723
Non–controlling interests		**76**	75
TOTAL EQUITY		**103,088**	58,798

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, investment and leasing in natural forests, and manufacturing and sale of timber products including but not limited to wooden door, furniture and wooden floor panels; leasing of properties; the business of licensed travel agent under the Travel Agents Ordinance (Chapter 218 of the Laws of Hong Kong) and money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

2. BASIS OF PREPARATION

The Group incurred a loss attributable to owners of the Company of approximately HK$19.3 million for the six months ended 30 September 2014 and had net current liabilities of approximately HK$11.7 million as at 30 September 2014.

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 including the open offer proposed by the Company subsequent to 30 September 2014 (note 25).

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 2014 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 2014.

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 a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2014. The details of the disclaimer of opinion are set out in the Company's annual report 2013/14.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared under the historical cost convention except that the biological assets, financial liabilities and investment properties 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 2014, 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 IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non–financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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.

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.

Travel and travel related business: sales of air tickets, hotel accommodation and other travel related products.

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

Money lending: money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong.

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 2014 (Unaudited)					
	Sustainable forest management *HK$'000*	Manufacturing and sale of timber products *HK$'000*	Travel and travel related business *HK$'000*	Leasing of properties *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
Revenue from external customers	–	2,795	637	315	–	3,747
Reportable segment revenue	–	2,795	637	315	–	3,747
Reportable segment (loss)/profit before taxation	(15,482)	(505)	77	(30)	–	(15,940)
Depreciation	148	138	9	78	–	373
Interest expenses	341	–	13	273	–	627
Interest income	2	–	–	–	–	2
Reportable segment assets	166,843	23,827	3,645	24,090	15,500	233,905
Reportable segment liabilities	(41,381)	(6,348)	(2,084)	(23,689)	–	(73,502)

	For the six months ended 30 September 2013 (Unaudited)					
	Sustainable forest management	**Manufacturing and sale of timber products**	**Travel and travel related business**	**Leasing of properties**	**Money lending**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	–	26,450	–	–	–	26,450
Reportable 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)	(1)	–	–	(474)
Interest expenses	(1,683)	–	(67)	–	–	(1,750)
Interest income	–	–	–	–	–	–

	As at 31 March 2014 (Audited)					
	Sustainable forest management	**Manufacturing and sale of timber products**	**Travel and travel related business**	**Leasing of properties**	**Money lending**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment assets	173,521	41,143	4,344	23,854	–	242,862
Additions to non–current segment assets	–	–	3,281	23,738	–	27,019
Reportable segment liabilities	(69,975)	(25,204)	(2,466)	(23,523)	–	(121,168)

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

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(i) Revenue		
Reportable segment revenue	**3,747**	26,450
Elimination of inter–segment revenue	**–**	–
Consolidated revenue	**3,747**	26,450

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(ii) Loss		
Reportable segment loss before taxation	**(15,940)**	(104,856)
Unallocated corporate income	**–**	14,540
Unallocated depreciation	**(1)**	(1)
Unallocated interest income	**231**	–
Unallocated interest expense	**(64)**	(67)
Unallocated corporate expenses	**(3,557)**	(28,714)
Loss before taxation	**(19,331)**	(119,098)

	At **30 September** **2014** ***HK$'000*** **(Unaudited)**	At 31 March 2014 *HK$'000* (Audited)
(iii) Assets		
Segment assets for reportable segments	**233,905**	242,862
Unallocated corporate assets	**10,041**	8,190
Total assets per condensed consolidated statement of financial position	**243,946**	251,052
Liabilities		
Segment liabilities for reportable segments	**73,502**	121,168
Unallocated:		
– Provision for taxation	**2,158**	2,158
– Deferred tax liabilities	**55,577**	55,605
– Corporate liabilities	**9,621**	13,323
Total liabilities per condensed consolidated statement of financial position	**140,858**	192,254

(iv) Other material items

	For the six months ended 30 September 2014 (Unaudited)					
	Sustainable forest management	Manufacturing and sale of timber products	Travel and travel related business	Leasing of properties	Money lending	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	**148**	**138**	**9**	**78**	**–**	**373**
Interest expenses	**341**	**–**	**13**	**273**	**–**	**627**
Interest income	**2**	**–**	**–**	**–**	**–**	**2**

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

(c) Revenue from major products and services:

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Manufacturing and sales of forestry and timber products	**2,795**	26,450
Travel and travel related business	**637**	–
Leasing of properties	**315**	–
	3,747	26,450

6. REVENUE

Revenue represents the invoiced value of goods sold (after allowances for returns and trade discounts) and revenue from manufacturing and sales of timber products; lease of premises to generate related income; and sales of air tickets, hotel accommodation and other travel related products.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Manufacturing and sales of forestry and timber products	**2,795**	26,450
Travel and travel related business	**637**	–
Leasing of properties	**315**	–
	3,747	26,450

7. OTHER INCOME AND OTHER NET GAIN

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Reversal of write down of inventories	**–**	12,375
Others	**6**	92
	6	12,467
Other net gain		
Waiver of interest on a loan from an independent third party	**4,046**	–
Net gain on disposal of a wholly-owned subsidiary	**4,233**	–
Change in fair value of financial liabilities (note 22)	**(1,552)**	14,540
Net exchange gain	**–**	(11,664)
	6,727	2,876

8. LOSS BEFORE TAXATION

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

		For the six months ended 30 September	
		2014	2013
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
(a)	**Net finance costs**		
	Finance income on financial assets not at fair value through profit or loss	**(233)**	–
	Finance costs:		
	Interest on bank and other borrowings wholly repayable within five years	**286**	1,009
	Interest on promissory notes	**64**	67
	Interest on amounts due to shareholders	**341**	668
	Interest on amounts due to related companies	**–**	6
	Total interest expenses on financial liabilities not at fair value through profit or loss	**691**	1,750
		458	1,750
(b)	**Staff costs (including Directors' remuneration)**		
	Salaries, wages and other benefits	**2,079**	10,526
	Pension scheme contributions	**151**	663
	Equity–settled share–based payment expenses	**–**	446
		2,230	11,635
(c)	**Other items**		
	Cost of inventories*	**2,721**	21,318
	Net exchange loss	**17,435**	–
	Reversal of write down of inventories	**–**	(12,375)
	Depreciation	**375**	474
	Minimum lease payments under operating leases for land and buildings (including Directors' quarters)	**234**	240
	Auditor's remuneration		
	– other services	**25**	587

* Cost of inventories sold includes depreciation of approximately HK$70,000 (2013: HK$6,000) and staff costs of HK$Nil (2013: HK$1,746,000), 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	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Deferred tax		
– Reversal of temporary differences	**–**	(29,844)
	–	(29,844)

No provision for profits tax has been made for the six months ended 30 September 2014 as the Group did not generate any assessable profits in Hong Kong. Hong Kong Profits Tax for the six months ended 30 September 2013 was calculated at 16.5% of the estimated assessable profits arising in Hong Kong. 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 2014 and 30 September 2013 respectively.

11. LOSS PER SHARE

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

	For the six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share		
– Loss attributable to the owners of the Company	**(19,331)**	(89,254)
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**2,472,035**	1,768,419

Diluted loss per share equals to the basic loss per share for the six months ended 30 September 2014 and 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.

Note: The weighted average number of ordinary shares held in the six months ended 30 September 2013, for the purpose of calculating basic and diluted loss per share, has been adjusted for the open offer, on the basis of one offer share for every ten existing shares held with bonus issue of five bonus shares for every share subscribed, which was completed during the six months ended 30 September 2014.

12. BIOLOGICAL ASSETS

	HK$'000
At 1 April 2013 (Audited)	344,172
Changes in fair value less costs to sell	(292,758)
Exchange movement	(33,876)
At 31 March 2014 (Audited)	17,538
Exchange movement	(1,241)
At 30 September 2014 (Unaudited)	16,297

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 2014 and 30 September 2014, 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. There was no significant change in fair value less cost to sell on biological assets during the six months ended 30 September 2014. For the year ended 31 March 2014, the Group recorded a decrease in fair value less cost to sell on biological assets of HK$292.8 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 8 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 8 years, which is the expected long term growth rate estimated by reference to the Consumer Price Index in USA.

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 2014.

(ii) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of logs. When possible the Group manages this risk by controlling its 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 2013 (Audited) and 31 March 2014 (Audited), at 1 April 2014 and 30 September 2014 (Unaudited)	1,686,883	77,353	1,764,236
Accumulated impairment losses			
At 1 April 2013 (Audited)	1,384,765	77,353	1,462,118
Impairment losses recognised during the year ended 31 March 2014	302,118	–	308,118
Accumulated impairment losses			
At 31 March 2014 (Audited), at 1 April 2014 and 30 September 2014 (Unaudited)	1,686,883	77,353	1,764,236
Carrying amount			
At 30 September 2014 (Unaudited)	–	–	–
At 31 March 2014 (Audited)	–	–	–

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 2014 and 31 March 2014 was attributable to the cash–generating unit that comprises the sustainable forest management segment.

For the year ended 31 March 2014, goodwill relating to sustainable forest management segment suffered an impairment loss of approximately HK$302,118,000 primarily as a result of the change in operation model for the year. The board of directors changed the operation model in Acre from own harvesting to leasing out of the forest in Brazil so as to enhance the income stream of the Group.

Up to the date of approval of financial statements for the year ended 31 March 2014, the change in operation model was not crystallized and no lease relating to the Group's forest in Brazil was entered into by the Group. The directors of the Company considered the economic value of the future income stream from leasing out the Group's forest could not be reasonably assessed. The Group had to preclude the economic value of the future income stream from leasing out of the Group's forest from measurement of the fair value of the CGU for prudence.

The Group engaged an independent professional valuer to perform the valuation for the fair value of the CGU. The original business plan regarding the operation was assumed to be changed. As the MOU lapsed before the date of the approval of the financial statement for the year ended 31 March 2014, the valuer could not validate the feasibility of leasing business. There was no reliable projection for the business and income approach of the valuation methodology of the business value could not be used.

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

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

(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 approximately HK$77.4 million was recorded.

14. INVENTORIES

	At 30 September 2014 *HK$'000* (Unaudited)	At 31 March 2014 *HK$'000* (Audited)
Sawn timber	**1,088**	1,308
Finished goods	**–**	2,433
	1,088	3,741

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 2014 *HK$'000* (Unaudited)	At 31 March 2014 *HK$'000* (Audited)
0 to 30 days	**15,577**	19,235
31 to 60 days	**–**	141
61 to 90 days	**–**	58
Over 90 days	**–**	3,113
Trade receivables, net	**15,577**	22,547
Other receivables	**19,573**	16,139
Prepayment and deposits	**373**	654
	35,523	39,340

16. TRADE AND OTHER PAYABLES

	Note	At 30 September 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
Trade payables	*(a)*	**34,099**	56,910
Other payables and accruals		**20,438**	25,866
		54,537	82,776

(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 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
0 to 30 days	**355**	17,402
31 to 60 days	**–**	10
61 to 90 days	**–**	4
Over 90 days	**33,744**	39,494
Total trade payables	**34,099**	56,910

17. LOANS AND BORROWINGS

	Notes	At 30 September 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
Secured interest–bearing loan		–	4,046
Secured bank loans	*(a)*	**13,029**	13,237
Unsecured interest-bearing loans from an independent third party	*(b)*	**11,186**	11,021
		24,215	28,304

The analysis of the carrying amount of loans and borrowings is as follows:

	At 30 September 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
Current liabilities		
Portion of secured interest–bearing loan from an independent third party	–	4,046
Portion of term loans from banks due for repayment within 1 year	**425**	420
Portion of term loans from banks due for repayment after 1 year which contain a repayment on demand clause	**815**	844
	1,240	5,310
Non–current liabilities		
Secured bank loans	**11,789**	11,973
Unsecured interest-bearing loans from an independent third party	**11,186**	11,021
	22,975	22,994
Total	**24,215**	28,304

At 31 March 2014, loans and borrowings were due for repayment as follows:

	At 30 September 2014	At 31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured bank loans		
Portion of term loans from banks due for repayment within 1 year	**425**	420
Term loans from banks due for repayment after 1 year:		
After 1 year but within 2 years	**433**	429
After 2 years but within 5 years	**1,500**	1,487
More than 5 years	**10,671**	10,901
	13,029	13,237
Other borrowings		
Portion of borrowings due for repayment within 1 year	–	4,046
Borrowings due for repayment after 1 year	–	–
After 2 years but within 5 years	**11,186**	11,021
	11,186	15,067
	24,215	28,304

The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

All of the banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it is probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. As at 30 September 2014, none of the covenants relating to drawn down facilities had been breached (31 March 2014: Nil).

All of the secured bank loans, including amounts repayable on demand, and unsecured interest-bearing loans from an independent third party are carried at amortised cost.

None of the portion of bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

(a) The Group's bank borrowings were secured by mortgage over the Group's property of approximately HK$3,209,000 (31 March 2014: HK$3,218,000 and investment properties of approximately HK$23,699,000 (31 March 2014: HK$23,699,000) in Hong Kong.

(b) The interest expenses charged on unsecured interest-bearing loans from an independent third party was calculated at 3% per annum. The outstanding balances are repayable in January 2017.

18. SEASONALITY OF OPERATIONS

The Group's forest operations in Brazil is located in the Amazon and is subject to weather conditions during the rainy season ranging roughly from December to April each year. Forest logging activities in the Amazon are substantially scaled down or stopped completely in some areas. Log prices usually increase during the rainy season due to diminished supplies. This affects many sawmill operators that have to stock up logs and tie up significant working capital, but benefits forest owners who can plan ahead to reserve stock pile prior to the start of the rainy season. The Group incorporates this seasonality in its forest management plan to avoid supply shortage as well as to take advantage of seasonal price differentials in logs.

19. AMOUNT DUE TO A NON–CONTROLLING SHAREHOLDER

The amount was unsecured, interest-free and had no fixed terms of repayment.

20. AMOUNT DUE TO A SHAREHOLDER

The amount as at 31 March 2014 was unsecured, bearing interest at 5% per annum and was fully settled during the six months ended 30 September 2014.

21. PROMISSORY NOTES

	At 30 September 2014 *HK$'000* **(Unaudited)**	At 31 March 2014 *HK$'000* (Audited)
At beginning of the period/year	**6,782**	6,648
Accrued effective interests	**64**	134
Repayment	**(6,846)**	–
	–	6,782

On 31 July 2009, the Company issued promissory notes in an aggregate principal amount of HK$232,000,000 as part of the consideration for the acquisition of Amplewell. The promissory notes bear interest at 2% per annum. The interest shall be repaid together with principal in one lump sum upon maturity on 31 January 2011. On 1 September 2010, the Company entered into a letter with the holder of the promissory notes to extend the maturity date of the promissory note to 31 July 2012. On 1 September 2011, further extension to 31 July 2013 was granted from the holder. The promissory notes may be assigned or transferred (in integral multiple of HK$1,000,000) to any third party (other than a connected person as defined in the Listing Rules) subject to the Listing Rules and the applicable laws. The Company may repay all or part of the principle amount and interest at any time prior to the maturity date (i.e. 31 July 2013) by giving the holder not less than seven days' prior written notice specifying the amount and date of repayment provided that the amount shall be at least HK$1,000,000. Otherwise, the payment of principal and interest payment of promissory notes shall be made in full upon the maturity date.

The fair value of the promissory note at the date of issuance was HK$191,911,000, which was determined by GCA. Valuations were made on the basis of effective interest method which is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate used in the calculation of the fair value is 15.74%.

The promissory notes are held by a substantial shareholder. On 23 September 2009, the Company made repayment of promissory notes with carrying amount of HK$84,529,000 at par value for HK$100,000,000. On 2 November 2009, the Company made another repayment of promissory notes with carrying amount of HK$90,188,000 at par value for HK$105,000,000. The excess of the repayment amount over the carrying amount of HK$30,283,000 for the year ended 31 March 2010 was accounted for as distribution to the shareholder.

On 12 April 2010, the Company made another repayment of promissory notes with carrying amount of HK$19,076,000 at par value of HK$20,822,000. The excess of the repayment amount over the carrying amount of HK$1,746,000 for the year ended 31 March 2011 was accounted for as distribution to the shareholder.

Given that the Company has the legal obligation to settle the full face value of the promissory notes for the aforesaid acquisition, the Directors considered that it is a transaction with shareholder in the capacity as owner. The excess shall be accounted for as a deemed capital distribution to the shareholder and charged to the contributed surplus account.

A full repayment of approximately HK$6.8 million was made during the period ended 30 September 2014.

22. FINANCIAL LIABILITIES

	At 30 September 2014 *HK$'000* (Unaudited)	At 31 March 2014 *HK$'000* (Audited)
At beginning of the period/year	**1,984**	–
Issue of warrants	**–**	23,337
Exercise of warrants	**–**	(1,075)
Change in fair value	**1,552**	(20,278)
	3,536	1,984

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 as at 30 September 2014 were carried out by Element Consultants Limited independently based on Black-Scholes Option Pricing Model. The valuations as at 31 March 2014 were carried out by GCA independently based on Black-Scholes Option Pricing Model and Merton's Model.

23. 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.

24. 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$1,291,000 (or approximately HK$4,439,000) 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$1,291,000 (or approximately HK$4,439,000) (31 March 2014: R$1,291,000 (or approximately HK$4,439,000) 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$1,354,000 (or approximately HK$4,655,000) 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$1,354,000 (or approximately HK$4,655,000). UTRB filed a legal appeal after consulting legal counsels. The Company will inform its shareholders in due course. For the sake of prudence, the claim of R$1,354,000 (or approximately HK$4,655,000) (31 March 2014: R$1,354,000 (or approximately HK$4,655,000) has been provided and included in other payables.

25. SUBSEQUENT EVENT

On 3 November 2014 and 28 November 2014, the Company issued a circular (the "**Circular**") and a prospectus (the "**Prospectus**"), respectively, pursuant to which the Company proposed the open offers to raise approximately HK$122.8 million. The open offers had not been completed as the date of this announcement. Details and effect of the open offers are set out in the Circular and the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group's revenue decreased from HK$26.5 million for the six months ended 30 September 2013 to HK$3.7 million for the six months ended 30 September 2014. The total revenue consisted primarily of sales of forestry and timber products. The Group's results improved from net loss of HK$89.3 million for the six months ended 30 September 2013 to net loss of HK$19.3 million for the six months ended 30 September 2014.

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 2014, Acre's operations remained suspended. On 5 June 2014, the board of directors changed the operation model in Acre from harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group. The Group will continue to actively identify potential leases relating to the forest in Brazil.

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

In February 2014, the Group completed the acquisition of 95% equity interest in Travel Inn Limited, which is a licensed travel agent under the Travel Agents Ordinance of Hong Kong and is principally engaged in the provision of travel packages, including but not limited to airline ticketing, hotel and accommodation bookings, cruise holidays and other transportation arrangements, to retail customers in Hong Kong. Despite the keen competition in the market, the sale performance of the Group's travel business from the retail customers has remained stable since the acquisition. The management is positive about the outlook of travel industry in Hong Kong and will put efforts and resources in maintaining the operation of the Group's travel business.

In addition, the Company acquired the entire equity interest in Good Magic Limited, an investment holding company which holds 3 residential properties (the "Properties") in Hong Kong. As at 30 September 2014, the Properties had been leased out to 3 different tenants who are third parties independent to the Group.

The acquisitions of Travel Inn Limited and Good Magic Limited enable the Group to diversify into the businesses of licensed travel agent under the Travel Agents Ordinance and property investment and broaden the income base of the Group.

In order to diversify the business portfolio and further broaden the income base of the Group, the Company, through its wholly-owned subsidiary, has commenced its money lending business pursuant to the Money Lenders Ordinance of the Laws of Hong Kong since late August 2014.

In September 2014, the Group has provided loans with the term of three months to two separate borrowers who are third parties independent of the Company and its connected persons. The principal amount of the aforesaid loans are HK$5.5 million and HK$10.0 million respectively, with respective interest rate of 12% and 11% per annum. In October 2014, the aforesaid loan with principal amount of HK$10.0 million has been fully settled by the borrower while a new loan with principal amount of HK$9.8 million at interest rate of 10.5% per annum has been lent to a borrower who is third party independent of the Company and its connected persons for a term of one year. The Company expects that the interest income to be generated from its money lending business will strengthen the Group's income base and therefore, the Company intends to continue to expand in this particular sector.

OUTLOOK

The Group will continue to devote its resources in the operation of travel agent business, property investment business and money leading business. At the same time, the Group will also continue to identify new business opportunities with the view to diversify its business portfolio and improve Shareholders' value. The Company will give priority to consider investment opportunity(ies) that can provide the Group with a stable revenue stream as and when suitable opportunities arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the Group had cash and cash equivalents amounted to HK$10.4 million (31 March 2014: HK$9.0 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 84.7% as at 31 March 2014 to 24.3% as at 30 September 2014.

As at 30 September 2014, the Group had HK$24.2 million (31 March 2014: HK$28.3 million) interest bearing borrowings from independent third parties of which HK$1.2 million (31 March 2014: HK$5.3 million) were repayable within one year and the remaining HK$23.0 million (31 March 2014: HK$23.0 million) were repayable after one year. As at 30 September 2014, the interest bearing borrowings of HK$24.2 million (31 March 2014: HK$28.3 million) from independent third parties consisted of HK$13.0 million (31 March 2014: HK$13.2 million) in bank loans and HK$11.2 million (31 March 2014: HK$15.0 million) in other borrowings. As at 30 September 2014, the Group had net current liabilities of HK$11.7 million (31 March 2014: net current liabilities of HK$59.6 million). In addition, interest bearing borrowing from a non-controlling holder amounted to HK$0.8 million as at 30 September 2014, and interest bearing borrowings from shareholders, non-controlling shareholder and related companies totaled HK$24.1 million as at 31 March 2014.

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

FUND RAISING EXERCISES

(a) As further detailed in the announcement of the Company dated 18 March 2013 and the prospectus of the Company dated 11 April 2013, the Company proposed an open offer (the "**March Open Offer**") to raise i) not less than approximately HK$63.06 million and not more than approximately HK$65.56 million before expenses by the issue of not less than 1,180,938,718 and not more than 1,227,737,503 new ordinary shares of the Company ("**March Offer Shares**") at a subscription price of HK$0.0534 per March Offer Share to qualifying ordinary shareholders on the basis of one March Offer Share for every six existing ordinary shares held on 10 April 2013 with bonus issue of ordinary warrants with exercise price of HK$0.0534 per ordinary share on the basis of one bonus share warrant for every March Offer Share subscribed; and ii) not more than approximately HK$2.16 million by the issue of not more than 215,525,161 new convertible preferred shares of the Company ("**March Offer CPS Shares**") at a subscription price of HK$0.0100125 per March Offer CPS Share to qualifying holders of convertible preferred shares on the basis of one March Offer CPS Share for every six existing convertible preferred shares held on 10 April 2013 with bonus issue of convertible preferred share warrants with exercise price of HK$0.0100125 per convertible preferred share on the basis of one bonus convertible preferred share warrant for every March Offer CPS Share subscribed. The Directors consider that the March Open Offer will strengthen the Company's capital base and enhance its financial position and believes that the Open Offer will provide the qualifying shareholders with an opportunity to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Company. The closing price of the share of the Company HK$0.059 per share on 18 March 2013. The net proceeds were intended to be used as to i) 20% for the general working capital of the Group; ii) 60% for partial repayment of the indebtedness of the Group; and iii) 20% for investments in new business.

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

    As at 30 September 2014, among the net proceeds of approximately HK$60.8 million (representing a net price of approximately HK$0.0497 per March Offer Share and approximately HK$0.0096 per March Offer CPS Share), approximately HK$44.0 million had been utlised for repayment of the indebtedness of the Group (the deviation from the intended use was due to the full repayment on 8 May 2013 of a loan that bore interest of 18% per annum. Due to the low interest rate environment in 2013, the Board considered that it is in the interest of the Company to apply available funding to fully settle such high interest-bearing loan), an aggregate of approximately HK$1.6 million had been utilised for acquisition of new businesses and approximately HK$15.2 million had been utlised for general working capital of the Group.

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

As further detailed in the announcement of the Company dated 12 May 2014, the February Open Offer became unconditional and 139,179,601 February Offer Shares with 695,898,005 bonus shares, 150,867,613 February Offer CPS Shares with 754,338,065 bonus convertible preferred shares were issued on 13 May 2014. Up to the date of this announcement, among the net proceeds of approximately HK$42.6 million (representing a net price of approximately HK$0.296 per February Offer Share and approximately HK$0.0093 per February Offer CPS Share), i) approximately HK$16.5 million had been utlised for repayment of the indebtedness of the Group; ii) approximately HK$15.5 million had been utilised for investment in new business; iii) approximately HK$3.2 million had been utilised for general working capital of the Group; and iv) the rest of the net proceeds of approximately HK$7.4 million had been placed in bank deposits and are intended to be utilised as the general working capital of the Group.

CONTINGENT LIABILITIES AND LITIGATIONS

The Group's contingent liabilities and litigations at 30 September 2014 are disclosed in Notes 23 and 24 to this announcement.

FOREIGN EXCHANGE RISK

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

During the six months ended 30 September 2014, revenue from operations was denominated mainly in Renminbi while its costs and expenses were primarily in Renminbi, Hong Kong dollars and Brazilian Reais where the Group's operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged.

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

The Group did not enter into any arrangements 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 2014, the Group has approximately 22 employees (31 March 2014: 24) 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$2.2 million (30 September 2013: HK$11.6 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 Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: 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 2014.

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 2014.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2014, 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.

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 2014, 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 2014. 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 2014.

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 2014 interim report for the six months ended 30 September 2014 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, 28 November 2014

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