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 2016

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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

		For the six months ended 30 September	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Continuing operations			
REVENUE	*6*	**4,547**	6,093
Cost of sales		**(65)**	(731)
Change in fair value of investment properties		**292**	1,855
Other income	*7*	**20**	102
Other net (loss)/gain	*7*	**20,992**	(32,866)
Administrative expenses		**(4,830)**	(4,489)

* *For identification purpose only*

	Notes	For the six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
PROFIT/(LOSS) FROM OPERATIONS		**20,956**	(30,036)
Finance income		**96**	105
Finance costs		**(263)**	(481)
Net finance costs	*8(a)*	**(167)**	(376)
PROFIT/(LOSS) BEFORE TAXATION	*8*	**20,789**	(30,412)
Income tax	*9*	**–**	–
Profit/(loss) for the period from continuing operations		**20,789**	(30,412)
Discontinued operations			
Profit/(loss) for the period from discontinued operations		**(214)**	5
PROFIT/(LOSS) FOR THE PERIOD		**20,575**	(30,407)
ATTRIBUTABLE TO:			
Owners of the Company		**20,575**	(30,407)
Non-controlling interests		**–**	–
		20,575	(30,407)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY ARISES FROM:			
Continuing operations		**20,789**	(30,412)
Discontinued operations		**(214)**	5
		20,575	(30,407)
Earning/(loss) per share	*11*		
From continuing and discontinued operations			
– Basic		**0.231 cents**	(0.341) cents
– Diluted		**0.226 cents**	(0.341) cents
From continuing operations			
– Basic		**0.233 cents**	(0.341) cents
– Diluted		**0.229 cents**	(0.341) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**20,575**	(30,407)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statement of overseas subsidiaries	**(2,191)**	6,651
Other comprehensive income/(loss) for the period, net of tax	**(2,191)**	6,651
Total comprehensive income/(loss) for the period	**18,384**	(23,756)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**18,384**	(23,756)
Non-controlling interests	**–**	–
	18,384	(23,756)
Total comprehensive income/(loss) attributable to owners of the Company arises from:		
Continuing operations	**18,598**	(23,761)
Discontinued operations	**(214)**	5
	18,384	(23,756)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**85,527**	86,578
Intangible assets		**94**	94
Investment properties		**24,994**	24,702
Biological assets	*12*	**–**	–
		110,615	111,374
CURRENT ASSETS			
Inventories	*14*	**–**	73
Loan receivables	*15*	**58,421**	82,338
Trade and other receivables	*16*	**2,536**	4,339
Cash and cash equivalents		**84,191**	59,258
		145,148	146,008
Assets of disposal group classified as held for sale		**–**	3,697
		145,148	149,705
CURRENT LIABILITIES			
Trade and other payables	*17*	**38,152**	40,749
Loans and borrowings	*18*	**16,136**	16,042
Provision for taxation		**852**	2,145
		55,140	58,936
Liabilities of disposal group classified as held for sale		**–**	1,956
		55,140	60,892
NET CURRENT ASSETS		**90,008**	88,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**200,623**	200,187

	Notes	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Loans and borrowings	*18*	**7,184**	7,302
Financial liabilities	*20*	**34,270**	52,029
Deferred tax liabilities		**29,046**	29,025
		70,500	88,356
NET ASSETS		**130,123**	111,831
CAPITAL AND RESERVES			
Share capital		**185,657**	185,656
Reserves		**(55,520)**	(73,912)
Total equity attributable to the owners of the Company		**130,137**	111,744
Non-controlling interests		**(14)**	87
TOTAL EQUITY		**130,123**	111,831

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 condensed consolidated financial statements for the six months ended 30 September 2016 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 2016.

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 2016. The details of the disclaimer of opinion are set out in the Company's annual report 2015/16.

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 2016, except as described below.

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

IFRSs (amendment)	Annual improvements to IFRSs 2012-2014 cycle
IFRS 10, IFRS 12 and IAS 28 (2011) (amendment)	Investment entities: applying the consolidation exception
IFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
IAS 1 (amendment)	Disclosure initiative
IAS 16 and IAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortization
IAS 16 and IAS 41 (amendment)	Agriculture: Bearer plants
IAS 27 (2011) (amendment)	Equity method in separate financial statements

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 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.

Continuing Operations

Sustainable forest management: sustainable management of and investment and leasing 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.

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.

Discontinued Operations

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

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.

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

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

(a) Segment results, assets and liabilities

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

	For the six months ended 30 September 2016 (Unaudited)					
	Continuing Operations				Discontinued Operations	
	Sustainable forest management	Manufacturing and sale of timber products	Leasing of properties	Money lending	Travel and travel related business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	1,033	69	257	3,188	56	4,603
Reportable segment revenue	1,033	69	257	3,188	56	4,603
Reportable segment profit/(loss) before taxation	221	(228)	182	2,589	(214)	2,550
Depreciation	15	100	10	–	–	125
Interest expenses	–	–	263	–	–	263
Interest income	20	–	–	9	–	29
Reportable segment assets	87,697	–	25,213	106,488	–	219,398
Reportable segment liabilities	(35,718)	–	(23,895)	(53)	–	(59,666)

For the six months ended 30 September 2015 (Unaudited)

	Continuing Operations				Discontinued Operations	
	Sustainable forest management	Manufacturing and sale of timber products	Leasing of properties	Money lending	Travel and travel related business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	–	1,060	248	4,785	577	6,670
Reportable segment revenue	–	1,060	248	4,785	577	6,670
Reportable segment (loss)/profit before taxation	(1,043)	(17,189)	1,670	4,266	5	(12,291)
Depreciation	–	138	6	–	96	240
Interest expenses	206	–	276	–	12	494
Interest income	1	–	–	4	–	5
Reportable segment assets	107,942	5,492	26,902	100,901	3,785	245,022
Reportable segment liabilities	(28,520)	(9,070)	(23,981)	(53)	(2,415)	(64,039)

As at 31 March 2016 (Audited)

	Continuing Operations				**Discontinued Operations**	
	Sustainable forest management	**Manufacturing and sale of timber products**	**Leasing of properties**	**Money lending**	**Travel and travel related business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment assets	**87,138**	**3,076**	**24,867**	**103,898**	**3,697**	**222,676**
Additions to non-current segment assets	**–**	**–**	**37**	**–**	**11**	**48**
Reportable segment liabilities	**(32,133)**	**(6,927)**	**(23,674)**	**(53)**	**(1,956)**	**(64,743)**

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

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(i) Revenue		
Reportable segment revenue (continuing operations)	**4,547**	6,093
Elimination of inter-segment revenue	**–**	–
Consolidated revenue (continuing operations)	**4,547**	6,093

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(ii) Profit/(loss)		
Reportable segment profit/(loss) before taxation (continuing operations)	**2,764**	(12,296)
Unallocated corporate income	**21,011**	23
Unallocated depreciation	**–**	–
Unallocated interest income	**78**	100
Unallocated interest expense	**–**	–
Unallocated corporate expenses	**(3,064)**	(18,239)
Profit/(loss) before taxation (continuing operations)	**20,789**	(30,412)

	At 30 September 2016 *HK$'000* (Unaudited)	At 31 March 2016 *HK$'000* (Audited)
(iii) Assets		
Segment assets for reportable segments from continuing operations	**219,398**	218,979
Segment assets for reportable segment from discontinued operations	**–**	3,697
Reportable segment assets	**219,398**	222,676
Unallocated:		
– Unallocated cash and cash equivalents	**35,819**	37,542
– Other unallocated corporate assets	**546**	861
Total assets per condensed consolidated statement of financial position	**255,763**	261,079
Liabilities		
Segment liabilities for reportable segments from continuing operations	**59,666**	62,787
Segment liabilities for reportable segment from discontinued operations	**–**	1,956
Reportable segment liabilities	**59,666**	64,743
Unallocated:		
– Financial liabilities	**34,270**	52,029
– Provision for taxation	**29,046**	–
– Deferred tax liabilities	**–**	29,025
– Other unallocated corporate liabilities	**2,658**	3,451
Total liabilities per condensed consolidated statement of financial position	**125,640**	149,248

(iv) Other material items

	For the six months ended 30 September 2016 (Unaudited)					
	Continuing Operations				**Discontinued Operations**	
	Sustainable forest management	**Manufacturing and sale of timber products**	**Leasing of properties**	**Money lending**	**Travel and travel related business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation	**15**	**100**	**10**	**–**	**–**	**125**
Interest expenses	**–**	**–**	**263**	**–**	**–**	**263**
Interest income	**20**	**–**	**–**	**9**	**–**	**29**

	For the six months ended 30 September 2015 (Unaudited)					
	Continuing Operations				Discontinued Operations	
	Sustainable forest management	Manufacturing and sale of timber products	Leasing of properties	Money lending	Travel and travel related business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	–	138	6	–	96	240
Interest expenses	206	–	276	–	12	494
Interest income	1	–	–	4	–	5

(c) Revenue from major products and services:

	Continuing Operations For the six months ended 30 September		Discontinued Operations For the six months ended 30 September		Consolidated For the six months ended 30 September	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest income from money lending business	**3,188**	4,785	**–**	–	**3,188**	4,785
Manufacturing and sales of forestry and timber products	**69**	1,060	**–**	–	**69**	1,060
Travel and travel related business	**–**	–	**56**	577	**56**	577
Leasing of properties	**257**	248	**–**	–	**257**	248
Licensing of harvesting rights	**1,033**	–	**–**	–	**1,033**	–
	4,547	6,093	**56**	577	**4,603**	6,670

6. REVENUE

Revenue from continuing operations represents the invoiced value of goods sold (after allowances for returns and trade discounts) and revenue from licensing of harvesting rights; manufacturing and sales of timber products; lease of premises to generate related income; and interest income from financial assets.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
<u>**Continuing Operations**</u>		
Interest income from money lending business	**3,188**	4,785
Manufacturing and sales of forestry and timber products	**69**	1,060
Leasing of properties	**257**	248
Licensing of harvesting rights	**1,033**	–
	4,547	6,093

7. OTHER INCOME AND OTHER NET GAIN

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
<u>**Continuing Operations**</u>		
Other income		
Net exchange gain	**18**	24
Others	**2**	78
	20	102
Other net gain/(loss)		
Net gain on disposals of subsidiaries	**3,233**	–
Impairment of other receivables	**–**	(17,191)
Change in fair value of financial liabilities *(note 20)*	**17,759**	(15,675)
	20,992	(32,866)

8. PROFIT/(LOSS) BEFORE TAXATION

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

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
<u>**Continuing Operations**</u>		
(a) Net finance costs		
Interest income from bank deposits	**(96)**	(105)
Finance income on financial assets not at fair value through profit or loss	**(96)**	(105)
Finance costs:		
Interest on bank and other borrowings wholly repayable within five years	**263**	481
Total interest expenses on financial liabilities not at fair value through profit or loss	**263**	481
	167	376
(b) Staff costs (including Directors' remuneration)		
Salaries, wages and other benefits	**2,182**	2,380
Pension scheme contributions	**174**	132
	2,356	2,512
(c) Other items		
Cost of inventories	**65**	731
Depreciation	**125**	240
Minimum lease payments under operating leases for land and buildings	**275**	261
Auditor's remuneration		
– other services	**–**	41

9. INCOME TAX

No provision for profits tax has been made for the six months ended 30 September 2016 and 2015 as the Group did not generate any assessable profits in Hong Kong during those periods. 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 2016 and 30 September 2015 respectively.

11. EARNING/(LOSS) PER SHARE

(a) For continuing and discontinuing operations

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

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of basic and diluted earning/(loss) per share	**20,575**	(30,407)

Diluted loss per share equals to the basic loss per share for the six months ended 30 September 2015 because the outstanding convertible preferred shares, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

(b) For continuing operations

The calculation of basic and diluted earning/(loss) per share from continuing operations is based on the profit/(loss) attributable to the owners of the Company as follow and the reconciliation of the weighted average number of shares as shown in Note (d):

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of basic and diluted earning/(loss) per share	**20,789**	(30,412)

Diluted loss per share equals to the basic loss per share for the six months ended 30 September 2015 because the outstanding convertible preferred shares, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

(c) For discontinuing operations

Basic earning/(loss) per share

Basic loss per share for the discontinuing operations is HK$0.002 cent (2015: earning per share of HK$0.00006 cent) per share which is based on the loss from the discontinuing operations of HK$214,000 (2015: profit of HK$5,000) and the denominators used as shown in Note (d).

Diluted loss per share equals to the basic loss per share for the six months ended 30 September 2016 because the outstanding convertible preferred shares, share options, warrants and other potential ordinary shares in issue had an anti-dilutive effect on the basic loss per share.

(d) Weighted average number of shares

	For the six months ended 30 September	
	2016	2015
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earning/(loss) per share	**8,910,177**	8,909,206

	For the six months ended 30 September 2016
	'000
Weighted average number of ordinary shares for the purpose of basic earning per share	**8,910,177**
Effect of dilutive potential ordinary shares arising from warrants	**142,208**
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	**28,288**
Effect of dilutive potential ordinary shares arising from shares options	**10,840**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**9,091,513**

12. BIOLOGICAL ASSETS

	HK$'000
At 1 April 2015 (Audited), at 31 March 2016 (Audited), at 1 April 2016 (Unaudited) and at 30 September 2016 (Unaudited)	–

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 2016 and 30 September 2016, 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.

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

As at 31 March 2016, the fair value of the biological assets was zero and there were no revaluation gain or loss on biological assets for the current period.

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.

During the valuation process, Greater China Appraisal Limited ("**GCA**") referenced to a technical report on estimation of quality and quantity of commercial and potentially commercial wood species and residues resulting from the forest exploitation issued by CAAP FORESTAL ("**CAAP**"). CAAP performs only once diagnostic sampling for the whole farm area under current State regulation. 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/.

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

The following are the major assumptions used in the valuation:

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

- a post tax discount rate of 16.61% based on the data and factors relevant to the economy of Brazil, the industry of forest business and the harvestable resources in the Brazil Forest, and the weighted average cost of capital.

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

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

- Forest Stewardship Council (the "**FSC**") certification demonstrates fulfillment of social and ecological criteria, while increasing the prices achievable for timber products. As the Directors changed the operation model, the Group will not obtain the FSC certification in 2015 and 2016, and the Group cannot enjoy a price premium of 15%.

For the year ended 31 March 2016, the harvesting operation in the Brazil Forest remained suspended. As the business environment continued to be difficult for the Group in Brazil, the Board changed the operation model in the Brazil Forest from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group in 2016. The valuer considered that the valuation for the biological assets should be prepared from the perspective of market participants and the valuer cannot validate the feasibility of leasing of the forest which might have been affected by the Group's own business strategy, and accordingly, disregarded the leasing of the Brazil Forest in conducting the valuation for the biological assets.

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 2016.

(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)* *HK$'000*
Cost	
At 1 April 2015 (Audited) and 31 March 2016 (Audited), at 1 April 2016 (Unaudited) and 30 September 2016 (Unaudited)	1,686,883
Accumulated impairment losses	
At 1 April 2015 (Audited) and 31 March 2016 (Audited), at 1 April 2016 (Unaudited) and 30 September 2016 (Unaudited)	1,686,883
Carrying amount	
At 30 September 2016 (Unaudited)	–
At 31 March 2016 (Audited)	–

Note:

Sustainable forest management

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

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

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

No lease relating to the Group's forest in Brazil had been entered into by the Group. The Board considered the economic value of the future income stream from leasing out the Group's forest cannot be reasonably assessed at the date of approval of financial statements 2014. 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 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.

14. INVENTORIES

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Finished goods	–	73

15. LOAN RECEIVABLES

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Loans to customers	57,000	82,000
Accrued interest receivables	1,421	338
	58,421	82,338

All loans are denominated in Hong Kong Dollars. The loan receivables carry effective interests ranging approximately from 6.65% to 10.5% per annum (Year ended 31 March 2015: 6.65% to 10.5% per annum).

16. 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 2016 *HK$'000* **(Unaudited)**	At 31 March 2016 *HK$'000* (Audited)
Over 90 days	**–**	448
Trade receivables, net	**–**	448
Other receivables	**2,003**	3,011
Prepayment and deposits	**533**	880
	2,536	4,339

17. TRADE AND OTHER PAYABLES

	Note	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Trade payables	*(a)*	**24,976**	24,003
Other payables and accruals		**13,176**	16,746
		38,152	40,749

(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 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
0 to 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
Over 90 days	**24,976**	24,003
Total trade payables	**24,976**	24,003

18. LOANS AND BORROWINGS

	Notes	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Secured bank loans	*(a)*	**11,414**	11,601
Unsecured interest-bearing loans from an independent third party	*(b)*	**11,906**	11,743
		23,320	23,344

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

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Current liabilities		
Portion of term loans from banks due for repayment within 1 year	**232**	230
Portion of term loans from banks due for repayment after 1 year which contain a repayment on demand clause	**3,998**	4,069
Unsecured interest-bearing loans from an independent third party	**11,906**	11,743
	16,136	16,042
Non-current liabilities		
Secured bank loans	**7,184**	7,302
	7,184	7,302
Total	**23,320**	23,344

The loans and borrowings were due for repayment as follows:

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
Secured bank loans		
Portion of term loans from banks due for repayment within 1 year	**380**	377
Term loans from banks due for repayment after 1 year:		
After 1 year but within 2 years	**386**	383
After 2 years but within 5 years	**1,123**	1,189
More than 5 years	**9,525**	9,652
	11,034	11,224
	11,414	11,601
Other borrowings		
Borrowings due for repayment after 1 year but within 2 years	**11,906**	11,743
	23,320	23,344

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 2016, none of the covenants relating to drawn down facilities had been breached (31 March 2016: 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$Nil (31 March 2016: HK$2,882,000) and investment properties of approximately HK$24,994,000 (31 March 2016: HK$24,702,000) 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 on 15 January 2017.

19. 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.

20. FINANCIAL LIABILITIES

	At 30 September 2016 HK$'000 (Unaudited)	At 31 March 2016 HK$'000 (Audited)
At beginning of the period/year	**52,029**	40,595
Exercise of warrants	**–**	(153)
Change in fair value	**(17,759)**	11,587
	34,270	52,029

The warrants, classified as derivative financial liabilities as not settled by a fixed amount of cash for fixed number of the Company's own equity instruments, were measured at fair value at the end of the reporting period. The valuation was carried out by independent valuer based on Black Scholes Option Pricing Model. The warrants will expire on 6 May 2018.

21. 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 in-house and external legal counsels, UTRB has adequate legal ground to terminate the Agreement, demand for the return of the deposit and ask for penalties.

22. 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$2,132,000). After signing the agreement, Terraplanagem did not provide any earthwork service and UTRB had to hire another company to complete the earthworks. However, in the land search of the freehold land of UTRB, it revealed that Terraplanagem submitted a claim to a court against UTRB to pay for alleged outstanding service fee of approximately R$1,291,000 (or approximately HK$3,084,000) and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold land with carrying value of approximately R$10,019,000 (or approximately HK$21,248,000). Such injunction was awarded by the court during the year ended 31 March 2015. The first witness hearing was held in May 2016. Up to the date of this announcement, UTRB is awaiting the court to determine the time frame for the parties to present their closing arguments. UTRB will investigate the issue and defend itself vigorously in coming legal proceeding. The Company will inform its shareholders in due course. The claims of approximately BRL1,291,000 (or approximately HK$2,761,000) has been included in other payables.

During the financial year ended 31 March 2014, the Company revealed that a labour claim against UTRB for US$600,000 was filed by Leandro Dos Martires Guerra ("**Leandro**"), a former director of the Company. At the moment UTRB did not receive any writ from the court in due course. The court made an order to UTRB for paying Leandro the claim of US$600,000. UTRB filed a legal appeal to the Northern Region Labour High Court after consulting legal counsels. During the year ended 31 March 2015, the Northern Region Labour High Court had given a favorable ruling on UTRB's appeal, determining the annulment of Leandro's claim due to irregularities in the writ of summons served to UTRB. As a result, the case has returned to its original court so the claimant could properly serve the writ of summons to UTRB which has happened. In March 2015, UTRB has presented its defense and a witness' hearing was held in October 2015 and on 17 November 2015, the Monocratic labour court has decided on the case in favour of UTRB dismissing all of Leandro's claim. The Court has awarded, however, Leandro approximately R$60,000 (approximately HK$128,000) regarding an undue reduction made in Leandro's termination fees. In or about late November 2015, Leandro had petitioned to the court raising questions about certain topics in the said decision and requesting the court to clarify such points. As a consequence of that, Leandro filled an appeal seeking the reform of the Original Labor's Court decision. In August 2016 UTRB filed its response to Leandro's Appeal. In addition to respond to Leandro's appeal, UTRB has also filed an appeal against the Original Court decision. UTRB's appeal has limited scope to contest solely the topic of the BRL60,000.00 that the Court has awarded to Leandro contained in the aforesaid decision. Up to the date of this announcement, the company is awaiting the Regional Labour High Court to decide on the appeals. The Company will inform its shareholders in due course. The claim of US$600,000 (or approximately HK$4,652,000 or approximately BRL2,175,000) has been included in other payables.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group's revenue from continuing operations decreased from HK$6.1 million for the six months ended 30 September 2015 to HK$4.5 million for the six months ended 30 September 2016. The total revenue for the six months ended 30 September 2016 and 2015 consisted primarily of the interest income from money lending business. During the six months ended 30 September 2016, as benefited from the change in fair value of the Group's financial liabilities and the disposals of certain subsidiaries, the Group recorded a net profit of HK$20.6 million (2015: net loss of HK$30.4 million).

BUSINESS REVIEW

China

In August 2016, the Group disposed of its entire 100% equity interests of Originate Tech Global Investments Limited and its subsidiaries, which was engaged in the manufacturing and sale of timber products in Mainland China. The Group will continue to engage in the business of trading of timber products in Asia in the foreseeable future.

Brazil

Business environment continued to be difficult for the Group in Brazil. On 27 March 2012, the Board decided to suspend harvesting operations in the State of Acre, Brazil for one year and until the operating environment for its Brazilian subsidiary improves. For the financial year ended 31 March 2016, Acre's operations remained suspended. On 5 June 2014, the Board changed the operation model in the State of Acre, Brazil from own harvesting to leasing out the forest in Brazil so as to enhance the income stream of the Group. In mid-March 2016, the Group, through its wholly owned subsidiary, UTRB, entered into a licence agreement with LaminadosTriunfoLtda ("**LT**"). LT is the largest harvesting company established in Acre State and it owns processing timber, plywood and sawmill facilities. Pursuant to the terms of the agreement, LT licenced the rights of harvesting 3,000 hectares during the 2016 harvesting season. The agreement will generate BRL 1 million in revenue for UTRB, which will be payable in a 9 months installment.

In late April 2016, UTRB entered into another licence agreement with Amazon Wood Industrial Madeireira Ltda ("**AW**"). AW is a reputable company and a regional player in the State of Acre, Brazil. Pursuant to the terms of the agreement, AW licenced the rights of harvesting the remaining 1,000 hectares during the 2016 harvesting season. The agreement will generate BRL 380,000 in revenue for UTRB, which will be payable in a 9 months installment. Under this agreement, AW will also acquire the existing log stock. The Group will continue to actively identify potential leases relating to the forest in Brazil.

Hong Kong

In view of the unsatisfactory operating environment of the travel and travel related business, the Directors do not envisage the business will contribute meaningfully to the Group in the future, and therefore, the Group entered into a conditional sale and purchase agreement on 23 March 2016 to dispose its entire 95% equity interest in Travel Inn Limited to an independent third party at a cash consideration of HK$1,800,000. The disposal was completed on 28 April 2016. The Directors consider that the disposal would allow the Group to divest part of its investment portfolio so as to apply the proceeds for the purpose of exploring other business opportunities. The Group will review its business portfolio and investment strategy from time to time and take appropriate action to enhance the financial performance and position of the Group.

OUTLOOK

Uncertain market conditions and poor demand for timber products continued to affect the Group's near term outlook. The Group will continue to identify new business opportunities with the view to diversifying its business portfolio and improving Shareholders' value. The Company will give priority to consider any new 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 2016, the Group had cash and cash equivalents amounted to HK$84.2 million (31 March 2016: HK$59.3 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 20.9% as at 31 March 2016 to 17.9% as at 30 September 2016.

As at 30 September 2016, the Group had HK$23.3 million (31 March 2016: HK$23.3 million) interest bearing borrowings from independent third parties of which HK$16.1 million (31 March 2016: HK$16.0 million) were repayable within one year and the remaining HK$7.2 million (31 March 2016: HK$7.3 million) were repayable after one year. As at 30 September 2016, the interest bearing borrowings of HK$23.3 million (31 March 2016: HK$23.3 million) from independent third parties consisted of HK$11.4 million (31 March 2016: HK$11.6 million) in bank loans and HK$11.9 million (31 March 2016: HK$11.7 million) in other borrowings. As at 30 September 2016, the Group had net current assets of HK$90.0 million (31 March 2016: HK$88.8 million).

CONTINGENT LIABILITIES AND LITIGATIONS

The Group's contingent liabilities and litigations at 30 September 2016 are disclosed in Notes 21 and 22 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 2016, revenue from operations was denominated mainly in Hong Kong dollars 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 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 2016, the Group has approximately 12 employees (31 March 2016: 15) mainly in Hong Kong and Brazil. The total remuneration paid by the Group to its employees (including Directors) for the period was approximately HK$2.4 million (30 September 2015: HK$2.5 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 2016 (2015: 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 2016.

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 2016.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2016, 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, Mr. YEUNG Sau Chung 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 2016, 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 2016. 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 2016.

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 2016 interim report for the six months ended 30 September 2016 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
YEUNG Sau Chung
Chairman

Hong Kong, 28 November 2016

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