中國農林低碳控股有限公司

China Agroforestry Low-Carbon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(stock code: 01069)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations for the financial year ended 31 December 2017 amounted to approximately Renminbi ("**RMB**") 85.6 million (2016: RMB17.8 million), representing an increase of approximately 381% as compared with corresponding period in 2016.

- Segment revenue from the container house business, forestry business and money lending business for the financial year ended 31 December 2017 were approximately RMB56 million (2016: RMB11 million), RMB24 million (2016: RMB2.1 million) and RMB5.6 million (2016: RMB4.6 million) respectively.

- Segment results from the container house business, forestry business and money lending business for the financial year ended 31 December 2017 were loss of approximately RMB29 million (2016: profit of RMB0.7 million), profit of approximately RMB53.7 million (2016: loss of RMB28.7 million) and profit of approximately RMB4.5 million (2016: RMB4.0 million) respectively.

- Loss attributable to the owners of the Company for the financial year ended 31 December 2017 amounted to approximately RMB7.7 million (2016: RMB52.5 million), representing a decrease in loss of approximately 85% as compared with corresponding period in 2016.

- Total comprehensive income attributable to the owners of the Company for the financial year ended 31 December 2017 amounted to approximately RMB6 million (2016: total comprehensive expense RMB56.9 million), representing a decrease of approximately 111% as compared with corresponding period in 2016.

- The gearing ratio for the financial year ended 31 December 2017 was approximately 54.7% (2016: 50.8%), representing an increase of 7.7% as compared with corresponding period in 2016.

- Basic loss per share for the financial year ended 31 December 2017 amounted to RMB0.19 cents (2016: RMB1.53 cents).

- The board (the "**Board**") of directors of the Company (the "**Directors**") does not recommend the payment of a final dividend for the financial year ended 31 December 2017 (2016: nil).

FINANCIAL RESULTS

The Board of China Agroforestry Low-Carbon Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** ***RMB'000***	2016 *RMB'000* (restated)
Continuing Operations			
Revenue	*3*	**85,572**	17,806
Cost of sales and services		**(17,588)**	(2,279)
Gross profit		**67,984**	15,527
Investment and other income	*5*	**3,137**	117
Other gains and losses	*6*	**8,244**	(10,816)
Administrative expenses		**(70,238)**	(34,860)
Finance costs	*7*	**(27,924)**	(18,615)
Loss before tax		**(18,797)**	(48,647)
Income tax credit (expense)	*8*	**4,829**	(654)
Loss for the year from continuing operations	*9*	**(13,968)**	(49,301)
Discontinued Operations			
Net gain (loss) for the year from discontinued operations	*10*	**6,229**	(4,089)
Loss for the year		**(7,739)**	(53,390)

	Notes	2017 *RMB'000*	2016 *RMB'000* (restated)
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**13,121**	(4,447)
Reclassification adjustments relating to foreign operations disposed during the year		**739**	–
Other comprehensive income (expense) for the year		**13,860**	(4,447)
Total comprehensive income (expenses) for the year		**6,121**	(57,837)
Loss for the year from continuing operations attributable to:			
Owners of the Company		**(13,968)**	(49,301)
Non-controlling interests		**–**	–
		(13,968)	(49,301)
Loss for the year from continuing and discontinued operations attributable to:			
Owners of the Company		**(7,739)**	(52,452)
Non-controlling interests		**–**	(938)
		(7,739)	(53,390)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**6,121**	(56,899)
Non-controlling interests		**–**	(938)
		6,121	(57,837)

	Notes	2017	2016
Loss per share:	*12*		
From continuing and discontinued operations			
Basic		**RMB(0.19) cents**	RMB(1.53) cents
Diluted		**N/A**	N/A
From continuing operations			
Basic		**RMB(0.35) cents**	RMB(1.43) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**83,152**	1,386
Prepaid land lease payments		**27,868**	16,735
Plantation forest assets		**470,700**	342,205
Loans receivable		**35,260**	42,593
Goodwill		**–**	357
Other intangible assets		**47,203**	125,064
		664,183	528,340
Current assets			
Inventories		**–**	110
Trade and other receivables	*13*	**124,096**	22,375
Loans receivable		**36,609**	39,981
Deposits and prepayments		**4,212**	6,369
Prepaid land lease payments		**821**	465
Derivative financial instruments		**–**	206
Bank balances and cash		**22,323**	35,938
		188,061	105,444
Current liabilities			
Trade and other payables	*14*	**73,323**	8,026
Promissory notes payable		**22,560**	44,620
Convertible bonds payable		**–**	18,292
Contingent consideration payable		**–**	15,523
Current tax payable		**3,720**	3,035
		99,603	89,496
Net current assets		**88,458**	15,948
Total assets less current liabilities		**752,641**	544,288

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Non-current liabilities			
Promissory notes payable		**145,872**	39,227
Corporate bonds payable		**208,574**	135,532
Contingent consideration payable		**–**	26,363
Deferred tax liabilities		**11,801**	31,266
		366,247	232,388
Net assets		**386,394**	311,900
Capital and reserves			
Share capital		**7,501**	6,239
Reserves		**378,893**	305,661
Total equity attributable to owners of the Company		**386,394**	311,900
Non-controlling interests		**–**	–
Total equity		**386,394**	311,900

NOTES:

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The address of the registered office and principal place of business are Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Rooms 1002–1003, 10th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong respectively. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in forestry management, provision of services in relation to management, leasing, sale and installation of container houses, money lending and investment holding. In the prior year, the Group was also engaged in the production and sale of biomass fuel products.

The Company's functional currency is Hong Kong dollars ("**HK$**") while that for the major subsidiaries in Mainland China (the "**PRC**") is Renminbi ("**RMB**"). As the operations of the Group are mainly carried out in the PRC, the directors of the Company consider it appropriate to present the consolidated financial statements in RMB.

As referred to in Note 10, the Group discontinued its business of manufacture and sale of biomass fuel products on 29 December 2017. Results of the Group's operations attributable to this business are presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income. Certain comparative figures have been restated to consistent with the current year's presentation.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"):

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

3. REVENUE

An analysis of the Group's revenue is as follows:

	Continuing Operations		**Discontinued Operations**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from sales of goods	**24,046**	2,135	**105**	2,308	**24,151**	4,443
Income from provision of services	**55,416**	10,999	**–**	–	**55,416**	10,999
Rental income from container houses	**570**	–	**–**	–	**570**	–
Interest income from money lending business	**5,540**	4,672	**–**	–	**5,540**	4,672
	85,572	17,806	**105**	2,308	**85,677**	20,114

4. SEGMENT INFORMATION

Information reported to the chairman of the board (being the chief executive decision maker) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods and services delivered. Continuing operations and discontinued operations segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

Continuing operations :

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

(ii) Container Houses Business — provision of services in relation to management, leasing, sale and installation of container houses and related business.

(iii) Money Lending Business — provision of money lending services.

Discontinued operations:

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

Information regarding the above segments for the years ended 31 December 2017 and 2016 is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2017

	Continuing Operations				Discontinued Operations	
	Forestry Business *RMB'000*	Container Houses Business *RMB'000*	Money Lending Business *RMB'000*	Sub-total *RMB'000*	Biomass Fuel Business *RMB'000*	Total *RMB'000*
Segment revenue	24,046	55,986	5,540	85,572	105	85,677
Segment profit (loss)	53,716*	(29,280)#	4,517	28,953	(1,947)	27,006
Bank interest income						32
Other unallocated income						3,323
Gain on disposal of subsidiaries						7,957
Gain on change in fair value of contingent consideration payable						30,253
Loss on early redemption on promissory notes						(13,728)
Loss on change in fair value of derivative financial instruments						(199)
Other unallocated expenses						(39,288)
Finance costs						(27,924)
Loss before tax						(12,568)
Income tax credit						4,829
Loss for the year						(7,739)

For the year ended 31 December 2016

	Continuing Operations				Discontinued Operations	
	Forestry Business	Container Houses Business	Money Lending Business	Sub-total	Biomass Fuel Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	2,135	10,999	4,672	17,806	2,308	20,114
Segment profit (loss)	(28,705)*	713#	4,009	(23,983)	(7,311)	(31,294)
Bank interest income						94
Other unallocated income						735
Gain on disposal of subsidiaries						2,510
Gain on change in fair value of contingent consideration payable						22,766
Loss on change in fair value of derivative financial instruments						(2,668)
Loss on early repayment of promissory notes						(1,815)
Other unallocated expenses						(24,449)
Finance costs						(18,615)
Loss before tax						(52,736)
Income tax expense						(654)
Loss for the year						(53,390)

		2017	2016
		RMB'000	*RMB'000*
*	Segment profit (loss) of Forestry Business before change in fair value less costs to sell of plantation forest assets	**10,085**	(1,555)
	Net gain (loss) on change in fair value less costs to sell of plantation forest assets	**43,631**	(27,150)
	Segment profit (loss) of Forestry Business	**53,716**	(28,705)
#	Segment profit of Container Houses Business before amortization and impairment	**48,938**	9,649
	Amortisation of other intangible assets	**(26,810)**	(8,936)
	Impairment on goodwill and other intangible assets	**(51,408)**	–
	Segment (loss) profit of Container Houses Business	**(29,280)**	713

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represent the profit/loss earned from each segment without allocation of central administrative costs including directors' salaries and other corporate administrative costs, bank interest and sundry income, gain on disposal of subsidiaries, gain on change in fair value of contingent consideration payable, loss on change in fair value of derivative financial instruments, loss on early repayment of promissory notes and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

Segment assets	**2017** *RMB'000*	2016 *RMB'000*
Forestry Business	**540,834**	360,659
Container Houses Business	**178,256**	136,699
Money Lending Business	**71,877**	82,575
Segment assets of continuing operations	**790,967**	579,933
Assets relating to the discontinued operations		
— Biomass Fuel Business	**–**	2,656
Total segment assets	**790,967**	582,589
Unallocated assets	**61,277**	51,195
Consolidated assets	**852,244**	633,784

Segment liabilities	**2017** *RMB'000*	2016 *RMB'000*
Forestry Business	**3,083**	3,028
Container Houses Business	**1,026**	743
Money Lending Business	**52,664**	51
Segment liabilities of continuing opearations	**56,773**	3,822
Liabilities relating to the discontinued operations		
— Biomass Fuel Business	**–**	1,527
Total segment liabilities	**56,773**	5,349
Unallocated liabilities	**409,077**	316,535
Consolidated liabilities	**465,850**	321,884

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to operating segments other than bank balances and cash and other assets for corporate use including certain property, plant and equipment, other receivables and deposits and prepayments, and derivative financial instruments. Assets used jointly by segments are allocated on the basis of the revenue earned by individual segments; and

— all liabilities are allocated to operating segments other than promissory notes payable, corporate bonds payable, convertible bonds payable, contingent consideration payable, current tax payable, deferred tax liabilities and certain other payables. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2017

	Continuing Operations				Discontinued Operations		
	Forestry Business *RMB'000*	Container Houses Business *RMB'000*	Money Lending Business *RMB'000*	Sub-total *RMB'000*	Biomass Fuel Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment loss/profit or segment assets							
Additions to non-current assets *(Note)*	–	83,818	7	83,825	–	4	83,829
Depreciation of property, plant and equipment	16	822	–	838	533	–	1,371
Amortisation of prepaid land lease payments	684	–	–	684	–	–	684
Amortisation of other intangible assets	–	26,810	–	26,810	–	–	26,810
Loss on disposal of property, plant and equipment	–	–	–	–	294	–	294
Net gain on change in fair value less costs to sell of plantation forest assets	43,631	–	–	43,631	–	–	43,631
Impairment losses recognised in respect of							
— property, plant and equipment	–	–	–	–	–	–	–
— inventories	–	–	–	–	33	–	33
— goodwill	–	357	–	357	–	–	357
— other intangible assets	–	51,051	–	51,051	–	–	51,051

For the year ended 31 December 2016

	Continuing Operations				Discontinued Operations		
	Forestry Business *RMB'000*	Container Houses Business *RMB'000*	Money Lending Business *RMB'000*	Sub-total *RMB'000*	Biomass Fuel Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment loss/profit or segment assets							
Additions to non-current assets *(Note)*	148,620	134,510	–	283,130	499	–	283,629
Depreciation of property, plant and equipment	57	14	–	71	1,708	137	1,916
Amortisation of prepaid land lease payments	343	–	–	343	9	–	352
Amortisation of other intangible assets	–	8,936	–	8,936	–	–	8,936
Loss on disposal of property, plant and equipment	–	–	–	–	–	–	–
Net loss on change in fair value less costs to sell of plantation forest assets	27,150	–	–	27,150	–	–	27,150
Impairment losses recognised in respect of							
— property, plant and equipment	–	–	–	–	1,025	–	1,025
— inventories	–	–	–	–	–	–	–
— goodwill	–	–	–	–	–	–	–
— other intangible assets	–	–	–	–	–	–	–

Note: The additions to non-current assets exclude the financial assets.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers as below:

	2017 *RMB'000*	2016 *RMB'000*
PRC	**80,137**	15,442
Hong Kong	**5,540**	4,672
	85,677	20,114

Information about the Group's non-current assets based on the geographical location of the assets is not presented as the Group's non-current assets (excluding loans receivable) are substantially located in the PRC.

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

	Revenue generated from	2017 *RMB'000*	2016 *RMB'000*
Customer A	Forestry Business	**24,046**	N/A

The revenue from the Customer A for the corresponding prior year did not contribute over 10% of the total revenue for that year.

5. INVESTMENT AND OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	2017 ***RMB'000***	2016 *RMB'000*	**2017** ***RMB'000***	2016 *RMB'000*	**2017** ***RMB'000***	2016 *RMB'000*
Bank interest income	**14**	65	**18**	29	**32**	94
Sundry income	**3,123**	52	**200**	683	**3,323**	735
	3,137	117	**218**	712	**3,355**	829

6. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operations		Total	
	2017 ***RMB'000***	2016 *RMB'000*	**2017** ***RMB'000***	2016 *RMB'000*	**2017** ***RMB'000***	2016 *RMB'000*
Gain on change in fair value of contingent consideration payable	**30,253**	22,766	**–**	–	**30,253**	22,766
Net gain (loss) on change in fair value less costs to sell of plantation forest assets	**43,631**	(27,150)	**–**	–	**43,631**	(27,150)
Loss on change in fair value of derivative financial instruments	**(199)**	(2,668)	**–**	–	**(199)**	(2,668)
Loss on early repayment of promissory notes	**(13,728)**	(1,815)	**–**	–	**(13,728)**	(1,815)
Loss on disposal of property, plant and equipment	**–**	–	**(294)**	–	**(294)**	–
Impairment losses recognised in respect of:						
— property, plant and equipment	**–**	–	**–**	(1,025)	**–**	(1,025)
— goodwill	**(357)**	–	**–**	–	**(357)**	–
— other intangible assets	**(51,051)**	–	**–**	–	**(51,051)**	–
— inventories	**–**	–	**(33)**	–	**(33)**	–
Exchange (losses) gains, net	**(305)**	(1,949)	**559**	–	**254**	(1,949)
Other gains (losses), net	**8,244**	(10,816)	**232**	(1,025)	**8,476**	(11,841)

7. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Interest on:						
— promissory notes payable	**12,749**	6,202	**–**	–	**12,749**	6,202
— corporate bonds payable	**14,177**	9,573	**–**	–	**14,177**	9,573
— convertible bonds payable	**998**	2,840	**–**	–	**998**	2,840
	27,924	18,615	**–**	–	**27,924**	18,615

8. INCOME TAX (CREDIT) EXPENSE

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong Profits Tax	**547**	475	**–**	–	**547**	475
PRC Enterprise Income Tax	**14,089**	2,413	**–**	–	**14,089**	2,413
Current tax	**14,636**	2,888	**–**	–	**14,636**	2,888
Deferred tax credit	**(19,465)**	(2,234)	**–**	–	**(19,465)**	(2,234)
	(4,829)	654	**–**	–	**(4,829)**	654

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Pursuant to the Implementation Regulation of the EIT Law, the Group's PRC subsidiaries which are engaged in forestry business are entitled to full exemption from PRC Enterprise Income Tax in respect of both of the years presented.

9. LOSS FOR THE YEAR

	Continuing Operations		Discontinued Operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Loss for the year has been arrived at after charging:						
Directors' emoluments *(Note below)*	**1,831**	1,655	**–**	–	**1,831**	1,655
Other staff costs	**5,402**	3,981	**1,280**	2,055	**6,682**	6,036
Total staff costs	**7,233**	5,636	**1,280**	2,055	**8,513**	7,691
Auditors' remuneration						
— audit services	**1,034**	879	**–**	–	**1,034**	879
— non-audit services	**424**	386	**–**	–	**424**	386
Cost of inventories recognised and timber harvested	**12,151**	5,460	**77**	–	**12,228**	5,460
Depreciation of property, plant and equipment	**838**	854	**533**	1,062	**1,371**	1,916
Amortisation of prepaid land lease payments	**684**	352	**–**	–	**684**	352
Amortisation of other intangible assets	**26,810**	8,936	**–**	–	**26,810**	8,936
Impairment loss on inventories	**–**	–	**33**	–	**33**	–
Share-based payment expenses *(Note below)*	**5,476**	–	**–**	–	**5,476**	–
Operating lease rentals in respect of rented premises	**5,470**	4,176	**61**	116	**5,531**	4,292

Note:

Included in the share-based payment expenses totalled RMB5,476,000 (2016: Nil) are the amount of RMB196,000 (2016: Nil) attributable to the directors of the Company and are also included in the directors' emoluments, with the remaining amount of RMB5,280,000 (2016: Nil) attributable to parties other than the staff of the Group.

10. DISCONTINUED OPERATIONS

On 27 December 2017, the Company entered into an agreement with Well Nice (as defined below) pursuant to which the Company has agreed to sell and Well Nice has agreed to purchase the entire issued share capital of Rongxuan Forestry Investment Holdings Limited at a total consideration of RMB1,800,000. The Disposal (as defined below) was completed on 29 December 2017. Following the Disposal, the Company has ceased the operation of its biomass fuel business. An analysis of the gain/loss for the year from the discontinued operations is as follows:

	2017	2016
	RMB'000	*RMB'000*
Loss for the period from discontinued business (Note below)	**(1,728)**	(6,599)
Gain on disposal of subsidiaries undertaking Biomass Fuel Business	**7,957**	2,510
Net gain (loss) for the year from discontinued operations	**6,229**	(4,089)

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

	2017	2016
	RMB'000	*RMB'000*
Revenue *(Note 3)*	**105**	2,308
Cost of sales	**(77)**	(3,181)
Gross profit (loss)	**28**	(873)
Investment and other income *(Note 5)*	**218**	712
Other gains or losses *(Note 6)*	**232**	(1,025)
Selling and distribution expenses	**(2)**	(344)
Administrative expenses	**(2,204)**	(5,069)
Loss before tax	**(1,728)**	(6,599)
Income tax expense *(Note 8)*	**–**	–
Loss for the year attributable to owners of the Company *(Note 9)*	**(1,728)**	(6,599)

11. DIVIDEND

No dividend was paid, declared or proposed during the year ended 31 December 2017 (2016: Nil) nor had any dividend been proposed since the end of the reporting period (2016: Nil).

12. LOSS PER SHARE

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

	Continuing and Discontinued Operations		Continuing Operations	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Loss				
Loss for the purpose of basic loss per share				
Loss for the year attributable to owners of the Company	**(7,739)**	(52,452)	**(13,968)**	(49,301)
Effect of dilutive potential ordinary shares:				
— Interest expense on convertible bonds	**998**	2,840	**998**	2,840
— Loss on change in fair value of derivative financial instruments	**199**	2,668	**199**	2,668
Loss for the purpose of diluted loss per share	**N/A**	N/A	**N/A**	N/A

	Continuing and Discontinued Operations		Continuing Operations	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Number of ordinary shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,995,694**	3,438,753	**3,995,694**	3,438,753
Effect of dilutive potential ordinary shares:				
— Convertible bonds	**17,852**	65,213	**17,852**	65,213
Weighted average number of ordinary shares for the purposes of diluted loss per share	**4,013,546**	3,503,966	**4,013,546**	3,503,966

As the Group sustained a loss for both of the years presented, diluted loss per share for these years are not presented as the effects of potential shares issuable arising from exercise of share options and the conversion of the convertible bonds are regarded anti-dilutive.

13. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**36,077**	11,068
Other receivables	**88,019**	11,307
	124,096	22,375

The Group generally allows an average credit period of 90 days (2016: 90 days) to its trade customers, where partial payment in advance is normally required. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice dates:

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**28,182**	8,830
91–180 days	**3,082**	1,948
181–365 days	**4,523**	290
more than 365 days	**290**	–
Total	**36,077**	11,068

14. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables *(Note ii)*	**–**	81
Contingent consideration payable	**7,350**	–
Other payables	**6,349**	5,859
Amounts due to former subsidiaries	**57,604**	–
Accrued charges	**2,020**	2,086
	73,323	8,026

Notes:

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

(ii) The following is an aged analysis of trade payables presented based on invoice dates:

	2017	2016
	RMB'000	*RMB'000*
Over 90 days	**–**	81

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in the businesses of (a) forestry management; (b) money lending and (c) provision of management and related services for the leases of container houses.

Continuing Operations

Forestry Management Business

As at 31 December 2017, the long–lease forest lands in the PRC owned by the Group were approximately 21,045 Chinese Mu (equivalent to approximately of 1,403 hectares), 9,623 Chinese Mu (equivalent to approximately of 642 hectares), 13,218 Chinese Mu (equivalent to approximately of 881 hectares) and 30,653 Chinese Mu (equivalent to approximately 2,044 hectares) in Muma Town of Jiange County of Sichuan Province (the "**Hengchang Forest**"), Zhengxing Town of Jiange County of Sichuan Province (the "**Kunlin Forest**"), Yixing Town of Jiange County of Sichuan Province (the "**Senbo Forest**") and, Longyuanzhen Houshixiang and Dianzixiang town of Jiange County of Sichuan Province (The "**Ruixiang Forest**"), respectively.

The **Hengchang Forest** is held by China Timbers Limited ("**China Timbers**", together with its subsidiaries "**China Timbers Group**"), through its wholly-owned subsidiaries. China Timbers was acquired by the Group on 28 May 2013. The Group harvested timber logs of approximately 10,700 cubic metres (2016: 350 cubic metres) in the **Hengchang Forest** during the year ended 31 December 2017. As at 31 December 2017, the **Hengchang Forest** was estimated to comprise of approximately 1,389 hectares of Cypress with approximately 13 hectares of tree plantations aged 40 years or older.

The **Kunlin Forest** is held by Exceed Target Investment Group Limited ("**Exceed Target**" together with its subsidiaries "**Exceed Target Group**"), through its wholly-owned subsidiaries. Exceed Target was acquired by the Group on 26 February 2016. The Group harvested timber logs of approximately 4,000 cubic metres (2016: Nil) in **Kunlin Forest** during the year ended 31 December 2017. As at 31 December 2017, the **Kunlin Forest** was estimated to comprise of approximately 642 hectares of cypress with no tree plantations aged 40 years or older.

The **Senbo Forest** is held by Huxiang International Holdings Limited ("**Huxiang**" together with its subsidiaries "**Huxiang Group**"), though its wholly-owned subsidiaries. Huxiang was acquired by the Group on 11 October 2016. The **Senbo Forest** has been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting work. Accordingly, no revenue has been contributed from the **Senbo Forest** to the Group for the year ended 31 December 2017. As at 31 December 2017, the **Senbo Forest** was estimated to comprise of approximately 881 hectares of cypress with approximately 290 hectares of tree plantations aged 40 years or older.

The **Ruixiang Forest** is held by Garden Glaze Limited ("**Garden Glaze**" together with its subsidiaries "**Garden Glaze Group**"), through its wholly owned subsidiaries. Garden Glaze was acquired by the Group on 6 June 2017. The **Ruixiang Forest** has been under various maintenance works, and the logging and transportation permits of the forest lands are being applied before the commencement of harvesting works. Accordingly, no revenue has been contributed from the **Ruixiang Forest** to the Group for the year ended 31 December 2017. As at 31 December 2017, the **Ruixiang Forest** was estimated to comprise of approximately 2,044 hectares of cypress with approximately 14 hectares of tree plantations aged 40 years or older.

For the year of 2017, the forestry management business of the Group achieved a revenue of RMB24 million (2016: RMB2.1 million), which accounted for 28% of the total revenue.

Money Lending Business

The Company's wholly-owned subsidiary, namely, Forever Biosource (Credit) Limited, is engaged in money lending business and recorded a gain of approximately RMB4.5 million (2016: RMB4 million) as interest income during the financial year ended 31 December 2017.

Container House Business

Completion of the acquisition of Hengfudelaisi took place on 9 September 2016. The manufacturing and maintenance of the container houses, along with its accessories, including furniture, interior decoration, and other facilities, needs substantial amount of wood materials. As the Group is currently involved in the forest land business in the foreseeable future, it has the capability to provide sufficient raw materials to satisfy the foreseeable demand in container house manufacturing, maintenance and product upgrade.

During the year ended 31 December 2017, the Group achieved a revenue of RMB56 million (2016: RMB11 million), which accounted for 65.4% of the total revenue.

Discontinued Operations

Biomass Fuel Business

As disclosed in the Company's interim report for the six months ended 30 June 2017, no biomass fuel has been produced for the six months ended 30 June 2017.

References are made to the announcements of the Company dated 27 December 2017 and 8 January 2018 respectively, on 27 December 2017, the Company entered into an agreement with Well Nice Global Investments Limited ("**Well Nice**") as the purchaser, pursuant to which the Company has agreed to sell and Well Nice has agreed to purchase the entire issued share capital of Rongxuan Forestry Investment Holdings Limited at a total consideration of RMB1.8 million (equivalent to approximately HK$2.15 million) (the "**Disposal**"). The Disposal was completed on 29 December 2017. Following the Disposal, the Company has ceased the operation of its biomass fuel business.

The Board was of the view that it would be better allocation of resources for the Group to realize the Group's investment in Rongxuan Forestry Investment Holdings Limited through the Disposal. The Directors (including the independent non-executive Directors) considered that the Disposal was conducted on normal commercial terms and was in the ordinary and usual course of business, and was fair and reasonable as the Company and its shareholders were concerned and was in the interests of the Company and its shareholders as a whole.

FUND RAISING ACTIVITIES

During the year ended 31 December 2017, in order to support the acquisition of the new business and the development of the Group's forestry management business and the container house business, the Group has engaged in certain fund raising activities, details of which are set out as follows:

Issue of corporate bonds

During the year ended 31 December 2017, the Company entered into subscription agreement with ten independent private investors pursuant to which the investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK$92 million at par value, bearing interest rates of 5% to 10% per annum and maturity date is 2 years to 8 years from the date of issue. At the end of the reporting period, the corporate bonds payable with the principal amount of HK$253,200,000 (2016: HK$161,200,000) remained outstanding.

The net proceeds from the corporate bonds, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$91.9 million. The actual use of proceeds is as follows: (i) approximately HK$74 million for the repayment of liabilities; and (ii) approximately HK$17.9 million for general working capital, such as staff salaries and occupancy cost.

Placing of new shares under the general mandate

References are made to the Company's announcements dated 28 June 2017 and 20 July 2017, on 28 June 2017, the Company entered into a placing agreement with Sun International Securities Limited (the "**Placing Agent**") whereby the Company agreed to place, through the Placing Agent, on a best effort basis, 668,913,445 new shares of the Company to not less than six placees at a price of HK$0.11 per placing share under the general mandate. The placing shares represent approximately 18.18% of the then issued share capital of the Company and 15.39% of the then enlarged issued share capital of the Company.

An aggregate of 668,913,445 placing shares of the Company were placed on 20 July 2017. The net proceeds from the placing, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$72.99 million, which were used mainly for the purpose of investment in container house business and forestry business project(s), repayment of liabilities and general working capital.

Issue of convertible bonds

During the year ended 31 December 2017, the Company fully redeemed the convertible bonds with the principal amount of HK$20 million for cash consideration of HK$20 million.

Issue of promissory note

*Promissory note issued on 28 May 2013 (the "**Note A**")*

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

During the year ended 31 December 2013, the Company repaid part of the Note A with the principal amount of HK$25,000,000 for cash consideration of HK$25,000,000.

During the year ended 31 December 2014, the Company repaid part of the Note A with the principal amount of HK$90,497,000 for cash consideration of HK$90,497,000. At 31 December 2014, the Note A with the principal amount of HK$28,503,000 (2013: HK$119,000,000) remained outstanding.

During the year ended 31 December 2015, the Company redeemed part of the Note A with the principal amount of HK$1,000,000 at cash consideration of HK$1,000,000. During the year ended 31 December 2017, no part of the Note A was redeemed. At 31 December 2017, the Note A with the principal amount of HK$27,503,000 remained outstanding.

*Promissory notes issued on 16 August 2016 (the "**Note B**")*

On 30 June 2016, the Company, Mr. Wang Yue (the "**Chargor**") and Prosper Talent Limited (the "**Investor**") entered into the subscription agreement, pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the redeemable fixed coupon promissory notes in the aggregate principal sum of HK$100,000,000 (being the "**Note B**"). The Note B shall be issued in two tranches, the Series A Note and the Series B Note, both bearing an interest rate of 10% per annum and with the maturity period of 1 year from the date of issue. The Note B are secured by the Chargor who is the executive director and a substantial shareholder of the Company and the Investor is a limited liability company incorporated in the BVI. On 16 August 2016, completion of the subscription of the Series A Note took place and the redeemable fixed coupon promissory notes in the principal amount of HK$50,000,000 were issued to the Investor in accordance with the subscription agreement. On 17 August 2017, the Company fully redeemed HK$50 million of the Note B at a cash consideration of HK$50 million paid to the Investor and the holder of the Note B issued by the Company. Further, the 318,150,000 shares of the Company held by the Chargor was released as security for the note at completion of the redemption.

*Promissory note issued on 11 October 2016 (the "**Note C**")*

On 30 September 2016, the Company and Mr. Dai Long Gui ("**Mr Dai**") entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire the entire issued share capital in Huxiang, at a total consideration of HK$93,000,000, to be satisfied by (i) the deposit of HK$8 million; (ii) HK$52 million in cash; and (iii) HK$33 million by the issue of the Promissory Note (being the "**Note C**") to Mr Dai. Huxiang is an investment holding company incorporated in the BVI with limited liability. Through its wholly owned subsidiaries, Huxiang indirectly wholly holds the entire equity interest in Jiangxian Senbo Linye Company Ltd., which is principally engaged in the plantation, harvesting and selling of timber in the Forests, and possesses the **Senbo Forest** and the right to be engaged in the operations and management of the **Senbo Forest**. The Note C bears an interest at 3% per annum for three years and is payable on the maturity date of 10 October 2019. During the year ended 31 December 2017, the Company fully redeemed the Note C with the principal amount of HK$25,000,000 for cash consideration of HK$25,000,000.

*Promissory note issued on 6 June 2017 (the "**Note D**")*

On 31 May 2017, the Company and the vendors, six independent third parties entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire the entire issued share capital in Garden Glaze, at total consideration of HK$170,000,000, to be satisfied by the issue of the Promissory Note (being the "**Note D**") to the vendors. Garden Glaze is an investment holding company incorporated in the BVI with limited liability. Through its wholly owned subsidiaries, Garden Glaze indirectly wholly holds the entire equity interest in Jiangxian Ruixiang Linye Company Limited, which is principally engaged in the plantation, harvesting and selling of timber in the forests, and possesses the **Ruixiang Forest** and the right to be engaged in the operations and management of the **Ruixiang Forest**. The Note D bears an interest at 5% per annum for two years and is payable on the maturity date of 5 June 2019. During the year ended 31 December 2017, the Company redeemed part of the Note D with the principal amount of HK$86,200,000 for cash consideration of HK$86,200,000. At 31 December 2017, the Note D with the principal amount of HK$83,800,000 remained outstanding.

*Promissory note issued on 21 November 2017 (the "**Note E**")*

On 2 March 2017, YuePengDa Forestry (Shenzhen) Limited, an indirect wholly-owned subsidiary of the Company, and Shenzhen Chong Sheng Chi Yip Limited (the "**Shenzhen Chong Sheng**") entered into an acquisition agreement, pursuant to which, among other things, the Group has conditionally agreed to acquire the entire issued share capital in Xiangyin Chong Sheng, at total consideration of RMB100,000,000, to be satisfied by (i) RMB5 million in cash; and (ii) RMB95 million by the issue of the Promissory Note (being the "**Note E**") to Shenzhen Chong Sheng. Xiangyin Chong Sheng principally engaged in the business of design, manufacture and distribution of container houses. The Note E bears an interest at 3.5% per annum for two years and is payable on the maturity date of 20 November 2019. At 31 December 2017, the Note E with the principal amount of RMB95,000,000 remained outstanding.

FINANCIAL REVIEW

Revenue

During the financial year ended 31 December 2017, the Company recorded revenue from continuing operations of approximately RMB85.6 million, representing an increase of approximately 381% as compared to approximately RMB17.8 million for 2016. Such increase was mainly due to the increase in revenue of the container houses business and forestry business.

Revenue from the Company's forestry business for the year ended 31 December 2017 was approximately RMB24 million (2016: RMB2.1 million), representing an approximately 1,043% increase as compared to the year ended 31 December 2016. Such increase was due to the Group harvested timber logs of approximately 14,700 cubic metres (2016: 350 cubic metres), representing an approximately 4,100% increase as compared to the year ended 31 December 2016. The Group expects the revenue generated from this business to further increase in the coming year with the commencement of harvesting of the **Senbo Forest** and **Ruixiang Forest**, respectively, subject to the relevant logging permit from the relevant PRC authority.

The Group also received interest income of approximately RMB5.6 million (2016: RMB4.6 million) from the money lending business engaged by its wholly owned subsidiary during the financial year ended 31 December 2017.

After the completion of the acquisition of Hengfudelaisi on 9 September 2016, turnover from the Company's container house business for the year ended 31 December 2017 was approximately RMB56 million (2016: RMB11 million), which accounted for 65.4% of the total revenue.

Gross Profit

The Group recorded a gross profit from continuing operations of approximately RMB68 million for the year ended 31 December 2017 (2016: Gross profit of approximately RMB15.5 million). Such change was mainly due to the increase in revenue of the container house business and forestry business.

During the year of 2017, the Group only received the relevant annual logging permit for the **Hengchang Forest** and **Kunlin Forest**, but not **Senbo Forest** and **Ruixiang Forest**, from the relevant PRC authority in the financial year ended 31 December 2017.

Gain/loss on change in fair value less costs to sell of plantation forest assets

During the year ended 31 December 2017, the Group recognised a gain on change in fair value of plantation forest assets of approximately RMB43.6 million (2016: loss on change of approximately RMB27 million).

Selling and Distribution Costs

No selling and distribution costs recognised by continuing operations for both of the years. The selling and distribution costs were mainly attributable to the transportation costs incurred by the discontinued operations.

Administrative Expenses

The administrative expenses from continuing operations increase by approximately 101% from approximately RMB34.9 million for the year ended 31 December 2016 to approximately RMB70.2 million for the year ended 31 December 2017. The increase in administrative expenses from continuing operations was mainly attributable to administrative costs associated with the container houses business.

Impairment loss recognised in respect of trade receivables

No impairment loss was recognised in respect of trade receivables for the year ended 31 December 2017 (2016: Nil).

Finance Costs

The finance costs from continuing operations include mainly interests on (i) the promissory notes (being the Note A as stated above), bearing 3% interest rate per annum and with the principal amount of HK$144 million issued on 28 May 2013; (ii) the promissory notes (being the Note B as stated above) bearing 10% interest rate per annum with the principal amount of HK$50,000,000 issued on 16 August 2016; (iii) the promissory notes (being the Note D as stated above), bearing 5% interest rate per annum with the principal amount of HK$170,000,000 issued on 6 June 2017; (iv) the promissory notes (being the Note E as stated above), bearing 3.5% interest rate per annum with the principal amount of RMB95,000,000 issued on 21 November 2017; (v) the corporate bonds with the aggregate principal amounts of HK$253,200,000 bearing interest rates ranged from 5% to 10% per annum.

Income Tax Credit

For the year ended 31 December 2017, the income tax credit from continuing operations was approximately RMB4.8 million (2016: income tax expenses RMB0.65 million), which was attributable to the Hong Kong Profits Tax and the PRC tax imposed on profits of the subsidiaries less the deferred tax credit.

Profit/Loss and Total Comprehensive Income/Expenses Attributable to Owners of the Company

As a result of the above changes, the Company has recorded a loss of approximately RMB7.7 million, representing a decrease of approximately 85.6% as compared to a loss of approximately RMB53.4 million for the year ended 31 December 2016. The total comprehensive income attributable to owners of the Company was approximately RMB6 million for the year ended 31 December 2017, which represents a decrease of approximately 111% compared to the total comprehensive expenses approximately RMB56.9 million for the year ended 31 December 2016.

Basic Loss per Share

Basic loss per share from continuing operations for the financial year ended 31 December 2017 amounted to RMB0.19 cents (2016: RMB1.53 cents), representing a decrease of approximately 87.6% as compared to that for the previous financial year.

LOANS RECEIVABLE

Certain of the loans receivable with the total principal amount of HK$56,500,000 (2016: HK$60,500,000) are secured by machineries and goods held by other borrowers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a total of 61 employees (57 as at 31 December 2016). Total staff costs for the year under review, including the Directors' remuneration and termination benefits, amounted to approximately RMB8.5 million (2016: approximately RMB6.8 million). The Group's remuneration policies are in line with the prevailing market standards and are determined on the basis of the performance and the level of experience of each individual employee. Other employee benefits include contributions to social insurance scheme.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows, fundraising activities and bank borrowings. As at 31 December 2017, the Group had total assets of approximately RMB852 million (2016: RMB633.8 million) and net assets of approximately RMB386 million (2016: RMB312 million). The Group's cash and bank balances as at 31 December 2017 amounted to approximately RMB22.3 million (2016: RMB35.9 million). As at 31 December 2017, there were no unutilised banking facilities (2016: nil).

As discussed above, the Group has engaged in certain fund raising activities during the year, including the issue of corporate bonds and promissory notes of the Company under the general mandate.

Taking into account the cash reserves and internally generated cash flows from its operating activities, the Group's financial position is healthy, positioning the Group advantageously to expand its core business and seek other opportunities in order to achieve its business objectives.

PLEDGE ON ASSETS

During the year ended 31 December 2017, no pledges of the Company's entire equity interest in all subsidiaries·

COMMITMENTS

The Group had no capital commitments at the end of the reporting period.

The Group leases certain of its office under operating lease arrangements with leases negotiated for an average term of three to five years (2016: one to three years) and rentals are fixed over the lease term. At the end of the reporting period, the Group had the following future minimum lease payments under non–cancellable operating leases which fall due as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**3,948**	4,107
In the second to fifth year inclusive	**7,744**	3,366
More than five years	**–**	–
	11,692	7,473

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (2016: Nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB, being the functional currencies of relevant group entities. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the financial year ended 31 December 2017, the Group did not experience significant exposure to the exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 54.7% as at 31 December 2017 (31 December 2016: 50.8%).

The increase in the gearing ratio of the Group is primarily attributable to the repayment of the new issued of promissory note.

During the year ended 31 December 2017, the Company fully redeemed the Note B and Note C with the principal amount of HK$50,000,000 and HK$25,000,000 for cash consideration of HK$50,000,000 and HK$25,000,000 respectively, and the Company partly redeemed the Note D with the principal amount of HK$86,200,000 with the cash consideration of HK$86,200,000. As at 31 December 2017, the Notes A, D and E with the aggregate principal amount of HK$206,303,000 (2016: HK$102,503,000) remained outstanding.

CAPITAL STRUCTURE

The capital structure of the Group consisted of net debt, which includes promissory notes payable (as detailed above), corporate bonds payable and convertible bonds payable, and equity attributable to owners of the Company, comprising issued share capital and reserves. As at 31 December 2017, the total number of the ordinary shares of the Company in issue was 4,409,688,166 shares (2016: 3,678,453,463 shares). The total equity attributable to the owners of the Company as at 31 December 2017 was approximately RMB386.4 million (2016: RMB311.9 million).

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITIONS

As disclosed in the Company's announcements dated 31 May 2017 and 6 June 2017, on 31 May 2017, the Company and the vendors, six independent third parties, entered into the acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire from the vendors and the vendors have conditionally agreed to sell to the Company the entire issued share capital (the "**Sale Shares**") of Garden Glaze Limited at the consideration of HK$170,000,000, which was satisfied by the issue of the Promissory Notes (as defined in the announcement dated 31 May 2017) to the vendors in their respective interests in the Sale Shares upon completion. Upon completion of the acquisition on 6 June 2017, Garden Glaze Limited became a wholly owned subsidiary of the Company and accordingly, the financial information of Garden Glaze Limited would be consolidated into the accounts of the Group. The acquisition is in line with the Group's growth strategies and shall benefit the Group by strengthening its core business and diversifying its revenue sources.

As disclosed in the Company's announcements dated 2 March 2017, 30 June 2017, 31 August 2017 and 20 September 2017, and the circular of the Company dated 25 September 2017, the Company has entered into an acquisition agreement with certain third parties, under which the Company has conditionally agreed to acquire the entire equity interests in and the sale loan owed by 湘陰中箱置業有限公司 (Xiangyin Chong Sheng Chi Yip Limited#) ("**Xiangyin Chong Sheng**") for an aggregate consideration of RMB100,000,000. Upon completion of the acquisition on 21 November 2017, Xiangyin Chong Sheng became a wholly-owned subsidiary of the Company and the financial results of Xiangyin Chong Sheng would be consolidated into the accounts of the Group.

Save as disclosed above, there were no significant investment held or material acquisitions and disposals of subsidiaries for the period ended 31 December 2017.

for identification purpose only

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Board intends to maintain the Group's principal businesses as well as to diversify the Group's business to include the design and construction of light steel villas and assembled mobile houses in order to strengthen the Group's income stream and maximise return to its shareholders. The Company intends to establish a research and development facility, a factory, a storage yard and a showroom for the light steel villas and assembled mobile houses in the surrounding area of Shenzhen, the PRC, where the light steel villas and assembled mobile houses will also be manufactured. This will diversify the Group's pre-fabricated housing products, in addition to the existing container houses business, to include light steel villas and assembled mobile houses.

Light steel villas and assembled mobile houses are buildings with their components built off-site in a factory and then assembled quickly on-site. These products are intended to be used as (i) leisure villas and guest houses in tourist spots; (ii) temporary housing for disaster relief; (iii) easy assembled motel-like infrastructures along highways; and (iv) functional facilities such as toilets, offices, guard booths and duty rooms.

As at 31 December 2017, the Company is in the course of identifying suitable forest lands in the PRC for plantation, logging and the sale of timber related products, and no definitive agreement has been entered into. Further announcement will be made as and when necessary in accordance with the Listing Rules. In the event that acquisition opportunities of suitable forest lands arise, the Board could immediately proceed with such acquisition by using the proceeds for acquisition of forest lands on hand.

Save as disclosed above, the Group had no other future plans for material investments or capital assets as at the date of this annual report.

EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

In addition to those disclosed in the consolidated financial statements, the following events took place subsequent to year ended 31 December 2017:

The following events took place subsequent to the end of the reporting period:

References are made to the Company's announcements dated 25 January 2018, 14 February 2018, 19 March 2018 and 20 March 2018, the Company proposed to raise not less than approximately HK$344 million and not more than approximately HK$380 million, before expenses, by way of rights issue of not less than 6,614,532,249 rights shares and not more than 7,124,296,332 rights shares on the shareholders at a subscription price of HK$0.052 per rights shares on the basis of three rights shares for every two existing Shares held. Completion of the rights issue has not taken place up to the date of approval of these consolidated financial statements.

PROSPECT AND OUTLOOK

Given that the PRC's economy is no longer developing at double–digit rates of growth and has entered a mature stage featuring more robust but slower growth, the Group is cautiously optimistic about the future of the forestry and container house industries.

References are made to the announcements of the Company dated 22 April 2016, 21 June 2016 and 15 July 2016, and the circular of the Company dated 27 June 2016 concerning the acquisition of Shenzhen Heng Fu Delaisi Intelligent Housing Limited ("**Hengfudelaisi**"). The Directors considered that the acquisition could provide an opportunity for the Group to diversify its business into the container house business so as to further enhance its revenue sources as well as to bring positive return to the Shareholders. The acquisition required minimal amount of initial cash outlay given substantial amount of the consideration is to be satisfied by the allotment and issue of the consideration shares. In particular, out of the entire consideration of RMB250,000,000, a total sum of RMB210,000,000 would be payable by stage by the Company on a half-yearly basis after Hengfudelaisi has achieved the profit guarantee in a sum which is equal to the amount of the part of the consideration payable; and the vendors have to compensate up to RMB40,000,000 to the Company if the accumulated audited net profit of Hengfudelaisi after taxation during the guaranteed period is less than RMB210,000,000. As such, capital can be preserved for the development of the existing business of the Group.

Reference is made to the Company's interim report 2017, the profit guarantee of RMB24,500,000 for the period from 1 January 2017 to 30 June 2017 was met. The Company shall pay the respective vendors RMB7,350,000 by cash and RMB17,150,000 by issuing 62,321,257 shares at the issue price of HK$0.33 per share as partial consideration of the acquisition, in accordance with the terms of the agreement of the acquisition dated 22 April 2016.

Reference is also made to the Company's announcement dated 2 March 2018, the profit guarantee of RMB31,500,000 for the period from 1 July 2017 to 31 December 2017 was not met. As Gorgeous City Investment Limited (the ultimate holding company of Hengfudelaisi) failed to meet 70% of the profit guarantee for the period from 1 July 2017 to 31 December 2017, no consideration or any part thereof was paid to the respective vendors for the period from 1 July 2017 to 31 December 2017 in accordance with the terms of the agreement of the acquisition dated 22 April 2016.

Maintenance works of the **Senbo Forest** and the **Ruixiang Forest** have been ongoing and the logging and transportation permits for the said forests have been applied for. Harvesting of forest stock in the said forests could be commenced when the said permits are obtained, with production capacity expected to grow gradually in 2018.

ANNUAL DIVIDEND

The Board does not recommend the payment of an annual dividend for the financial year ended 31 December 2017 (2016: nil) and there is no closure of the registers of members accordingly.

SCOPE OF WORK OF CCTH CPA LIMITED ("CCTH")

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2017 as set out the preliminary announcement have been agreed by the Group's auditor, CCTH, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the code provisions (the "**Code Provisions**") contained in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules as the Company's code of corporate governance. Throughout the year ended 31 December 2017, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exception of Code Provisions A.1.8 and A.4.1 as addressed below:

1. Pursuant to the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this report, the Company has not arranged to purchase any Directors and Officers' Liability Insurance, which covers in respect of legal action against the Directors. While the Company is committed to achieving high standards of corporate governance and to complying with the code provisions, the Company decided to delay the compliance with such code provision as the Board is currently considering quotations from different underwriters and will select the Directors and Officer's Liability insurance with the most cost-efficient.

2. Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, none of the non-executive Directors has been appointed for a specific term to allow flexibility and they are subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company's articles of association.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the Code Provisions during the year of 31 December 2017. The key corporate governance principles and practices of the Company are summarised in this announcement.

REVIEW BY AUDIT COMMITTEE

The Company established an audit committee in September 2009 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules, which were reviewed from time to time by the Board to keep them in line with the most up-to-date requirements. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. As at the date of this announcement, the audit committee has three members comprising our three independent non-executive Directors, namely Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang. Ms. Tian Guangmei has been appointed as the chairman of the audit committee.

The audit committee reviews the interim and annual reports before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audit committee has reviewed the accounting principles and practices adopted by the Company, the annual results of the Group during the year ended 31 December 2017 as well as auditing, internal control and financial reporting matters, including the consolidated financial statements for the year ended 31 December 2017. The audit committee is of the view that the Group's consolidated financial statements for the year under review are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial year ended 31 December 2017.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the financial year, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company will be published on the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkex.com.hk and the website of the Company at www.chinacaflc.com, as well as despatched to shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company and the Stock Exchange. The 2017 annual report of the Company will be despatched to shareholders of the Company around the end of April of 2018 and will also be available at the same websites in due course.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to the management and staff members for their continued dedication and contribution. I would also like to express our gratitude to our shareholders for their support to the Group.

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

Shenzhen, The PRC, 29 March 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Lei Zuliang, Mr. Wang Yue and Professor Fei Phillip; non-executive Directors, namely Professor Liu Zhikun; and three independent non-executive Directors, namely Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang.