中國農林低碳控股有限公司

China Agroforestry Low-Carbon Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01069)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue of China Agroforestry Low-Carbon Holdings Limited (the "**Company**") and its subsidiaries (hereinafter referred to as the "**Group**") for the six months ended 30 June 2019, which is contributed from the container house business, forestry business and money lending business of the Group, amounted to approximately Renminbi ("**RMB**") 6.76 million (six months ended 30 June 2018: RMB12.51 million).

- Loss attributable to the owners of the Company for the six months ended 30 June 2019 amounted to approximately RMB16.4 million (six months ended 30 June 2018: approximately RMB33.2 million).

- Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2019 amounted to approximately RMB17.2 million (six months ended 30 June 2018: approximately RMB36.3 million).

- Basic loss per share for the six months ended 30 June 2019 amounted to approximately RMB0.15 cents (six months ended 30 June 2018: RMB0.71 cents).

- The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

FINANCIAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Agroforestry Low-Carbon Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019, which has been reviewed by the Company's audit committee (the "**Audit Committee**"), together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*4*	**6,758**	12,514
Cost of sales and services		**(3,372)**	(2,381)
Gross profit		**3,386**	10,133
Investment and other income	*6*	**170**	942
Other gains (losses), net	*7*	**1,278**	(4,338)
Selling and distribution expenses		**(218)**	–
Administrative expenses		**(8,689)**	(26,276)
Finance costs	*8*	**(12,000)**	(15,292)
Loss before tax	*9*	**(16,073)**	(34,831)
Income tax (expense) credit	*10*	**(288)**	1,629
Loss for the period		**(16,361)**	(33,202)
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(867)**	(3,130)
Total comprehensive expense for the period		**(17,228)**	(36,332)
Total comprehensive expense attributable to owners of the Company		**(17,228)**	(36,332)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	**(unaudited)**	(unaudited)
Loss per share:	*12*		
Basic		**RMB0.15 cents**	RMB0.71 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019** ***RMB'000*** **(unaudited)**	31 December 2018 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**1,048**	1,017
Prepaid land lease payments		**–**	48,291
Plantation forest assets	*14*	**574,400**	574,400
Loans receivable		**92,882**	89,952
Right-of-use assets		**56,808**	–
Deferred tax assets		**287**	250
		725,425	713,910
Current assets			
Inventories		**5,654**	1,096
Trade and other receivables	*15*	**122,604**	126,889
Loans receivable		**31,208**	34,083
Deposits and prepayments		**5,311**	4,459
Prepaid land lease payments		**–**	1,463
Income tax recoverable		**756**	175
Bank balances and cash		**4,321**	7,387
		169,854	175,552
Current liabilities			
Trade and other payables	*16*	**28,493**	21,176
Promissory notes payable	*17*	**23,103**	21,872
Corporate bonds payable	*18*	**77,485**	47,670
Current tax payable		**154**	–
		129,235	90,718
Net current assets		**40,619**	84,834
Total assets less current liabilities		**766,044**	798,744

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	**30 June 2019** *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
Non-current liabilities			
Promissory notes payable	*17*	**26,423**	23,783
Corporate bonds payable	*18*	**151,382**	174,341
Lease liabilities		**4,847**	–
		182,652	198,124
Net assets		**583,392**	600,620
Capital and reserves			
Share capital	*19*	**19,016**	19,016
Reserves		**564,376**	581,604
Total equity		**583,392**	600,620

Notes:

1. GENERAL INFORMATION

China Agroforestry Low-Carbon Holdings Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The 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.

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements has been prepared on the historical cost basis, except for the plantation forest assets which are measured at fair values.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 "Leases", the application of other new and amended standards effective in respect of the current period had not resulted in significant impact on the Group's condensed consolidated interim financial information. The Group has also not applied any new or amended standards that are not yet effective in respect of the current period.

HKFRS 16 Leases

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

(a) The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	51,420
Decrease in prepaid land lease payments	(49,754)
Increase in total assets	1,666
Liabilities	
Increase in trade and other payables	1,290
Increase in lease liabilities	376
Increase in total liabilities	1,666

(b) Nature of the effect of adoption of HKFRS 16

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	3,108
Weighted average incremental borrowing rate as at 1 January 2019	4.45%
Discounted operating lease commitments as at 1 January 2019	3,017
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(1,351)
Lease liabilities as at 1 January 2019	1,666

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

(c) Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets *RMB'000* (unaudited)	**Lease liabilities and other payables** *RMB'000* (unaudited)
As at 1 January 2019	51,420	1,666
Additions	6,731	6,731
Depreciation charge	(1,341)	–
Interest expense	–	52
Payments	–	(648)
Exchange realignment	(2)	(2)
As at 30 June 2019	56,808	7,799

4. REVENUE

Revenue represents the aggregate of services income and rental income from container houses business, and interest income from money lending business, analysed as below:

	Six months ended 30 June 2019 *RMB'000* **(unaudited)**	Six months ended 30 June 2018 *RMB'000* (unaudited)
Income from provision of services	**3,083**	6,710
Rental income from lease of container houses	**194**	3,418
Interest income from money lending business	**3,481**	2,386
	6,758	12,514

Revenue from provision of services in relation to management and leasing of container houses is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

5. SEGMENT INFORMATION

Information reported to the chairman of the board (being the chief executive decision maker) for the purposes of resources allocation and assessment of segment performance focuses on the type of goods and services delivered. No operating segments identified by the chief operating decision maker has been aggregated in arriving at the reportable segments of the Group.

(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

Information regarding the above segments for the six months ended 30 June 2019 and 2018 is presented below.

Segment revenues and results

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

Six months ended 30 June 2019

	Forestry Business *RMB'000* **(unaudited)**	**Container Houses Business** *RMB'000* **(unaudited)**	**Money Lending Business** *RMB'000* **(unaudited)**	**Total** *RMB'000* **(unaudited)**
Segment revenue	**–**	**3,277**	**3,481**	**6,758**
Segment profit (loss)	**(1,610)**	**(927)#**	**2,030**	**(507)**
Bank interest income				**2**
Other unallocated income				**168**
Other unallocated expenses				**(3,736)**
Finance costs				**(12,000)**
Loss before tax				**(16,073)**
Income tax expense				**(288)**
Loss for the period				**(16,361)**

Six months ended 30 June 2018

	Forestry Business *RMB'000* (unaudited)	Container Houses Business *RMB'000* (unaudited)	Money Lending Business *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Segment revenue	–	10,128	2,386	12,514
Segment profit (loss)	(1,113)	(9,721)#	1,745	(9,089)
Bank interest income				11
Other unallocated income				931
Loss on early repayment of promissory notes				(6,160)
Other unallocated expenses				(5,232)
Finance costs				(15,292)
Loss before tax				(34,831)
Income tax credit				1,629
Loss for the period				(33,202)

	Six months ended 30 June 2019 RMB'000 (unaudited)	30 June 2018 RMB'000 (unaudited)
# Segment (loss) profit of Container Houses Business before amortisation of other intangible assets	**(927)**	3,684
Amortisation of other intangible assets	**–**	(13,405)
Segment loss of Container Houses Business	**(927)**	(9,721)

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

	30 June 2019 *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
Segment assets		
Forestry Business	**644,859**	645,658
Container Houses Business	**14,357**	14,577
Money Lending Business	**124,244**	124,510
Total segment assets	**783,460**	784,745
Unallocated assets	**111,819**	104,717
Total consolidated assets	**895,279**	889,462
Segment liabilities		
Forestry Business	**5,382**	3,302
Container Houses Business	**7,454**	5,015
Money Lending Business	**291**	87
Total segment liabilities	**13,127**	8,404
Unallocated liabilities	**298,760**	280,438
Total consolidated liabilities	**311,887**	288,842

6. INVESTMENT AND OTHER INCOME

	Six months ended 30 June 2019 *RMB'000* **(unaudited)**	Six months ended 30 June 2018 *RMB'000* (unaudited)
Bank interest income	**2**	11
Sundry income	**168**	931
	170	942

7. OTHER GAINS (LOSSES), NET

	Six months ended 30 June 2019 *RMB'000* (unaudited)	Six months ended 30 June 2018 *RMB'000* (unaudited)
Loss on early repayment of promissory notes	**–**	(6,160)
Impairment losses recognised on loans receivable	**(160)**	–
Exchange gains, net	**1,438**	1,822
	1,278	(4,338)

8. FINANCE COSTS

	Six months ended 30 June 2019 *RMB'000* (unaudited)	Six months ended 30 June 2018 *RMB'000* (unaudited)
Interest on:		
— promissory notes payable	**3,626**	7,534
— corporate bonds payable	**8,322**	7,758
— lease liabilities	**52**	–
	12,000	15,292

9. LOSS BEFORE TAX

	Six months ended 30 June 2019 *RMB'000* (unaudited)	Six months ended 30 June 2018 *RMB'000* (unaudited)
Loss before tax has been arrived at after charging:		
Directors' emoluments	**575**	825
Other staff costs	**3,907**	3,294
Retirement benefits scheme contributions, excluding directors	**126**	208
Total staff costs	**4,608**	4,327
Amortisation of prepaid land lease payments	**–**	410
Amortisation of other intangible assets	**–**	13,405
Depreciation of property, plant and equipment	**103**	3,458
Depreciation of right-of-use assets	**1,341**	–
Operating lease rentals in respect of rented premises	**–**	1,946
Rental expenses for short-term lease	**1,093**	–

10. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June 2019 *RMB'000* **(unaudited)**	Six months ended 30 June 2018 *RMB'000* (unaudited)
Hong Kong Profits Tax	**207**	175
PRC Enterprise Income Tax	**119**	1,547
Current tax	**326**	1,722
Deferred tax credit	**(38)**	(3,351)
Income tax expense (credit)	**288**	(1,629)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits for the period.

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 periods presented.

11. DIVIDEND

No dividends were paid or declared during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2019 *RMB'000* **(unaudited)**	2018 *RMB'000* (unaudited)
Loss		
Loss for the purpose of basis loss per share		
Loss for the period attributable to the owners of the Company	**(16,361)**	(33,202)
Loss for the purpose of diluted loss per share	**N/A**	N/A

	Six months ended 30 June	
	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**11,024,220**	4,700,728
Weighted average number of ordinary shares for the purpose of diluted loss per share	**11,024,220**	4,700,728

The computation of diluted loss per share for the six months ended 30 June 2018 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for that period. No diluted loss per share is presented as, except as aforementioned, the Company has no potential shares in issue for both of the periods presented.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired approximately RMB243,000 property, plant and equipment (six months ended 30 June 2018: Nil). Depreciation of property, plant and equipment recognised in respect of the current period amounted to RMB103,000 (six months ended 30 June 2018: RMB3,458,000).

14. PLANTATION FOREST ASSETS

	Hengchang Forest	**Kunlin Forest**	**Senbo Forest**	**Ruixiang Forest**	**Wantai Forest**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018 (audited)	206,000	55,400	66,300	143,000	–	470,700
Additions	274	–	–	–	–	274
At 30 June 2018 (unaudited)	206,274	55,400	66,300	143,000	–	470,974
Acquisition of subsidiary	–	–	–	–	115,122	115,122
Additions	58	–	–	–	–	58
Harvested timber transferred to cost of inventories sold	(2,195)	–	(1,415)	(2,239)	–	(5,849)
Changes in fair value less costs to sell	(15,137)	(100)	(1,785)	239	10,878	(5,905)
At 31 December 2018 and at 1 January 2019 (audited)	189,000	55,300	63,100	141,000	126,000	574,400
Additions	–	–	–	–	–	–
At 30 June 2019 (unaudited)	189,000	55,300	63,100	141,000	126,000	574,400

(a) Hengchang Forest

On 28 May 2013, the Group acquired the entire equity in China Timbers Limited ("**China Timbers**") and its subsidiaries (collectively referred to as the "**China Timbers Group**") which are principally engaged in the operation and management of the forest in Jiange County, Sichuan Province in the PRC ("**Hengchang Forest**"). The Hengchang Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Hengchang Forest. During the period under review, no timber logs in respect of the Hengchang Forest were harvested (six months ended 30 June 2018: nil). As at 30 June 2019, the Hengchang Forest is estimated to comprise approximately 1,389 hectares of cypress trees with no tree plantations aged 40 years or older.

(b) Kunlin Forest

On 26 February 2016, the Group acquired the entire equity interest in Exceed Target Investment Group Limited ("**Exceed Target**") and its subsidiaries (collectively referred to as the "**Exceed Target Group**") which are principally engaged in the operation and management of the forest in Zhengxing Town, Jiange County, Sichuan Province, the PRC ("**Kunlin Forest**"). Jiange Kunlin Linye Company Limited was transferred from Exceed Target Group to China Timbers Group on 14 November 2018. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the period under review, no timber logs in respect of the Kunlin Forest were harvested (six months ended 30 June 2018:nil). As at 30 June 2019, the Kunlin Forest is estimated to comprise of approximately 642 hectares of cypress with no tree plantations aged 40 years or older.

(c) Senbo Forest

On 11 October 2016, the Group acquired the entire equity interest in Huxiang International Holdings Limited ("**Huxiang**") and its subsidiaries (collectively referred to as the "**Huxiang Group**") which principally holds plantation forest assets in Yixing Town, Jiange County, Sichuan Province, the PRC ("**Senbo Forest**"). The Senbo Forest had a total leasehold land base of approximately 13,219 Chinese Mu (equivalent to approximately 881 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Senbo Forest. During the period under review, no timber logs in respect of the Senbo Forest were harvested (six months ended 30 June 2018: nil). As at 30 June 2019, the Senbo Forest is estimated to comprise of approximately 881 hectares of cypress with approximately 171 hectares of tree plantations aged 40 years or older.

(d) Ruixiang Forest

On 6 June 2017, the Group acquired the entire equity interest in Garden Glaze Limited ("**Garden Glaze**") and its subsidiaries (collectively referred to as the "**Garden Glaze Group**") which principally holds plantation forest assets in Longyuanzhen, Houshixiang and Dianzixiang Town, Jiange County of the Sichuan Province in the PRC ("**Ruixiang Forest**"). The Ruixiang Forest had a total leasehold land base of approximately 30,653 Chinese Mu (equivalent to approximately of 2,044 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Ruixiang Forest. During the period under review, no timber logs in respect of the Ruixiang Forest were harvested (six months ended 30 June 2018: nil). As at 30 June 2019, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares of cypress trees with approximately 9 hectares of tree plantations with aged 40 years or older.

(e) Wantai Forest

On 24 August 2018, the Group acquired the entire equity interest in Today Bridge Limited ("**Today Bridge**") and its subsidiaries (collectively referred to as the "**Today Bridge Group**") which principally holds plantation forest assets in Kaifeng Town, Yingshui Village, Guangping Village, Zheba Village, Jiange County of the Sichuan Province in the PRC ("**Wantai Forest**"). The Wantai Forest had a total leasehold land base of approximately 42,814 Chinese Mu (equivalent to approximately of 2,854 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Wantai Forest. During the period under review, no timber logs in respect of the the Wantai Forest were harvested. As at 30 June 2019, the Wantai Forest is estimated to comprise approximately 2,854 hectares of cypress with no tree plantations with aged 40 years or older.

(f) Valuation of plantation forest assets

Management is of the view that the fair value less cost to sell of the Group's plantation forest assets at 30 June 2019 approximates those as at 31 December 2018 and that there has been no significant change in fair value of the Group's plantation forest assets since 31 December 2018.

(g) Other risks associated with the plantation forest assets

The Group is exposed to a number of risks related to its plantation forest assets:

Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC 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.

Climate and other risks

The State Council of the PRC manages the country's harvesting activities by imposing annual logging quotas which are determined by the local forestry authorities. Other than the above-mentioned quotas, the Group's revenue also depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. The Group's standing timbers are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

15. TRADE AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade receivables	**26,907**	30,436
Other receivables	**95,697**	96,453
	122,604	126,889

The Group generally allows an average credit period of 90 days (31 December 2018: 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 the invoice dates:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0–90 days	**758**	26,938
91–180 days	**1,341**	3,251
181–365 days	**24,808**	247
	26,907	30,436

16. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade payables	**2,448**	3,443
Consideration payable for acquisition of subsidiary	**7,379**	7,350
Other payables	**9,521**	7,423
Receipt in advance	**3,364**	–
Deposits received	**1,131**	1,039
Accrued charges	**1,698**	1,921
Lease liabilities	**2,952**	–
	28,493	21,176

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:

	30 June 2019 *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
0–30 days	**450**	342
31–90 days	**930**	1,472
Over 90 days	**1,068**	1,629
	2,448	3,443

17. PROMISSORY NOTES PAYABLE

	30 June 2019 *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
Promissory notes payable		
— issued on 6 June 2017 *(Note b)*	**23,103**	21,872
— issued on 15 August 2018 *(Note d)*	**26,423**	23,783
	49,526	45,655
Carrying amount of promissory notes payable		
— Within one year	**23,103**	21,872
— More than one year, but not exceeding two years	**26,423**	23,783
	49,526	45,655
Less: Amount shown under current liabilities	**23,103**	21,872
Amount shown under non-current liabilities	**26,423**	23,783

Notes:

(a) 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 the entire interest in China Timbers and its subsidiaries.

Under the agreement relating to the Note A, the Note A, which is unsecured, carries 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 its 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.

On 23 May 2018, the Company entered into a supplementary agreement to amend certain terms and conditions of the Note A, pursuant to which the parties thereto agreed to extend the maturity date of the Note A with the principal amount of HK$27,503,000 from 28 May 2018 to 28 August 2018.

During the year ended 31 December 2018, the Company fully redeemed the Note A with the principal amount of HK$27,503,000 for a total cash consideration of HK$17,740,000 and RMB8,000,000 (equivalent to a total of RMB23,201,000).

(b) Promissory note issued on 6 June 2017 (the "Note B")

On 6 June 2017, the Company issued the Note B with the principal amount of HK$170,000,000 as the consideration for acquisition of the entire interest in Garden Glaze and its subsidiaries.

Under the agreement relating to the Note B, the Note B is unsecured, carries interest at 5% per annum and is payable on the maturity date of 5 June 2019. On 3 June 2019, the Company entered into a supplemental deed to amend certain terms and conditions of the Note B, pursuant to which the parties thereto agreed to extend the maturity date of the Note B, with the principal amount of HK$23,800,000 from 5 June 2019 to 5 July 2019. The Company is also entitled to redeem the whole or part the Note B at any time before the maturity date by 7 business days advance notice.

The fair value of the Note B at the date of its issue was estimated to be HK$148,516,000 (equivalent to RMB129,473,000) as valued by Ascent Partners, using the effective interest rate of 12.21% per annum.

As at 30 June 2019, the Note B with the principal amount of HK$23,800,000 (31 December 2018: HK$23,800,000) remained outstanding. The effective interest rate in respect of the Note B at 30 June 2019 is 12.21% per annum (31 December 2018:12.21% per annum).

(c) Promissory note issued on 21 November 2017 (the "Note C")

On 21 November 2017, the Company issued the Note C with the principal amount of RMB95,000,000 as part of the consideration for acquisition of the entire interest in Xiangyin Chong Sheng Chi Yip Limited.

Under the agreement relating to the Note C, the Note C is unsecured, carries interest at 3.5% per annum and is payable on the maturity date of 20 November 2019. The Company is also entitled to redeem the whole or part of the Note C at any time after the issue date to one day before the maturity date by 10 business days advance notice.

The fair value of the Note C at the date of its issue was estimated to be RMB79,239,000 as valued by Ascent Partners, using the effective interest rate of 13.34% per annum.

During the year ended 31 December 2018, the Company fully redeemed the Note C with the amount of RMB95,000,000 for a total cash consideration of HK$116,242,000 (equivalent to RMB98,062,000).

(d) Promissory note issued on 15 August 2018 (the "Note D")

On 15 August 2018, the Company issued the Note D with the principal amount of HK$34,100,000 as part of the consideration for acquisition of the entire interest in Today Bridge and its subsidiaries.

Under the agreement relating to the Note D, the Note D is unsecured, carries interest at 5% per annum and is payable on the maturity date of 14 August 2020. The Company is also entitled to redeem the whole or part of the Note D at any time after the issue date to one day before the maturity date.

The fair value of the Note D at the date of its issue was estimated to be HK$24,934,000 (equivalent to RMB21,825,000) as valued by B.I. Appraisals, an external valuer, using the effective interest rate of 23.27% per annum.

At 30 June 2019, the Note D with the principal amount of HK$34,100,000 (31 December 2018: HK$34,100,000) remained outstanding. The effective interest rate in respect of the Note D at 30 June 2019 is 23.27% per annum (31 December 2018: 23.27% per annum).

18. CORPORATE BONDS PAYABLE

	30 June 2019 *RMB'000* **(unaudited)**	31 December 2018 *RMB'000* (audited)
Unsecured corporate bonds payable:		
— Within one year	**77,485**	47,670
— More than one year, but not exceeding two years	**107,058**	26,885
— More than two years, but not exceeding five years	**44,324**	112,755
— More than five years	**–**	34,701
	228,867	222,011
Less: Amount shown under current liabilities	**(77,485)**	(47,670)
Amount shown under non-current liabilities	**151,382**	174,341

(a) On 30 June 2019, the unsecured corporate bonds with the principal amount of HK$259,770,000 (31 December 2018: HK$253,200,000) remained outstanding. The effective interest rate of the unsecured corporate bonds ranged from 4.154% to 12.367% per annum.

(b) During the six months ended 30 June 2019, the Company issued unsecured corporate bonds with the aggregate principal amounts of HK$12,550,000, which gave rise to total proceeds of HK$12,550,000 (equivalent to RMB10,850,000). The corporate bonds, which carry interest at interest rate range from 4.915% to 5.014% per annum, are wholly repayable by the Company at the end of the maturity period of six months to one year from the respective dates of issue.

(c) On 24 May 2019, the bondholders agreed with the Company to extend the repayment of one of the unsecured corporate bonds with the aggregate principal amounts of HK$12,000,000, with original maturity date at 24 May 2019 to 24 June 2019. On 28 June 2019, the Company entered into an agreement with the bondholders, under which this unsecured corporate bond with the same coupon rate plus a penalty charge of approximately HK$5,000, is repayable by three instalments, the last of which falls due on 24 August 2019.

(d) During the six months ended 30 June 2019, part of the unsecured corporate bonds with aggregate principal amount of HK$7,000,000 were repaid by the Company.

19. SHARE CAPITAL

	Number of ordinary shares '000	Nominal amount HK$'000
Authorised:		
Ordinary shares of HK$0.002 per share		
At 31 December 2018 (audited) and 30 June 2019 (unaudited)	50,000,000	100,000

	Number of ordinary shares '000	Nominal amount HK$'000	Carrying amount RMB'000
Issued and fully paid:			
Ordinary shares of HK$0.002 per share			
At 31 December 2018 (audited) and 30 June 2019 (unaudited)	11,024,220	22,048	19,016

20. PLEDGE OF ASSETS

As at 30 June 2019 and 31 December 2018, there was no pledge of assets of the Group.

21. OPERATING LEASE COMMITMENTS

The Group had the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2019 ***RMB'000*** **(unaudited)**	31 December 2018 *RMB'000* (audited)
Within one year	–	2,273
In the second to fifth years inclusive	–	835
	–	3,108

22. RELATED PARTY TRANSACTIONS

In additions to the transactions with related parties disclosed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following related party transactions during the period.

Remuneration of directors and other members of key management:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Salaries and other allowances	**1,327**	1,571
Retirement benefits scheme contributions	**8**	7
	1,335	1,578

23. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

The following events took place subsequent to 30 June 2019:

(a) In July 2019, the Company repaid part of the corporate bonds (as detailed in note 18(c)), with the principal amount of HK$2,000,000 for a cash consideration of HK$2,000,000.

(b) In July 2019, the Company entered into an agreement with the holder of the promissory notes (detailed in note 17(b)), for the revision of the terms of the promissory note, under which the promissory note with the principal amount of HK$23,800,000 is repayable by fourteen instalments commencing from 10 September 2019, with the last instalment falling due on 10 February 2020.

(c) In August 2019, the Company entered into a non-legally binding memorandum of understanding (the "**MOU**") with a potential vendor, pursuant to which the Company intends to acquire part of the issued share capital in a company (the "**Target Company**"). The Target Company and its subsidiary are principally engaged in the business of research and development, sale and production of smart phones in the PRC. The consideration and other terms for the proposed acquisition are yet to be agreed by the Company and the potential vender.

(d) In July 2019, the Group entered into an agreement with a third party, under which the Group agreed to acquire 100% equity interest in an entity (the "**Target Company**"), for a consideration of approximately HK$59,530,000 which is to be satisfied by the issue of 2,204,800,000 new ordinary shares of the Company. The Target Company, through its subsidiary established in the PRC, is principally engaged in the trading of fuel, petroleum and oil related products. In August 2019, the Group and the third party entered into a deed of termination, under which the proposed acquisition of 100% equity interest in the Target Company by the Group was terminated and no party shall have any claim against the other in connection with the proposed acquisition.

(e) In August 2019, the Company announced for the proposal of the share consolidation, under which 40 issued ordinary shares of HK$0.002 each of the Company will be consolidated into one ordinary share of HK$0.08 each. The proposed share consolidation is subject to, inter alia, the approval by the shareholders of the Company.

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.

Forestry management business

As at 30 June 2019, 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), 13,219 Chinese Mu (equivalent to approximately of 881 hectares), 30,653 Chinese Mu (equivalent to approximately 2,044 hectares) and 42,814 Chinese Mu (equivalent to approximately of 2,854 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**"), Longyuanzhen, Houshixiang and Dianzixiang town of Jiange County of Sichuan Province (the "**Ruixiang Forest**") and Kaifeng Town, Yingshui village, Guangping village, Zheba village, Jiange County of the Sichuan Province (the "**Wantai Forest**" together with the Hengchang Forest, Kunlin Forest, Senbo Forest and Ruixiang Forest, the "**Forests**"), 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. As at 30 June 2019, the Hengchang Forest was estimated to comprise of approximately 1,403 hectares of cypress.

The Kunlin Forest is held by China Timbers Limited ("**China Timbers**", together with its subsidiaries "**China Timber Group**") through its wholly-owned subsidiaries. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 hectares). As at 30 June 2019, the Kunlin Forest is estimated to comprise of approximately 642 hectares of cypress.

The Senbo Forest is held by Huxiang International Holdings Limited ("**Huxiang**" together with its subsidiaries "**Huxiang Group**"), through its wholly-owned subsidiaries. Huxiang was acquired by the Group on 11 October 2016. As at 30 June 2019, the Senbo Forest was estimated to comprise of approximately 881 hectares of cypress with approximately 171 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. As at 30 June 2019, the Ruixiang Forest was estimated to comprise of approximately 2,044 hectares of cypress with approximately 9 hectares of tree plantations aged 40 years or older.

On 24 August 2018, the Group acquired the entire equity interest in Today Bridge Limited ("**Today Bridge**") and its subsidiaries (collectively referred to as the "**Today Bridge Group**") which principally holds plantation forest assets in Kaifeng Town, Yingshui village, Guangping village, Zheba village, Jiange County of the Sichuan Province in the PRC ("**Wantai Forest**"). The Wantai Forest had a total leasehold land base of approximately 42,814 Chinese Mu (equivalent to approximately of 2,854 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Wantai Forest. As at 30 June 2019, the Wantai Forest is estimated to comprise approximately 2,854 hectares of cypress.

The Hengchang Forest, the Kunlin Forest, the Senbo Forest, the Ruixiang Forest and the Wantai Forest have 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 Hengchang Forest, the Kunlin Forest, the Senbo Forest, the Ruixiang Forest and the Wantai Forest to the Group for the six months ended 30 June 2019.

No harvesting work has been carried out on such assets for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

Money lending business

The Company's wholly-owned subsidiary, namely Forever Biosource (Credit) Limited, is engaged in money lending business and recorded approximately RMB3.5 million (six months ended 30 June 2018: RMB2.4 million) as interest income for the six months ended 30 June 2019.

Container houses business

Generally, 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 also involved in the forest land business in the foreseeable future, it has the capability to provide sufficient raw materials to satisfy the demand of wood materials in container house business.

During the year ended 31 December 2018, the Board noted that there were changes in economic and regulatory environments of container house business in the PRC. To better allocate resources for the Group and to realize the Group's investment in its container house business, as set out in the announcements of the Company dated 7 December 2018 and 14 December 2018, on 14 December 2018, the Group disposed Exceed Target Investment Group Limited and its subsidiaries, including the then operating subsidiary Xiangyin Chong Sheng Chi Yip Limited* (湘陰中箱置業有限公司), which engaged in container house business.

The Group currently conducts container house business through Shenzhen Heng Fu Delaisi Intelligent Housing Limited* (深圳恒富得萊斯智能房屋有限公司) and the relevant PRC subsidiaries.

* *for identification purpose only*

For the six months ended 30 June 2019, the Group achieved a revenue of RMB3.28 million (six months ended 30 June 2018: RMB10.13 million), which accounted for 48.5% of the total revenue.

FINANCIAL REVIEW

Revenue

During the period under review, the Company recorded a revenue of RMB6.76 million (six months ended 30 June 2018: RMB12.51 million). The Group's revenue for the current period is attributable to the revenue from the container houses business and money lending business of the Group.

Interest income of approximately RMB3.5 million (six months ended 30 June 2018: RMB2.4 million) from the money lending business has been recognised for the six months ended 30 June 2019.

Management services income of approximately RMB3.08 million (six months ended 30 June 2018: RMB6.71 million) from container houses business has been recognised for the six months ended 30 June 2019.

Rental income of approximately RMB0.19 million (six months ended 30 June 2018: RMB3.42 million) from container houses business has been recognised for the six months ended 30 June 2019.

For the six months ended 30 June 2019, no revenue was recorded for the forestry management business.

Cost of Sales

The cost of sales of the Group for the six months ended 30 June 2019 is mainly attributable to labour costs and other direct costs in the container houses business.

Valuation of Plantation Forest Assets

Management is of the view that the fair value less cost to sell of the Group's plantation forest assets at 30 June 2019 approximates those as at 31 December 2018 and that there has been no significant change in fair value of the Group's plantation forest assets since 31 December 2018.

Biological Assets

The biological assets of the Group represent the plantation forest assets situated in Jiange County of Sichuan Province.

Movements of biological assets are as follows:

	Hengchang Forest *RMB'000*	Kunlin Forest *RMB'000*	Senbo Forest *RMB'000*	Ruixiang Forest *RMB'000*	Wantai Forest *RMB'000*	Total *RMB'000*
At 1 January 2018 (audited)	206,000	55,400	66,300	143,000	–	470,700
Additions	274	–	–	–	–	274
At 30 June 2018 (unaudited)	206,274	55,400	66,300	143,000	–	470,974
Acquisition of subsidiary	–	–	–	–	115,122	115,122
Additions	58	–	–	–	–	58
Harvested timber transferred to cost of inventories sold	(2,195)	–	(1,415)	(2,239)	–	(5,849)
Changes in fair value less costs to sell	(15,137)	(100)	(1,785)	239	10,878	(5,905)
At 31 December 2018 and at 1 January 2019 (audited)	189,000	55,300	63,100	141,000	126,000	574,400
Additions	–	–	–	–	–	–
At 30 June 2019 (unaudited)	189,000	55,300	63,100	141,000	126,000	574,400

(a) Hengchang Forest

On 28 May 2013, the Group acquired the entire equity in **China Timbers**. **China Timbers Group** are principally engaged in the operation and management of **Hengchang Forest**. The Hengchang Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Hengchang Forest. During the period under review, no timber logs in respect of the Hengchang Forest were harvested (six months ended 30 June 2018: nil). As at 30 June 2019, the Hengchang Forest is estimated to comprise approximately 1,389 hectares of cypress trees.

(b) Kunlin Forest

On 26 February 2016, the Group acquired the entire equity interest in Exceed Target Investment Group Limited ("**Exceed Target**") and its subsidiaries (collectively referred to as the "**Exceed Target Group**") which are principally engaged in the operation and management of the forest in Zhengxing Town of Jiange County of Sichuan Province in the PRC. Jiange Kunlin Linye Company Limited* was transferred from Exceed Target Group to China Timbers Group on 14 November 2018. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the period under review, no timber logs in respect of the Kunlin Forest were harvested (six months ended 30 June 2018:nil). As at 30 June 2019, the Kunlin Forest is estimated to comprise of approximately 642 hectares of cypress.

(c) Senbo Forest

On 11 October 2016, the Group acquired the entire equity interest in **Huxiang**. **Huxiang Group** principally holds plantation forest assets in Senbo Forest. The Senbo Forest had a total leasehold land base of approximately 13,219 Chinese Mu (equivalent to approximately 881 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Senbo Forest. During the period under review, no timber logs in respect of the Senbo Forest were harvested (six months ended 30 June 2018: nil). As at 30 June 2019, the Senbo Forest is estimated to comprise of approximately 881 hectares of cypress with approximately 171 hectares of tree plantations aged 40 years or older.

(d) Ruixiang Forest

On 6 June 2017, the Group acquired the entire equity interest in **Garden Glaze**. **Garden Glaze Group** principally holds plantation forest assets in Ruixiang Forest. The Ruixiang Forest had a total leasehold land base of approximately 30,653 Chinese Mu (equivalent to approximately of 2,044 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Ruixiang Forest. During the period under review, no timber logs in respect of the Ruixiang Forest were harvested (six months ended 30 June 2018: nil). As at 30 June 2019, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares of cypress trees with approximately 9 hectares of tree plantations with aged 40 years or older.

(e) Wantai Forest

On 24 August 2018, the Group acquired the entire equity interest in Today Bridge. Today Bridge Group principally holds plantation forest assets in Wantai Forest. The Wantai Forest had a total leasehold land base of approximately 42,814 Chinese Mu (equivalent to approximately of 2,854 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Wantai Forest. During the period under review, no timber logs in respect of the Wantai Forest were harvested (six months ended 30 June 2018: nil). As at 30 June 2019, the Wantai Forest is estimates to comprise of approximately 2,854 hectares of cypress.

Selling and Distribution Costs

The selling and distribution costs recognised for the six months ended 30 June 2019 amounted to approximately RMB0.2 million (six months ended 30 June 2018: nil). The selling and distribution costs were mainly attributable to the transportation costs incurred.

Administrative Expenses

The administrative expenses decreased by approximately 67% from approximately RMB26.3 million for six months ended 30 June 2018 to approximately RMB8.7 million for the six months ended 30 June 2019. The decrease in administrative expenses was mainly attributable to no amortisation cost of other intangible assets recognised for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB13.4 million).

Impairment loss recognised in respect of trade receivables

No impairment loss was recognised in respect of trade receivables for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

Finance Costs

The finance costs include mainly interests on (i) the promissory notes (being the Note B as stated below), bearing 5% interest rate per annum and with the principal amount of HK$23,800,000 issued on 6 June 2017; (ii) the promissory notes (being the Note D as stated below), bearing 5% interest rate per annum with the principal amount of HK$34,100,000 issued on 15 August 2018; (iii) the corporate bonds with the aggregate principal amounts of HK$259,770,000 bearing interest rates ranged from 4.154% to 12.367% per annum.

Income Tax Credit/Expenses

For the six months ended 30 June 2019, the income tax expense was approximately RMB0.3 million (six month ended 30 June 2018: income tax credit RMB1.6 million), which was attributable to the Hong Kong Profits Tax and the PRC tax imposed on profits of the subsidiaries less the PRC deferred tax credit.

Loss and Total Comprehensive Expense Attributable to Owners of the Company

Loss for the period under review was approximately RMB16.4 million (six months ended 30 June 2018: RMB33.2 million).

As a result of the above changes, the Company has recorded a loss of approximately RMB16.4 million for the six months ended 30 June 2019, compared to a loss of approximately RMB33.2 million for the six months ended 30 June 2018. The total comprehensive expense attributable to owners of the Company was approximately RMB17.2 million for the six months ended 30 June 2019, as compared to a total comprehensive expense of approximately RMB36.3 million for the six months ended 30 June 2018.

Loss Per Share

Basic loss per share for the six months ended 30 June 2019 amounted to approximately RMB0.15 cents (six months ended 30 June 2018: RMB0.71 cents).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 70 employees and management personnel as compared to 91 employees and management personnel as at 30 June 2018. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB4.6 million (six months ended 30 June 2018: RMB4.3 million). The Group's remuneration policy is in line with the prevailing market standards and is determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

The Group has adopted a share option scheme pursuant to which the Directors may grant options to eligible participants including Directors, employees or consultants of the Group to acquire shares of the Company. The Directors consider that the share option scheme could attract and retain the best available personnel, provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and promote the success of the business of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows, bank borrowings and certain net proceeds from fund raising activities. As at 30 June 2019, the Group had total assets of approximately RMB895.3 million and net assets of approximately RMB583.4 million. The Group's cash and bank balances as at 30 June 2019 amounted to approximately RMB4.32 million. As at 30 June 2019, there was no unutilised banking facilities (30 June 2018: nil).

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

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 B**") 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 Jiange 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 B 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 B with the principal amount of HK$86,200,000 for cash consideration of HK$86,200,000. During the year ended 31 December 2018, the Company redeemed part of the Note B with the principal amount of HK$60,000,000 for cash consideration of HK$60,000,000. On 3 June 2019, the Company entered into a supplemental deed to amend certain terms and conditions of the Note B, pursuant to which the parties thereto agreed to extend the maturity date of the Note B, with the principal amount of HK$23,800,000 from 5 June 2019 to 5 July 2019. At 30 June 2019, the Note B with the principal amount of HK$23,800,000 remained outstanding.

Promissory note issued on 15 August 2018 (the "Note D")

On 15 August 2018, the Company issued the Note D with the principal amount of HK$34,100,000 as part of the consideration for acquisition of the entire interest in Today Bridge and its subsidiaries. The Note D is unsecured, carries interest at 5% per annum and is payable on the maturity date of 14 August 2020. The Company is also entitled to redeem the whole or part of the Note D at any time after the issue date to one day before the maturity date by 7 business days advance notice.

At 30 June 2019, the Note D with the principal amount of HK$34,100,000 (31 December 2018: HK$34,100,000) remained outstanding.

PLEDGE OF ASSETS

As at 30 June 2019, there was no pledge of assets of the Group.

MATERIAL LITIGATION

As at 30 June 2019, the Group was not involved in any material litigation or arbitration.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

* *for identification purpose only*

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the six months ended 30 June 2019, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 34.8% as at 30 June 2019 (31 December 2018: 32.5%).

As at 30 June 2019, promissory notes with the principal amount of HK$57.9 million remained outstanding and the corporate bonds with the principal amount of HK$259.77 million remained outstanding.

CAPITAL STRUCTURE

The share capital of the Group comprises only ordinary shares. As at 30 June 2019, the total number of the ordinary shares of the Company in issue was 11,024,220,415 shares (31 December 2018: 11,024,220,415 shares). The total equity attributable to the owners of the Company was approximately RMB583.4 million (31 December 2018: approximately RMB600.6 million).

CAPITAL COMMITMENTS

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

UPDATE OF THE 2019 FIRST HALF-YEARLY PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF HENGFUDELAISI

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* (深圳恒富得萊斯智能房屋有限公司) ("**Hengfudelaisi**"). The entire consideration of the acquisition was RMB250,000,000, of which 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.

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 paid 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.

Reference is also made to the Company's annual report 2017, the profit guarantee of RMB31,500,000 for the period from 1 July 2017 to 31 December 2017 was not met. As the target group (including Gorgeous City Investment Limited and its subsidiaries including Hengfudelaisi) ("**Hengfu Group**") 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.

Reference is also made to the Company's announcement dated 17 August 2018, the profit guarantee of RMB38,500,000 for the period from 1 January 2018 to 30 June 2018 was not met. As the Hengfu Group failed to meet 70% of the profit guarantee for the period 1 January 2018 to 30 June 2018, no consideration or any part thereof was paid to the respective vendors for the period from 1 January 2018 to 30 June 2018.

Reference is also made to the Company's announcement dated 13 March 2019, the profit guarantee of RMB45,500,000 for the period from 1 July 2018 to 31 December 2018 was not met. As the Hengfu Group failed to meet 70% of the profit guarantee for the period 1 July 2018 to 31 December 2018, no consideration or any part thereof was paid to the respective vendors for the period from 1 July 2018 to 31 December 2018.

Reference is also made to the Company's announcement dated 28 August 2019, the profit guarantee of RMB52,500,000 for the period from 1 January 2019 to 30 June 2019 was not met. As the Hengfu Group failed to meet 70% of the profit guarantee for the period 1 January 2019 to 30 June 2019, no consideration or any part thereof was paid to the respective vendors for the period from 1 January 2019 to 30 June 2019 in accordance with the terms of the agreement of the acquisition dated 22 April 2016.

In view of the above, subject to the final confirmation of the net profit after taxation of the Hengfu Group during 1 January 2019 to 30 June 2019 through an audit on the financial statements of the Hengfu Group, the Company will inform the respective vendors if they are obliged to compensate the Company in accordance with the terms of the Acquisition Agreement.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed in this announcement, there were no significant investment held or material acquisitions and disposals of subsidiaries for the six months period ended 30 June 2019.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to acting in an environmentally responsible manner, the Group strives to ensure minimal environmental impacts by carefully managing our energy consumption, water usage and waste production, such as using LED lamps, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy. At office level, the Company has implemented green initiatives and encourage staff to join environmental related training, resulted in more efficient use of resources, as well as reduction of waste.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group. Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need. The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group's approach to tackle them.

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities in the PRC. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Major risks associated with the plantation assets

The major risks associated with the plantation assets involve (i) regulatory and environmental risks; (ii) climate and other risks; and (iii) supply and demand risk. The Group tackled the risks by (i) performing regular reviews is identify environmental risks and to ensure that the systems in place are adequate to manage those risks; (ii) monitoring and mitigating climate and other risks with measures including regular forest health inspections and industry pest and disease surveys; (iii) performing regular industry trend analyses to ensure that the Group's pricing structure is in line with market, and that the provided harvest volumes are consistent with the expected demand.

Currency risk

No revenue derived by the Group in respect of the period ended 30 June 2019 was denominated in foreign currencies. Substantially all of the costs incurred for the period ended 30 June 2019 was denominated in functional currencies of the group entities. As at 30 June 2019, the Group had no significant monetary assets and liabilities which were denominated in foreign currencies. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

As at 30 June 2019, the Group was also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As disclosed in the Company's announcement dated 6 August 2019, the Company, as potential purchaser (the "**Potential Purchaser**"), entered into a non-legally binding memorandum of understanding (the "**MOU**") with a potential vendor (the "**Potential Vendor**"). Pursuant to the MOU, the Company intends to acquire (the "**Proposed Acquisition**") part of the issued share capital in a company (the "**Target Company**"). As at the date of the MOU, the Potential Vendor holds the entire issued share capital of the Target Company. The Target Company and its subsidiary (the "**Target Group**") are principally engaged in the business of research and development, sale and production of smart phones in the Peoples' Republic of China. The consideration for the Proposed Acquisition and the manner of payment shall be further negotiated between the Company and the Potential Vendor and be determined in the formal agreement.

Pursuant to the MOU, the Company may conduct due diligence review on, including but without limitation, the financial, legal affairs and business of the Target Group upon signing of the MOU. The Potential Vendor shall use their best endeavours to procure the Target Group and its agent to provide such assistance and information as is necessary for the Company to complete its due diligence review on the Target Group.

During the period of 90 days from the date of the MOU (or such other date as agreed between the Company and the Potential Vendor) (the "**Exclusivity Period**"), the Potential Vendor shall not directly or indirectly negotiate or agree with any other party with respect to the disposal of the Target Group.

For the reasons and the benefits of the proposed acquisition, which is in order to maximise return to the Company and the shareholders of the Company in the long run, the Directors consider that it is in the interest of the Company to enter into the MOU to explore the possibility of diversification of the business of the Group. The Board was informed by the Potential Vendor that the Target Group has a contract for the sale and production of one million smart phones with net profit of approximately RMB200 million. The Proposed Acquisition, should it materialise, will enhance the corporate development of the Group which will be in the best interests of the Company and its shareholders as a whole.

PROSPECT AND OUTLOOK

Against the backdrop of unresolved trade and political friction among different nations, global economic outlook remains cloudy. Looking forward to the second half of 2019, it is expected that the global industrial production will slow down and trade tensions will persist, and there are still uncertain factors affecting the recovery of the world economy. The external environment of Chinese economic operation is still complicated with various uncertain factors, and the economy is under greater downward pressure.

The Company has been actively exploring possibility of diversification of the business of the Group in order to maximize return to the Company and the shareholders of the Company in the long run. In the second half of 2019, the Group will continue to seize the opportunity, exert the advantages of collectivisation, integration and large scale, optimise the resources allocation and integrated management, persistently enhance core competition advantage and propel sustainable and healthy development.

The Group is also confident in increasing the output while lowering the production costs on an ongoing basis to deliver promising operating results. Meanwhile, we will continue to enhance the innovation in respect of technologies and management to create higher return for our shareholders.

PROPOSED SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

As set out in the circular of the Company dated 23 August 2019, the Board has proposed to implement the share consolidation on the basis that every forty (40) existing shares of the Company be consolidated into one (1) consolidated share. Conditional upon the said proposed share consolidation becoming effective, the Board proposed to change the board lot size of trading on the Stock Exchange from 40,000 existing shares of the Company to 10,000 consolidated shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the six months ended 30 June 2019.

SHARE OPTION SCHEME

The Extraordinary General Meeting (the "**EGM**") held on 24 October 2018, the ordinary resolution (the "**Resolution**") as set out in the EGM Notice dated 9 October 2018 was duly passed by its shareholders to refresh and renew the existing scheme mandate limit of the share option scheme adopted by the Company on 15 September 2009.

On 1 December 2017, shares options were granted to certain eligible participants (the "**Grantees**") to subscribe for up to an aggregate of 339,842,722 ordinary Shares of the Company of HK$0.087 each in the share capital of the Company under the Scheme, which represented 10% of issued share capital of the Company as at the date of approval of the Scheme.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe the Shares as it may determine in accordance with the terms of the Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

The Company shall be entitled to issue options, provided that the total number of the Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Scheme of the Company shall not exceed 10% of the aggregate Shares in issue at the date when the Shares were first listed on the Stock Exchange, which is 1,102,422,041 Shares.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company for the time being.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

At the time of the grant of the options, the Company will specify the minimum period for which an option must be held before it can be exercised. The Scheme does not require any such minimum period. The period within which the option must be exercised will be specified by the Company at the time of grant. Such period must expire no later than 10 years from the relevant date of grant (being the date of which the Board resolves to make an offer of options to the relevant grantee).

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option to a participant, which must be a trading day (i.e. any day on which the Stock Exchange is open for business of dealing in securities); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of an option to a participant; and (iii) the nominal value of a Share on the date of offer of an option to a participant, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Main Board for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before listing.

The Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No share options were granted under the Scheme during the six months ended 30 June 2019 and there were no share options outstanding as at 30 June 2019.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted all the code provisions (the "**Code Provisions**") contained in the Corporate Governance Code (the "**CG Code**") as set out in the Appendix 14 to the Listing Rules as the Company's code on corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the six months ended 30 June 2019, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8 and A.4.1 as addressed below:

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

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

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (For the six months ended 30 June 2018: nil).

CHANGES IN INFORMATION OF DIRECTOR

During the period under review and up to the date of this announcement, below is the relevant change in information of relevant Director pursuant to Rule 13.51B(1).

Ms. Lu Wei (路薇) was a supervisor of Shenzhen Luzhou Smart Home Limited* (深圳綠洲智能家居有限公司), a company incorporated in the PRC with limited liability with principal business of sale of smart home related products, prior to its deregistration as approved by the local authority in the PRC on 22 August 2019.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019 and is of the opinion that the preparation of such results complied with the applicable accounting standards, rules and requirements, and that adequate disclosure has been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinacaflc.com). The interim report of the Group for the six months ended 30 June 2019 containing all the relevant information required by the Listing Rules will be published on the aforesaid websites in September 2019.

On behalf of the Board
China Agroforestry Low-Carbon Holdings Limited
Fei Phillip
Chairman and Executive Director

Hong Kong, 30 August 2019

* *For identification purposes only*

As at the date of this announcement, the executive Directors are Professor Fei Phillip, Mr. Li Wenjun, Ms. Feng Jiamin, Ms. Lu Wei, Mr. Wang Yue and Mr. Wong Hiu Tung. The non-executive Director is Professor Liu Zhikun. The independent non-executive Directors are Ms. Tian Guangmei, Mr. Liang Guoxin and Mr. Liu Zhaoxiang.