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Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	Board of Directors of the Company
"Company"	Sustainable Forest Holdings Limited
"Directors"	directors of the Company
"FY2017"	the year ended 31 March 2017
"FY2018"	the year ended 31 March 2018
"FY2019"	the year ending 31 March 2019
"Group"	the Company and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "HK cent(s)"	Hong Kong dollars and cent(s)
"R$"	Brazilian Reais
"US$"	United States dollars
"%"	per cent.

The Chinese version of this interim report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Jingyu *(Chairlady)*
Mr. Lai Ming Wai *(Chief Executive Officer)*
Ms. Chan Yuk Yee

Independent Non-executive Directors

Mr. Yam Kwong Chun
Mr. Chiang Bun
Mr. Chai Chi Keung

BOARD COMMITTEES

Executive Committee

Ms. Wang Jingyu *(Chairlady)*
Mr. Lai Ming Wai
Ms. Chan Yuk Yee

Audit Committee

Mr. Yam Kwong Chun *(Chairman)*
Mr. Chiang Bun
Mr. Chai Chi Keung

Remuneration Committee

Mr. Chiang Bun *(Chairman)*
Mr. Yam Kwong Chun
Mr. Chai Chi Keung

Nomination Committee

Mr. Chai Chi Keung *(Chairman)*
Mr. Yam Kwong Chun
Mr. Chiang Bun

COMPANY SECRETARY

Mr. Lee Rabi

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,
Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2902A, 29th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRARS

Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Crowe (HK) CPA Limited

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 723)

WEBSITE ADDRESS

http://www.susfor.com

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 September 2018, the Group continued to principally engage in the business of money lending, sustainable forest management, sales of timber and wooden products and leasing of properties.

The Group's revenue surged by 94.9 times to HK$287,482,000 (30 September 2017: HK$2,997,000) for the current period. The increase in the Group's revenue was mainly a result of (i) the tremendous growth in trade volume of the sales of timber and wooden products operation and (ii) the continuous expansion of the loan and finance lease portfolio of the money lending operation.

Money Lending

For the six months ended 30 September 2018, the Group's money lending business contributed a revenue of HK$9,026,000 (30 September 2017: HK$758,000) and a profit of HK$8,963,000 (30 September 2017: HK$488,000), representing respective increase of 10.9 times and 17.4 times when compared to the prior period. The substantial increases in revenue and profit of the business were mainly attributed to the continuous expansion of the loan and finance lease portfolio and the number of clients during the period as compared to the prior period. During the period under review, the Group granted new loans and finance lease in an aggregate principal amount of HK$108,570,000 at interest rates ranging from 8.75% to 11.5% per annum, and tenors from 18 months to 36 months. At 30 September 2018, the loan and finance lease portfolio held by the Group amounted to HK$205,575,000 (31 March 2018: HK$105,468,000) with details as follows:

Type of loans/ finance lease	Approximate weighting to the carrying amount of the Group's loan and finance lease portfolio	Interest rate per annum	Maturity	Remarks
First mortgage loans	58%	8.75%-14%	Within three years	Loans are secured by properties located in Hong Kong
Second mortgage loans	10%	13.5%-14%	Within one year	Loans are secured by properties located in Hong Kong
Corporate loans	30%	8.75%-12.5%	Within one year	Loans are granted to listed companies in Hong Kong
Finance lease	2%	8.75%	Within three years	The finance lease is secured by a motor vehicle
Total	**100%**			

Before granting loans to potential borrowers, the Group uses credit assessment process to assess the potential borrowers' credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

There was no default in repayments from borrowers during the current period and no impairment loss was recognised against the loan receivables.

It is the Group's plan to further expand its money lending business through focusing on developing the mortgage loan market covering residential and commercial properties with tenor of over one year, aiming to establish a stable income stream to the Group. The management is confident that this business will continue to perform well and there will be substantial progress in revenue and overall results of this business in FY2019.

Sustainable Forest Management

Since the Group suspended its harvesting operations in the State of Acre, Brazil owing to the unfavourable business environment in 2012, the Group had continued to explore the optimal way to enhance the income stream from its forest assets. However, due to the unstable economic environment in Brazil and in view of the possibility of facing similar extortion threats from local parties in Brazil as the Group had experienced in previous years, operating the forest assets through own harvesting was still considered to be unfavourable to the Group. As a result, the Board decided to change the operation model of the Group's forest assets from own harvesting to licensing of harvesting rights in June 2014 and since then, the Group has been actively looking for potential tenants to lease its forest assets. At the period end, the Group had accumulatively leased out approximately half of the forest areas of approximately 44,500 hectares owned by the Group.

During the period under review, the revenue of the sustainable forest management business, representing income from licensing of harvesting rights, was HK$1,318,000 (30 September 2017: HK$1,864,000), and profit achieved was HK$222,000 (30 September 2017: HK$585,000), decreased by 29% and 62% respectively when compared with the prior period. Such decreases were mainly due to the reduction in harvesting areas granted to the licensees of the harvesting rights by local forestry authorities for the current harvesting season and the depreciation of Brazilian Reais by about 14% during the current period. The Group will continue to solicit more tenants including sawmill owners so as to enhance the income stream of this business.

Sales of Timber and Wooden Products

For the six months ended 30 September 2018, the revenue and profit of the Group's sales of timber and wooden products business surged to HK$276,774,000 (30 September 2017: nil) and HK$6,853,000 (30 September 2017: nil) respectively. The significant progress of this business was largely rest on the contribution as well as timber trading experience and business network of the Group's senior management. The Group is now sourcing timber logs and wooden products from Indonesia, Central African Republic, Congo, Cameroon, Guinea Equatorial, Papua New Guinea, Malaysia, Myanmar and the United States and mainly supplying to customers in China. At the period end, the operation had entered into purchase contracts of over HK$88,000,000 and sales contracts of over HK$102,000,000 to be completed during October to December 2018. The Company is confident that this business will continue to perform well and there will be significant progress in revenue and overall results of this business in FY2019.

Management Discussion and Analysis

Leasing of Properties

During the period under review, the leasing of properties business continued to contribute a stable recurring revenue of HK$364,000 (30 September 2017: HK$375,000) and profit of HK$5,620,000 (30 September 2017: HK$468,000) to the Group, which comprised an increase in fair value of the investment properties of HK$5,400,000 (30 September 2017: HK$426,000). At 30 September 2018, the Group's investment properties comprised three residential properties of well-known estates located in Tai Wai and Ma On Shan. During the current period, the rent of the three properties rose by 20% to 32% when new tenancies were entered, primarily owing to the strong demand in residential leasing market. At 30 September 2018, the Group's investment properties were valued at HK$37,000,000 (31 March 2018: HK$31,600,000).

FINANCIAL REVIEW

In order to cope with the Group's expanding operational scale and the continual business development of the Group, on 26 March 2018, Champion Alliance Enterprises Limited ("Champion Alliance"), a substantial shareholder of the Company, granted to the Company a loan facility for an aggregate principal amount of up to HK$200,000,000 (the "Loan Facility") to meet its working capital requirements. The Loan Facility is unsecured and interest-free and is mainly applied to the Group's money lending and timber trading businesses in light of their significant business developments.

Furthermore, for financing the timber and wooden products trading operation, the Group currently has a general trade facility and a back-to-back facility for issuance of letters of credit of up to HK$75,000,000 and HK$100,000,000 respectively (the "Trade Facility") from a well established bank in Hong Kong. The bank facilities obtained have substantially strengthened the Group's financial flexibility in conducting its timber trading business.

Liquidity and Financial Resources

For the six months ended 30 September 2018, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks, Loan Facility from Champion Alliance and shareholder's funds. At 30 September 2018, the Group had current assets of HK$355,659,000 (31 March 2018: HK$150,767,000), including pledged bank deposits of HK$62,419,000 (31 March 2018: nil) for issuance of letters of credit and cash and cash equivalents of HK$28,553,000 (31 March 2018: HK$24,436,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$168,834,000 (31 March 2018: HK$22,651,000), was at a reasonable level of about 2.1 (31 March 2018: 6.7). At 30 September 2018, the Group's total assets increased by 173% to HK$520,741,000 (31 March 2018: HK$190,461,000). Backed by the Trade Facility from bank and the Loan Facility from Champion Alliance, the management is confident that the Group has sufficient working capital to cope with its significant business development and enlarged scale of operation.

At 30 September 2018, the equity attributable to owners of the Company increased by 11% or HK$14,925,000 to HK$153,207,000 compared to the last balance sheet date (31 March 2018: HK$138,282,000). The increase was mainly due to the profit contributions from the Group's all four business segments, namely, money lending, sustainable forest management, sales of timber and wooden products and leasing of properties totalling HK$21,658,000 (30 September 2017: HK$1,541,000) which was partly offset by the increase in corporate expenses to HK$7,673,000 (30 September 2017: HK$3,376,000) mainly due to the expansion of the Group's business scale and the additional professional fees incurred for responding to the Stock Exchange's enquiries.

At 30 September 2018, the Group's borrowings comprised bank borrowings of HK$82,200,000 and loan from Champion Alliance of HK$196,000,000, totalling HK$278,200,000. The bank borrowings represented advances for bill receivables discounted to bank with full recourse to the Company, and the bill receivables were related to receivables arising from sales of timber logs. The bank borrowings bore interests at floating rates, secured by the relevant bill receivables and were repayable within one year or on demand. The loan from Champion Alliance is unsecured, interest-free and repayable twelve months from the date of agreement of the Loan Facility (i.e. 26 March 2018), the facility is extendable for another twelve months and subsequent twelve month period(s) or such other date at the request of the Company and being agreed by Champion Alliance in writing. On 16 November 2018, Champion Alliance confirmed that they will not request for repayment of the loan of HK$196,000,000 within the twelve months from 30 September 2018 and correspondingly extend the loan facility to 30 September 2019.

The Group's gearing ratio expressed as a percentage of total borrowings of HK$278,200,000 (31 March 2018: HK$30,848,000) over equity attributable to owners of the Company of HK$153,207,000 (31 March 2018: HK$138,282,000), significantly increased to 182% at 30 September 2018 from 22% at 31 March 2018. Such increase was mainly due to the increase in unsecured interest-free loan from Champion Alliance from HK$20,000,000 at 31 March 2018 to HK$196,000,000 at 30 September 2018 and the increase in banking borrowings from HK$10,848,000 at 31 March 2018 to HK$82,200,000 at 30 September 2018.

With the amount of liquid assets on hand, the Trade Facility granted by the bank and the Loan Facility from Champion Alliance, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

Charge on Assets

At 30 September 2018, bank deposits of HK$62,419,000 were pledged to secure trade credit facilities granted by bank (31 March 2018: investment properties with carrying value of HK$31,600,000 were pledged to secure mortgage loans from banks).

At 30 September 2018, bill receivables of HK$82,200,000 (31 March 2018: nil) were pledged to a bank to secure advances drawn on the bill receivables.

Contingent Liabilities

At 30 September 2018, except for the litigations as set out in note 22 to the condensed consolidated interim financial statements on page 41 of this report, the Group had no other significant contingent liability (31 March 2018: nil).

Litigations

At 30 September 2018, there were aggregated claims of approximately HK$5,118,000 (approximately R$2,645,000) against the Group which had been provided in other payables, details of the ongoing litigations are set out in note 22 to the condensed consolidated interim financial statements on page 41 of this report.

Management Discussion and Analysis

Foreign Exchange Risk

The Group mainly operates in Brazil and Hong Kong. During the six months ended 30 September 2018, the revenue, costs and expenses of the Group's operations were denominated mainly in Hong Kong dollars, Brazilian Reais, Euro dollars, United States dollars and Renminbi. The Group maintains a prudent strategy in its foreign currency risk management, where possible, foreign exchange risks are minimised via balancing the foreign monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. The Group is not subject to foreign exchange risk of United States dollars as it is pegged with Hong Kong dollars, the Group is nevertheless exposed to potential foreign exchange risk as a result of fluctuations of Brazilian Reais, Euro dollars and Renminbi.

In addition, some of the Group's assets are located in Brazil and denominated in Brazilian Reais while the Group's reporting currency is in Hong Kong dollars, this also exposes the Group to potential foreign exchange risk upon translation of these assets on each reporting date.

During the period under review, the Group had not experienced any significant exposure to exchange rate fluctuations of Brazilian Reais, Euro dollars and Renminbi in light of their relative lower weightings to the Group's total transaction volume, and assets and liabilities in various currencies. As for the assets of the Group in Brazil, any foreign exchange gains or losses due to translation of the carrying value of the assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature, accordingly, the Group did not enter into any arrangements or financial instruments for the purpose of hedging against these potential foreign exchange risks. The Group will closely monitor its foreign currency exposure and undertake appropriate hedging measures should significant exposure arise.

OVERALL RESULTS

For the six months ended 30 September 2018, the Group recorded a profit attributable to owners of the Company of HK$13,435,000 (30 September 2017: HK$19,388,000), and corresponding basic earnings per share of HK0.148 cent (30 September 2017: HK0.218 cent), and total comprehensive income attributable to owners of the Company of HK$14,914,000 (30 September 2017: HK$19,244,000). Nevertheless, owing to the absence of the one-off and non-cash gain of HK$21,446,000 in relation to the change in fair value of financial liabilities previously recognised for the six months ended 30 September 2017, the profit and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2018 decreased as compared with the corresponding period in FY2017 in spite of the significant increase in the Group's revenue and operating profit for the current period.

PROSPECTS

Existing Businesses

Since the change of the substantial shareholder of the Company to Champion Alliance on 12 October 2017 and the appointment of the new executive directors to the Board of the Company since October 2017, the directors and management team of the Company have been in full force exploring ways to improve the business and financial performance of the Group.

In order to cope with the Group's expanding operational scale and the continual business development of the Group, the Group has obtained the Loan Facility from Champion Alliance of up to HK$200,000,000 and the Trade Facility from bank of up to HK$175,000,000. The credit facilities obtained substantially enhance the Group's financial flexibility and strength to develop its businesses, in particular the money lending and timber and wooden products trading businesses.

For the six months ended 30 September 2018, the Group's revenue surged by 94.9 times to HK$287,482,000 (30 September 2017: HK$2,997,000) and recorded a profit attributable to owners of the Company of HK$13,435,000 (30 September 2017: HK$19,388,000). Both of the money lending and trading of timber and wooden products operation are progressing well. As at 30 September 2018, the money lending operation has a loan and finance lease portfolio of HK$205,575,000 with interest rates ranging from 8.75% to 14% per annum. For the current period, the trading operation recognised sales of timber and wooden products totalling HK$276,774,000 which exceeded the revenue recognised for the full year of FY2018 of HK$16,196,000. Furthermore, at the period end, the trading operation had entered into purchase contracts of over HK$88,000,000 and sales contracts of over HK$102,000,000 to be completed during October to December 2018.

At the period end, the Group had accumulatively leased out approximately half of its forest assets in Brazil of 44,500 hectares. In addition, the rent of the Group's three investment properties rose by 20% to 32% when new tenancies were entered during the current period primarily owing to the strong demand in residential leasing market.

New Project

As mentioned in the Company's announcement dated 27 September 2018, in addition to carrying on the existing businesses, the Group has been exploring organic growth and vertical expansion opportunities. On 6 September 2018, a wholly owned subsidiary of the Company entered into a profit sharing and logging agreement (the "Suriname Profit Sharing and Logging Agreement") in respect of a forest located in the Republic of Suriname (the "Suriname Forest Asset"). The Suriname Forest Asset has a site area of approximately 400 km^2 and is estimated to have timber resources of approximately 17,200,000 m^3. The Suriname Forest Asset is planned for a clear cut to prepare the site for a palm oil plantation for the owner after logging the existing timbers.

Trial sales for small lot of timber from the Suriname Forest Asset have commenced in October 2018 and the first phase of logging activities are anticipated to commence in the first quarter of 2019. The whole project is expected to be completed within eight years. The financial benefits to be derived from the Suriname Profit Sharing and Logging Agreement, such as revenue and profits, will be incorporated in the Group's result.

Overall speaking, in light of the significant business developments of the Group's money lending and sales of timber and wooden products operations and the new forestry project in Suriname to be undertaken by the Group, which are backed by the financial resources available under the Loan Facility from Champion Alliance and the Trade Facility from bank, the management is confident that there will be substantial enhancement of the Group's scale of operation, level of assets, revenue and results for FY2019 as compared to FY2018.

Management Discussion and Analysis

EXTRACT OF THE REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Board would like to draw your attention that the Company's auditor, Crowe (HK) CPA Limited, issued a qualified conclusion on the review of the Group's condensed consolidated interim financial statements for the six months ended 30 September 2018. An extract of the review report which states the qualified conclusion is as follows:

"Basis for Qualified Conclusion

Our audit opinion dated 28 June 2017 on the Group's consolidated financial statements for the year ended 31 March 2017 was disclaimed, as we were unable to obtain sufficient information and appropriate audit evidence or perform alternative audit procedures for us to ascertain the feasibility of the Group's future business plan based on which valuations for the intangible assets of HK$9,841,000, the interest in subsidiaries of HK$133,088,000 as at 31 March 2017, and whether the deferred tax liabilities of HK$30,493,000, impairment of intangible assets of HK$89,674,000, and impairment of amounts due from subsidiaries of HK$15,805,000 recognised in the Group and Company level profit or loss for the year ended 31 March 2017 were free from misstatement.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the opening balances of the Group as at 1 April 2017, and the Group's loss and cash flows for the six months ended 30 September 2017 and the related disclosures in the condensed consolidated interim financial statements.

Qualified Conclusion

Based on our review, with the exception for the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting"."

As disclosed in the announcement of the Company dated 21 May 2018 ("May 2018 Announcement"), the disclaimer of opinion on the Group's consolidated financial statements for FY2018 was solely related to the opening balances and corresponding figures, which was a consequential effect resulting from the disclaimer of opinion on the Group's consolidated financial statements for FY2017 in relation to the Brazil forest business and assets (the "Opening Balances Disclaimer"). Accordingly, the auditor of the Company had issued a qualified conclusion on the comparative figures (i.e. figures for the six months ended 30 September 2017 as a consequence of the Opening Balances Disclaimer) for the Group's condensed consolidated interim financial statements for the six months ended 30 September 2018. Furthermore, as stated in the May 2018 Announcement, the possible consequential effect on the Group's consolidated financial statements for the year ended 31 March 2019, resulting from the disclaimer opinion on the Group's consolidated financial statements for FY2018, according to Hong Kong Standard on Auditing 710 Comparative Information – Corresponding Figures and Comparative Financial Statements, would possibly be a modified opinion on the corresponding figures (i.e. figures for FY2018) of the Group's consolidated financial statements for the year ended 31 March 2019.

The Audit Committee had critically reviewed the major judgemental areas relating to the qualified conclusion on the Group's condensed consolidated interim financial statements for the six months ended 30 September 2018 and there was no disagreement between the Audit Committee and the management of the Company.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 September 2018, the Group had 24 employees (including directors) (31 March 2018: 21) located in Hong Kong and Brazil. The total remuneration paid by the Group to its employees (including directors) for the period was HK$2,077,000 (30 September 2017: HK$2,768,000). The Group rewards its employees (including directors) according to prevailing market practices, individual experience and performance, and requirements under applicable labor laws in the locations of the Group's operation. In addition to the provision of annual bonus, provident fund scheme, medical insurance coverage and subsidised training program, employees (including directors) may also be entitled to discretionary bonuses and share options.

SUSPENSION OF TRADING

References are made to the announcements of the Company dated 9 February 2018, 21 February 2018, 5 July 2018, 13 July 2018, 21 September 2018, 9 October 2018 and 12 October 2018 in relation to, among others, the Stock Exchange's decision to place the Company into the first delisting stage.

On 9 October 2018, the Company received a decision letter from the Listing (Review) Committee (the "Decision Letter") which upheld the decision of the Listing Committee and concluded that having assessed the Company's case under Rule 13.24 of the Listing Rules as set out in the Decision Letter, the Company has failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares. As a result, trading in the shares of the Company has been suspended commencing from 9:00 a.m. on 10 October 2018.

Pursuant to a further letter from the Stock Exchange dated 11 October 2018, the Company has been placed in the first delisting stage under Practice Note 17 of the Listing Rules which will expire on 9 April 2019. The Company is required to submit a viable resumption proposal at least 10 business days (i.e. 25 March 2019) before the expiry of the first delisting stage to address the followings:

(i) demonstrate its compliance with Rule 13.24 of the Listing Rules; and

(ii) announce all material information for its shareholders and investors to appraise its position.

The Stock Exchange may modify or supplement the above resumption conditions if the Company's situation changes.

The Company is currently working with its financial adviser to address the concerns of the Stock Exchange and a resumption proposal will be submitted to the Stock Exchange as soon as practicable to demonstrate the Company's compliance with Rule 13.24 of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in this respect pursuant to the Listing Rules.

Report on Review of Condensed Consolidated Interim Financial Statements

Crowe

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF
SUSTAINABLE FOREST HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 14 to 42, which comprise the condensed consolidated statement of financial position of Sustainable Forest Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

Except as explained in the following paragraphs, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

Our audit opinion dated 28 June 2017 on the Group's consolidated financial statements for the year ended 31 March 2017 was disclaimed, as we were unable to obtain sufficient information and appropriate audit evidence or perform alternative audit procedures for us to ascertain the feasibility of the Group's future business plan based on which valuations for the intangible assets of HK$9,841,000, the interest in subsidiaries of HK$133,088,000 as at 31 March 2017, and whether the deferred tax liabilities of HK$30,493,000, impairment of intangible assets of HK$89,674,000, and impairment of amounts due from subsidiaries of HK$15,805,000 recognised in the Group and Company level profit or loss for the year ended 31 March 2017 were free from misstatement.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the opening balances of the Group as at 1 April 2017, and the Group's loss and cash flows for the six months ended 30 September 2017 and the related disclosures in the condensed consolidated interim financial statements.

QUALIFIED CONCLUSION

Based on our review, with the exception for the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 16 November 2018

Alvin Yeung Sik Hung
Practising Certificate Number P05206

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Notes	For the six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	6	**287,482**	2,997
Cost of sales		**(268,281)**	–
Change in fair value of investment properties	8(c)	**5,400**	426
Other income	7	**223**	3
Other net gain	7	**10**	21,446
Administrative expenses		**(10,195)**	(5,294)
Profit from operations		**14,639**	19,578
Finance income		**5**	293
Finance costs		**(646)**	(257)
Net finance (costs)/income	8(a)	**(641)**	36
Profit before taxation	8	**13,998**	19,614
Income tax	9	**(563)**	(226)
Profit for the period		**13,435**	19,388
Attributable to:			
Owners of the Company		**13,435**	19,388
Non-controlling interests		**–**	–
		13,435	19,388
Earnings per share	11		
– Basic		**HK0.148 cent**	HK0.218 cent
– Diluted		**HK0.146 cent**	HK0.217 cent

The notes on pages 19 to 42 form an integral part of these financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**13,435**	19,388
Other comprehensive income/(expense) for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**1,479**	(144)
Total comprehensive income for the period	**14,914**	19,244
Total comprehensive income for the period attributable to:		
Owners of the Company	**14,914**	19,244
Non-controlling interests	**–**	–
	14,914	19,244

The notes on pages 19 to 42 form an integral part of these financial statements.

Condensed Consolidated Statement of Financial Position

At 30 September 2018

	Notes	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**37**	22
Intangible assets		**8,072**	8,072
Investment properties		**37,000**	31,600
Loan receivables	*13*	**117,936**	–
Finance lease receivables	*14*	**2,037**	–
		165,082	39,694
Current assets			
Inventories		**1,035**	–
Trade and other receivables	*12*	**178,050**	20,863
Loan receivables	*13*	**84,492**	105,468
Finance lease receivables	*14*	**1,110**	–
Pledged bank deposits	*15*	**62,419**	–
Cash and cash equivalents		**28,553**	24,436
		355,659	150,767
Current liabilities			
Trade and other payables	*16*	**85,231**	17,596
Loans and borrowings	*17*	**82,200**	4,020
Financial liabilities	*19*	**–**	10
Provision for taxation		**1,403**	1,025
		168,834	22,651
Net current assets		**186,825**	128,116
Total assets less current liabilities		**351,907**	167,810
Non-current liabilities			
Loans and borrowings	*17*	**–**	6,828
Loan from a shareholder	*18*	**196,000**	20,000
Deferred tax liabilities		**2,714**	2,714
		198,714	29,542
Net assets		**153,193**	138,268
Capital and reserves			
Share capital	*20*	**125,068**	125,068
Reserves		**28,139**	13,214
Total equity attributable to owners of the Company		**153,207**	138,282
Non-controlling interests		**(14)**	(14)
Total equity		**153,193**	138,268

The notes on pages 19 to 42 form an integral part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Attributable to the owners of the company											
	Share capital HK$'000	Share premium HK$'000	Shares held by the Company for settlement of acquisition consideration HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017 (Audited)	185,658	6,955	(115,920)	2,885,431	2,216	8,000	(64,257)	869	(2,792,472)	116,480	(14)	116,466
Profit for the period	–	–	–	–	–	–	–	–	19,388	19,388	–	19,388
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	(144)	–	–	(144)	–	(144)
Total other comprehensive expense	–	–	–	–	–	–	(144)	–	–	(144)	–	(144)
Total comprehensive income for the period	–	–	–	–	–	–	(144)	–	19,388	19,244	–	19,244
Lapse of share options	–	–	–	–	–	–	–	(184)	184	–	–	–
At 30 September 2017 (Unaudited)	185,658	6,955	(115,920)	2,885,431	2,216	8,000	(64,401)	685	(2,772,900)	135,724	(14)	135,710
At 1 April 2018 (Audited)	**125,068**	**67,545**	**(115,920)**	**2,885,431**	**2,216**	**8,000**	**(64,320)**	**–**	**(2,769,738)**	**138,282**	**(14)**	**138,268**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,435**	**13,435**	**–**	**13,435**
Exchange differences on translation of financial statements of overseas subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**1,479**	**–**	**–**	**1,479**	**–**	**1,479**
Total other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**1,479**	**–**	**–**	**1,479**	**–**	**1,479**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,479**	**–**	**13,435**	**14,914**	**–**	**14,914**
Shares issued upon exercise of ordinary share warrants *(note 20(ii))*	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Disposal of shares	**–**	**–**	**1,341**	**–**	**–**	**–**	**–**	**–**	**(1,331)**	**10**	**–**	**10**
At 30 September 2018 (Unaudited)	**125,068**	**67,546**	**(114,579)**	**2,885,431**	**2,216**	**8,000**	**(62,841)**	**–**	**(2,757,634)**	**153,207**	**(14)**	**153,193**

The notes on pages 19 to 42 form an integral part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(180,165)**	5,041
Net cash (used in)/generated from investing activities	**(62,435)**	293
Financing activities		
Repayment of loans and borrowings	**(10,848)**	(12,265)
Advances on bill receivables discounted with full recourse	**82,200**	–
Loan from a shareholder	**176,000**	–
Other cash flows arising from financing activities	**(635)**	(257)
Net cash generated from/(used in) financing activities	**246,717**	(12,522)
Increase/(decrease) in cash and cash equivalents	**4,117**	(7,188)
Cash and cash equivalents at the beginning of the period	**24,436**	116,163
Cash and cash equivalents at the end of the period	**28,553**	108,975

The notes on pages 19 to 42 form an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries of the Company comprise money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), sustainable forest management, sales of timber and wooden products and leasing of properties.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, applicable International Financial Reporting Standards ("IFRSs") and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

The condensed consolidated interim financial statements are denominated in Hong Kong dollars. Unless otherwise specifically stated, all amounts are presented in thousand.

3. COMPARATIVE FINANCIAL INFORMATION

The Company's auditor issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2018. The details of the disclaimer of opinion are set out in the Company's annual report 2017/18.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for investment properties and financial liabilities that are stated at fair values.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2018, except as described below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the IASB:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 15	Clarifications to IFRS 15, Revenue from Contracts with Customers
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfer to Investment Property
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current period has had no material impact on the Group's results and financial position.

5. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical location. In a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

Money lending: money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

Sustainable forest management: sustainable forest management of and investment in natural forests, licensing of harvesting rights, timber and wood processing, trading and sales of forestry and timber products.

Sales of timber and wooden products: sales of timber and wooden products including sawn timber products.

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

5. SEGMENT INFORMATION (continued)

Segment results represent the profit/loss from each segment without allocation of central administration cost such as directors' emoluments, change in fair value of financial liabilities, unallocated corporate income and unallocated corporate expenses.

Segment assets include non-current and current assets attributable to an individual reportable segment with the exception of certain unallocated corporate assets.

All liabilities are allocated to reportable segments other than financial liabilities, deferred tax liabilities, loan from a shareholder and unallocated corporate liabilities.

Segment revenue, results, assets and liabilities

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

	For the six months ended 30 September 2018 (Unaudited)				
	Money lending *HK$'000*	Sustainable forest management *HK$'000*	Sales of timber and wooden products *HK$'000*	Leasing of properties *HK$'000*	Total *HK$'000*
Segment revenue					
External sales/sources	9,026	1,318	276,774	364	287,482
Results					
Segment results	8,963	222	6,853	5,620	21,658
Unallocated corporate income					3
Unallocated corporate expenses					(7,673)
Change in fair value of financial liabilities					10
Profit before taxation					13,998
Other segment information					
Depreciation of property, plant and equipment	–	–	–	(4)	(4)
Interest expenses	–	–	(618)	(28)	(646)
Interest income	–	3	2	–	5

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

5. SEGMENT INFORMATION (continued)

Segment revenue, results, assets and liabilities (continued)

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

	At 30 September 2018 (Unaudited)				
	Money lending *HK$'000*	Sustainable forest management *HK$'000*	Sales of timber and wooden products *HK$'000*	Leasing of properties *HK$'000*	Total *HK$'000*
Segment assets	**209,080**	**8,923**	**253,044**	**37,557**	**508,604**
Unallocated corporate assets					**12,137**
					520,741
Segment liabilities	**519**	**7,932**	**156,016**	**749**	**165,216**
Unallocated:					
– Deferred tax liabilities					**2,714**
– Loan from a shareholder					**196,000**
– Other unallocated corporate liabilities					**3,618**
					367,548

5. SEGMENT INFORMATION (continued)

Segment revenue, results, assets and liabilities (continued)

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

	For the six months ended 30 September 2017 (Unaudited)				
	Money lending	Sustainable forest management	Sales of timber and wooden products	Leasing of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
External sales/sources	758	1,864	–	375	2,997
Results					
Segment results	488	585	–	468	1,541
Unallocated corporate income					3
Unallocated corporate expenses					(3,376)
Change in fair value of financial liabilities					21,446
Profit before taxation					19,614
Other segment information					
Interest expenses	–	–	–	(257)	(257)
Interest income	287	6	–	–	293

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2018

5. SEGMENT INFORMATION (continued)

Segment revenue, results, assets and liabilities (continued)

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

	At 31 March 2018 (Audited)				
	Money lending *HK$'000*	Sustainable forest management *HK$'000*	Sales of timber and wooden products *HK$'000*	Leasing of properties *HK$'000*	Total *HK$'000*
Segment assets	108,394	10,038	17,130	32,019	167,581
Unallocated corporate assets					22,880
					190,461
Segment liabilities	226	10,755	3,955	11,095	26,031
Unallocated:					
– Financial liabilities					10
– Deferred tax liabilities					2,714
– Loan from a shareholder					20,000
– Other unallocated corporate liabilities					3,438
					52,193

6. REVENUE

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income from money lending business	**9,026**	758
Licensing of harvesting rights	**1,318**	1,864
Sales of timber and wooden products	**276,774**	–
Leasing of properties	**364**	375
	287,482	2,997

7. OTHER INCOME AND OTHER NET GAIN

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Net exchange gain	**–**	3
Others	**223**	–
	223	3
Other net gain		
Change in fair value of financial liabilities *(note 19)*	**10**	21,446
	10	21,446

8. PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(a) Net finance costs/(income)		
Finance income:		
Interest income from bank deposits	**(5)**	(293)
Finance costs:		
Interest expense on advances drawn on bill receivables discounted with full recourse	**618**	–
Interest expense on bank and other borrowings wholly repayable within five years	**28**	257
	646	257
	641	(36)
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**2,007**	2,691
Contributions to retirement benefits scheme	**70**	77
	2,077	2,768
(c) Other items		
Change in fair value of investment properties	**(5,400)**	(426)
Cost of inventories	**268,281**	–
Depreciation of property, plant and equipment	**6**	–
Minimum lease payments under operating leases for land and buildings	**466**	291

9. INCOME TAX

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– Current tax	**563**	–
– Under-provision in prior years	**–**	226
	563	226

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the qualifying corporation and the remaining corporations are calculated at a flat rate of 16.5% (30 September 2017: 16.5%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DIVIDEND

The Board does not recommend the payment or declaration of any dividend for the six months ended 30 September 2018 (30 September 2017: nil).

11. EARNINGS PER SHARE

(a) The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company as follows and the reconciliation of the weighted average number of shares as shown in note 11(b):

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit		
Profit for the purpose of calculating basic and diluted earnings per share	**13,435**	19,388

(b) **Weighted average number of shares**

	For the six months ended 30 September	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**9,105,707**	8,910,242
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	**106,283**	28,288
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**9,211,990**	8,938,530

For the six months ended 30 September 2018, as the exercise price of the warrants (30 September 2017: warrants and share options) exceeded the average market price of the ordinary shares of the Company during the period before they expired on 6 May 2018, they had no dilutive effect in calculating the diluted earnings per share.

12. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Trade receivables *(note (i))*	**81,523**	8,147
Bill receivables discounted with full recourse *(note (ii))*	**82,200**	–
Interest receivables	**1,410**	955
Other receivables	**377**	1,873
Trade deposits *(note (iii))*	**11,651**	8,441
Other deposits and prepayments	**889**	1,447
	178,050	20,863

Notes:

(i) Trade receivables

The aging analysis of the trade receivables as of the end of the reporting period, based on invoice date, is as follows:

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
0 – 30 days	**75,247**	8,147
31 – 90 days	**468**	–
Over 91 days	**5,808**	–
	81,523	8,147

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 to 90 days after issuance. The Group seeks to maintain strict credit control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

12. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(i) Trade receivables (continued)

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period and considers to make impairment loss for irrecoverable amount, if necessary.

As at 30 September 2018, aging analysis of trade receivables that are not impaired is as follows:

	At 30 September 2018 ***HK$'000*** **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Current	**75,715**	8,147
Less than 3 months past due	**5,808**	–
	81,523	8,147

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to an independent customer that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are considered fully recoverable.

12. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Bill receivables discounted with full recourse

As at 30 September 2018, the amounts represented bill receivables discounted to bank with full recourse with a maturity period of less than 90 days. The Group recognised the full amount of the discount proceeds as liabilities as set out in note 17.

The following were the Group's financial assets as at 30 September 2018 and 31 March 2018 that were transferred to bank by discounting those receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as a secured borrowing. These financial assets were carried at amortised cost in the Group's condensed consolidated statement of financial position.

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Carrying amount of the transferred assets	**82,200**	–
Carrying amount of the associated liabilities	**(82,200)**	–
	–	–

(iii) Trade deposits

At 30 September 2018, the trade deposits of HK$11,651,000 (31 March 2018: HK$8,441,000) were prepaid for the purchase of inventories in relation to the Group's sales of timber and wooden products business.

13. LOAN RECEIVABLES

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Fixed rate loans receivables	**202,428**	105,468
Less: impairment allowance	**–**	–
	202,428	105,468
Analysed as:		
Current portion	**84,492**	105,468
Non-current portion	**117,936**	–
	202,428	105,468
Analysed as:		
Secured	**140,428**	35,468
Unsecured	**62,000**	70,000
	202,428	105,468

All loans are denominated in Hong Kong dollars. As at 30 September 2018, the loan receivables carrying interest rates ranging from 8.75% to 14% per annum (31 March 2018: 6.5% to 15% per annum).

Before granting loans to potential borrowers, the Group uses internal credit assessment process to assess the potential borrowers' credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability and aging analysis of the loan receivables and management's judgment on factors including the current creditworthiness of, collateral provided by and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group considers the change in the credit quality of the loan receivables, if any, from the date the loans were initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past experience of financial difficulties or default in payments, and current market conditions.

13. LOAN RECEIVABLES (continued)

At 30 September 2018, loan receivables of HK$140,428,000 (31 March 2018: HK$35,468,000) were secured by the mortgage of customers' properties. At the reporting date, loan receivables of total carrying amount of HK$202,428,000 (31 March 2018: HK$105,468,000) were neither past due nor impaired and related to customers for whom there were no recent history of default.

At the end of each reporting date, the Group's loan receivables were individually reviewed and assessed for impairment. There was no impairment allowance recognised for the six months ended 30 September 2018 (30 September 2017: nil).

14. FINANCE LEASE RECEIVABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	At 30 September 2018	At 31 March 2018	**At 30 September 2018**	At 31 March 2018
	HK$'000	HK$'000	***HK$'000***	HK$'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Finance lease receivables comprise:				
Within one year	**1,294**	–	**1,110**	–
In more than one year but not more than five years	**2,157**	–	**2,037**	–
More than five years	**–**	–	**–**	–
	3,451	–	**3,147**	–
Less: unearned finance income	**(304)**	–	**–**	–
	3,147	–	**3,147**	–
Analysed for reporting purposes as:				
Current assets			**1,110**	–
Non-current assets			**2,037**	–
			3,147	–

The Group's finance lease receivables are denominated in Hong Kong dollars which is the functional currency of the relevant group entity. The effective interest rate of the above finance lease is 8.75% per annum as at 30 September 2018 (31 March 2018: nil).

14. FINANCE LEASE RECEIVABLES (continued)

The following is a credit quality analysis of the finance lease receivables. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable is classified as past due. As at 30 September 2018, all finance lease receivables were neither past due nor impaired (31 March 2018: nil).

Finance lease receivables are mainly secured by leased assets, customers' deposits and leased assets repurchase arrangement where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in portion over the lease contract or in full by the end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract have been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 30 September 2018, customers' deposits of HK$431,000 (31 March 2018: nil) were received in advance. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised for the six months ended 30 September 2018 (30 September 2017: nil).

At the end of each reporting date, the Group's finance lease receivables were individually reviewed and assessed for impairment. There was no impairment allowance recognised for the six months ended 30 September 2018 (30 September 2017: nil).

15. PLEDGED BANK DEPOSITS

Pledged bank deposits represented deposits pledged to banks to secure the banking facilities granted to the Group. As at 30 September 2018, deposit amounting to HK$62,419,000 (31 March 2018: nil) was pledged to a bank to comply with the minimum deposit requirement for the issuance of letters of credit. The pledged bank deposits would be released upon settlement of the relevant letters of credit and were therefore classified as current assets.

16. TRADE AND OTHER PAYABLES

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Trade payables *(note)*	**63,706**	3,951
Other payables and accruals	**21,525**	13,645
	85,231	17,596

Note:

An aging analysis of the Group's trade payables as of the end of the reporting period, based on invoice date, is as follows:

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
0 – 30 days	**63,706**	3,951

The average credit period is within 30 days for both periods.

17. LOANS AND BORROWINGS

	Notes	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Secured bank loans	*(i)*	**–**	10,848
Advances drawn on bill receivables discounted with full recourse	*(ii)*	**82,200**	–
		82,200	10,848

17. LOANS AND BORROWINGS (continued)

Notes:

(i) The secured bank loans were fully settled during the six months ended 30 September 2018. As at 31 March 2018, the Group's bank loans were secured by mortgage over the Group's investment properties of HK$31,600,000 in Hong Kong.

(ii) The amount represented the Group's borrowings secured by the bill receivables discounted to bank with full recourse (note 12), and the amount was repayable within one year.

The loans and borrowings were due for repayment as follows:

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Secured bank loans		
Portion of term loans from banks due for repayment within 1 year*	**–**	372
Advances drawn on bill receivables discounted with full recourse	**82,200**	–
	82,200	372
Term loans from banks due for repayment after 1 year:		
After 1 year but within 2 years	**–**	380
After 2 years but within 5 years	**–**	1,183
More than 5 years	**–**	8,913
	–	10,476
	82,200	10,848

* As at 31 March 2018, the amounts due were based on the scheduled repayment dates as stipulated in the respective loan agreements.

17. LOANS AND BORROWINGS (continued)

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

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Current liabilities		
Portion of term loans from banks due for repayment within 1 year	–	372
Portion of term loans from banks due for repayment after 1 year which contain a repayment on demand clause	–	3,648
Advances drawn on bill receivables discounted with full recourse	**82,200**	–
	82,200	4,020
Non-current liabilities		
Secured bank loans	–	6,828
Total	**82,200**	10,848

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

The Group regularly monitors its compliance with the covenants of the banking facilities, is up to date with the scheduled repayments of the term loans (where applicable) and does not consider it is probable that the banks will exercise their discretion to demand repayment so long as the Group continues to meet these requirements. At 30 September 2018, none of the covenants relating to drawn down facilities had been breached (31 March 2018: nil).

All of the bank loans were carried at amortised cost.

18. LOAN FROM A SHAREHOLDER

The loan from a shareholder is unsecured, interest-free and repayable on twelve months from the date of the loan facility agreement, extendable for another twelve months and subsequent twelve month period(s), or such other date at the request of the Company and agreed by the shareholder in writing. On 16 November 2018, the shareholder confirmed that they will not request for repayment of the loan within twelve months from 30 September 2018 and correspondingly extend the loan facility to 30 September 2019.

19. FINANCIAL LIABILITIES

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
At beginning of the period/year	**10**	22,532
Exercise of warrants	**–**	–
Change in fair value	**(10)**	(22,522)
	–	10

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

20. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 per share *'000*	*HK$'000*	Number of convertible preferred shares of HK$0.01 per share *'000*	*HK$'000*	Total *HK$'000*
Authorised:					
At 1 April 2017 (Audited), 31 March 2018 (Audited), 1 April 2018 (Audited) and 30 September 2018 (Unaudited)	**30,000,000**	**300,000**	**27,534,000**	**275,340**	**575,340**
Issued and fully paid:					
At 1 April 2017 (Audited)	8,910,242	89,103	9,655,527	96,555	185,658
Conversion of convertible preferred shares *(note (i))*	195,453	1,954	(6,254,472)	(62,544)	(60,590)
At 31 March 2018 and 1 April 2018 (Audited)	**9,105,695**	**91,057**	**3,401,055**	**34,011**	**125,068**
Shares issued upon exercise of ordinary share warrants *(note (ii))*	**15**	**–**	**–**	**–**	**–**
At 30 September 2018 (Unaudited)	**9,105,710**	**91,057**	**3,401,055**	**34,011**	**125,068**

Notes:

(i) During the year ended 31 March 2018, an aggregate of approximately 195,453,000 ordinary shares of HK$0.01 each of the Company were issued upon conversion of approximately 6,254,472,000 convertible preferred shares of HK$0.01 each, pursuant to which approximately HK$1,954,000 was credited to share capital and the balance of approximately HK$60,590,000 was credited to share premium account.

(ii) During the six months ended 30 September 2018, an aggregate of 14,502 ordinary shares of HK$0.01 each of the Company were issued upon conversion of ordinary share warrants at subscription price of HK$0.085 per share and at aggregate subscription price of approximately HK$1,233, of which approximately HK$145 was credited to share capital and the balance of approximately HK$1,088 was credited to share premium account.

21. OPERATING LEASE COMMITMENTS

The Group as lessee:

The Group leases its office premises under operating leases. The lease for these premises were negotiated for a term ranging from one to two years. At the end of reporting period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 September 2018 ***HK$'000*** **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Within one year	**878**	849
In the second to fifth years	**572**	650
	1,450	1,499

The Group as lessor:

The Group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from one to two years. The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the Group had total future minimum lease payments receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2018 ***HK$'000*** **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Within one year	**800**	63
In the second to fifth years	**245**	–
	1,045	63

22. LITIGATIONS

Service agreement

On 30 May 2010, Universal Timber Resources do Brasil Ltda. ("UTRB") entered into a service agreement ("Service Agreement") with F Um Terraplanagem ("Terraplanagem"). Under the Service Agreement, Terraplanagem would carry out earthwork service in the hydropower plant in Rondonia, Brazil for a service fee of R$892,500. After signing the Service Agreement, Terraplanagem did not provide any earthwork service and UTRB had to hire another company to complete the earthworks. However, in the land search of the freehold land of UTRB, it revealed that Terraplanagem submitted a claim to a court against UTRB to pay for alleged outstanding service fee of approximately R$1,291,000 and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold land. Such injunction was awarded by the court during the year ended 31 March 2015. Two witness hearings were held in 2016 and in March 2017, the court served the notice to both Terraplanagem and UTRB to present their final arguments. In May 2017, the court awarded Terraplanagem's claim in full. In June 2017, UTRB filed petition to the court presenting its arguments on the ruling by the court, however, the petition was rejected by the court. In late July 2017, UTRB filed an appeal against the court decision and is still awaiting the outcome of the appeal. The claim of approximately R$1,291,000 (approximately HK$2,498,000) has been included in other payables.

Labour claim

During the financial year ended 31 March 2014, the Group revealed that a labour claim against UTRB for US$600,000 was filed by Leandro Dos Martires Guerra ("Leandro"), a former director of UTRB. Without receiving any writ from the Monocratic Labour Court (the "Original Court") by UTRB, the Original Court made an order to UTRB for paying Leandro the claim of US$600,000. UTRB filed a legal appeal to the Northern Region Labour High Court (the "Regional Labour High Court") after consulting legal counsels. During the year ended 31 March 2015, the Regional Labour High Court had given a favorable ruling on UTRB's appeal, determining the annulment of Leandro's claim due to irregularities in the writ of summons served to UTRB. As a result, the case had returned to the Original Court so the claimant could properly serve the writ of summons to UTRB which had happened. In March 2015, UTRB had presented its defense and a witness' hearing was held in October 2015 and in November 2015, the Original Court had decided on the case in favour of UTRB dismissing all of Leandro's claim and awarded Leandro approximately R$60,000 regarding an undue reduction made in Leandro's termination fees (the "Labour Court Decision"). In or about late November 2015, Leandro had petitioned to the court raising questions about certain topics in the said decision and requesting the court to clarify such points. As a consequence of that, Leandro filed an appeal seeking the reform of the Labour Court Decision. In August 2016, UTRB filed its response to Leandro's appeal. In addition to respond to Leandro's appeal, UTRB had also filed an appeal against the Labour Court Decision. In August 2017, the Regional Labour High Court ruled partially favorable to Leandro with amount subject to taxation by the court (the "Regional High Court Decision"). UTRB then had filed an appeal against the Regional High Court Decision which however was rejected. In October 2017, UTRB filed another appeal that contested the aforesaid rejection to the Labour Supreme Court and the closing arguments for the said appeal were submitted to the Labour Supreme Court in March 2018 and is still awaiting the outcome of the appeal. The claim of approximately R$1,354,000 (approximately HK$2,620,000) has been included in other payables.

23. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the six months ended 30 September 2018.

Key management personnel remuneration

The key management personnel of the Group are the directors of the Company. The remuneration of directors is as follows:

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	**863**	1,023
Post-employment benefits	**27**	36
	890	1,059

24. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR ISSUE

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 are authorised for issue by the Board on 16 November 2018.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2018 (30 September 2017: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests and short positions of the directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long position in the Shares:

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued Shares
Ms. Wang Jingyu ("Ms. Wang")	Interest of controlled corporation	2,444,359,944 *(Note 2)*	26.84%

Notes:

1. The approximate percentage of the Company's issued Shares was calculated on the basis of 9,105,709,503 Shares in issue as at 30 September 2018.

2. These interests were held by Champion Alliance Enterprises Limited ("Champion Alliance"), a wholly owned subsidiary of Elite Prosperous Enterprises Limited ("Elite Prosperous") which in turn was wholly owned by Ms. Wang. Ms. Wang was also the sole director of Champion Alliance and Elite Prosperous. Accordingly, Ms. Wang was deemed to be interested in the 2,444,359,944 Shares under the SFO.

Save as disclosed above, as at 30 September 2018, none of the directors or chief executive of the Company had registered an interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SECURITIES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the section headed "Share Option Scheme" below, at no time during the six months ended 30 September 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 September 2018.

SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Share Option Scheme") adopted by the Company on 27 November 2009, the Company may grant share options to the directors, employees, executives, officers, managers, consultants, customers and suppliers of goods or services to any member of the Group or any entity in which any member of the Group holds any equity interests who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Group, so as to provide incentives or rewards for their contribution to the success of the Group's operation. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing from the date of adoption.

There were no outstanding share options as at 1 April 2018 and 30 September 2018. No share option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2018.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2018, the following interests of more than 5% of the issued Shares were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares:

Name of Shareholders	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued Shares
Ms. Wang	Interest of controlled corporation	2,444,359,944 *(Note 2)*	26.84%
Elite Prosperous	Interest of controlled corporation	2,444,359,944 *(Note 2)*	26.84%
Champion Alliance	Beneficial owner	2,444,359,944 *(Note 2)*	26.84%
Loh Jiah Yee, Katherine ("Ms. Loh")	Interest of controlled corporation	1,294,849,338 *(Note 3)*	14.22%
Lau Jack ("Mr. Lau")	Interest of spouse	1,294,849,338 *(Note 4)*	14.22%
Assure Gain International Limited ("Assure Gain")	Beneficial owner	822,176,547 *(Note 5)*	
	Interest of controlled corporation	434,094,363 *(Note 5)*	13.80%

Notes:

1. The approximate percentage of the Company's issued Shares was calculated on the basis of 9,105,709,503 Shares in issue as at 30 September 2018.

2. These interests were held by Champion Alliance, a wholly owned subsidiary of Elite Prosperous which in turn was wholly owned by Ms. Wang. Ms. Wang was also the sole director of Champion Alliance and Elite Prosperous. Accordingly, Ms. Wang and Elite Prosperous were deemed to be interested in the 2,444,359,944 Shares under the SFO.

3. Ms. Loh was beneficially interested in 100% of the issued share capital of Assure Gain, which held 100% of the issued share capital of Winner Global Holdings Limited ("Winner Gobal") and Splendid Asset Holdings Limited ("Splendid Asset") respectively. Ms. Loh was also beneficially interested in 50% of the issued share capital of Corp Insights Holdings Inc. ("Corp Insights") held through Corporate Insights Limited. Assure Gain was the registered holder of 822,176,547 Shares, Winner Global was the registered holder of 213,360,741 Shares, Splendid Asset was the registered holder of 220,733,622 Shares and Corp Insights was the registered holder of 38,578,428 Shares. Accordingly, Ms. Loh was deemed to be interested in the 1,294,849,338 Shares under the SFO.

4. Mr. Lau, being the spouse of Ms. Loh, was deemed to have an interest in the same parcel of the Shares in which Ms. Loh was interested under the SFO.

5. Assure Gain held 100% of the issued share capital of Winner Global and Splendid Asset respectively. Assure Gain was the registered holder of 822,176,547 Shares, Winner Global was the registered holder of 213,360,741 Shares and Splendid Asset was the registered holder of 220,733,622 Shares. Accordingly, Assure Gain was deemed to be interested in the 434,094,363 Shares held by Winner Global and Splendid Asset under the SFO.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the Shares and underlying Shares as at 30 September 2018 as required pursuant to section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2018.

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

During the six months ended 30 September 2018, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Other Information

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2018.

UPDATE ON DIRECTORS' INFORMATION

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's last published annual report up to 20 December 2018, being the latest practicable date before printing of this interim report:

Mr. Chiang Bun resigned as the independent non-executive director of Enviro Energy International Holdings Limited (stock code: 1102), a company listed on the Main Board of the Stock Exchange, with effect from 30 August 2018.

AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 September 2018 have not been audited, but have been reviewed by the Audit Committee and auditor of the Company, Crowe (HK) CPA Limited, and are duly approved by the Board under the recommendation of the Audit Committee.

By Order of the Board
Sustainable Forest Holdings Limited
Wang Jingyu
Chairlady

Hong Kong, 16 November 2018