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SUSTAINABLE FOREST HOLDINGS LIMITED

永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Board of Directors (the “**Board**”) of Sustainable Forest Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2019 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	<i>Notes</i>	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Revenue	5	589,114	25,920
Cost of sales		(546,154)	(15,484)
Change in fair value of investment properties reclassified as assets classified as held-for-sale	15	480	–
Change in fair value of investment properties	11	2,180	2,577
Other income	6	1,759	417
Other net gains	6	67	22,522
Administrative expenses		(18,385)	(12,830)
Other operating expenses	7(c)	(979)	(1,440)
Profit from operations		28,082	21,682

* *For identification purpose only*

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Finance income		242	342
Finance costs		(1,498)	(364)
Net finance costs	7(a)	(1,256)	(22)
Profit before taxation	7	26,826	21,660
Income tax (expense)/credit	8	(454)	205
Profit for the year		26,372	21,865
Attributable to:			
Owners of the Company		26,372	21,865
Non-controlling interests		–	–
		26,372	21,865
Earnings per share	10		
– Basic		HK0.29 cent	HK0.25 cent
– Diluted		HK0.29 cent	HK0.24 cent

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	<u>26,372</u>	<u>21,865</u>
Other comprehensive income/(expense) for the year:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>265</u>	<u>(63)</u>
Total comprehensive income for the year	<u><u>26,637</u></u>	<u><u>21,802</u></u>
Total comprehensive income attributable to:		
Owners of the Company	<u>26,637</u>	<u>21,802</u>
Non-controlling interests	<u>—</u>	<u>—</u>
	<u><u>26,637</u></u>	<u><u>21,802</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		42	22
Intangible assets		6,820	8,072
Investment properties	<i>11</i>	–	31,600
Loan receivables	<i>13</i>	219,800	–
Finance lease receivables	<i>14</i>	6,252	–
		232,914	39,694
Current assets			
Trade and other receivables	<i>12</i>	109,229	20,863
Loan receivables	<i>13</i>	76,078	105,468
Finance lease receivables	<i>14</i>	3,923	–
Cash and cash equivalents		25,433	24,436
		214,663	150,767
Assets classified as held-for-sale	<i>15</i>	23,400	–
		238,063	150,767
Current liabilities			
Trade and other payables	<i>16</i>	52,494	17,596
Bank loans and borrowings	<i>17</i>	48,151	4,020
Financial liabilities		–	10
Provision for taxation		1,293	1,025
Amounts received from a shareholder	<i>18</i>	200,000	–
		301,938	22,651
Liabilities directly associated with assets classified as held-for-sale	<i>15</i>	1,836	–
		303,774	22,651
Net current (liabilities)/assets		(65,711)	128,116
Total assets less current liabilities		167,203	167,810

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current liabilities			
Bank loans and borrowings	<i>17</i>	–	6,828
Loan from a shareholder	<i>18</i>	–	20,000
Deferred tax liabilities		2,287	2,714
		<u>2,287</u>	<u>29,542</u>
Net assets		<u>164,916</u>	<u>138,268</u>
Capital and reserves			
Share capital		125,068	125,068
Reserves		39,862	13,214
Total equity attributable to the owners of the Company		164,930	138,282
Non-controlling interests		(14)	(14)
Total equity		<u>164,916</u>	<u>138,268</u>

Notes:

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**”). Trading in shares of the Company has been suspended since 10 October 2018.

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), forest-related business including sustainable forest management and sales of timber and wooden products, and leasing of properties.

2. Basis of preparation of the financial statements

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, investment properties reclassified as assets classified held-for-sale and financial liabilities which are stated at their fair values.

The consolidated financial statements are denominated in Hong Kong dollars (“**HK\$**”). Unless otherwise specifically stated, all amounts are presented in thousand.

Going concern basis

At 31 March 2019, the Group had net current liabilities of HK\$65,711,000. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months given that on 1 February 2019, Champion Alliance Enterprises Limited (“**Champion Alliance**”), a substantial shareholder of the Company, had confirmed that the amount due to it up to HK\$200,000,000 will be fully utilised for the subscription of new shares under a fund raising exercise to be conducted by the Company for the purpose of enlarging its capital base, such fund raising exercise is subject to the approval of the Stock Exchange. In the case of failing to get the approval, Champion Alliance has undertaken not to demand for repayment of the amount due to it (which is unsecured and interest-free) until the Group is financially viable to do so. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. Application of new and revised IFRSs

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 and revised standards, amendments and interpretations to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4. 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).
- Forest-related business:
 - (i) 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.
 - (ii) 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.

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

Segment assets include all non-current assets 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, amounts received 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 year ended 31 March 2019

	Forest-related business				Total HK\$'000
	Money lending HK\$'000	Sustainable forest management HK\$'000	Sales of timber and wooden products HK\$'000	Leasing of properties HK\$'000	
Segment revenue					
Revenue from external customers	22,319	3,244	562,777	774	589,114
Results					
Segment results	18,958	2,634	12,134	2,774	36,500
Unallocated corporate income					9
Unallocated corporate expenses					(9,693)
Change in fair value of financial liabilities					10
Profit before taxation					26,826
Other segment information					
Capital expenditure	-	-	-	8	8
Depreciation of property, plant and equipment	-	-	-	9	9
Interest expenses	-	-	1,466	32	1,498
Interest income	7	10	219	-	236
At 31 March 2019					
Segment assets	309,376	8,606	127,488	23,431	468,901
Unallocated corporate assets					2,076
					470,977
Segment liabilities	422	4,672	93,454	1,848	100,396
Unallocated:					
- Deferred tax liabilities					2,287
- Amounts received from a shareholder					200,000
- Other unallocated corporate liabilities					3,378
					306,061

For the year ended 31 March 2018

	Forest-related business			Leasing of properties HK\$'000	Total HK\$'000
	Money lending HK\$'000	Sustainable forest management HK\$'000	Sales of timber and wooden products HK\$'000		
Segment revenue					
Revenue from external customers	5,821	3,153	16,196	750	25,920
Results					
Segment results	5,123	387	351	2,761	8,622
Unallocated corporate income					417
Unallocated corporate expenses					(8,461)
Impairment loss on harvesting rights					(1,440)
Change in fair value of financial liabilities					22,522
Profit before taxation					21,660
Other segment information					
Depreciation of property, plant and equipment	-	-	-	7	7
Interest expenses	-	3	-	361	364
Interest income	327	13	-	-	340
At 31 March 2018					
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

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical locations of customers refer to the locations at which the customers reside. The geographical locations of property, plant and equipment and investment properties are based on the physical locations of the assets under consideration. In the case of intangible assets, the allocation is based on the location of the operation to which they are allocated.

	Revenue from external customers		Non-current assets	
	Year ended 31 March		At 31 March	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
People's Republic of China ("PRC")	518,171	–	–	–
Hong Kong	23,093	22,767	226,188	31,716
Asia (other than Hong Kong and the PRC)	36,758	–	–	–
Europe	7,848	–	–	–
South America	3,244	3,153	6,726	7,978
	<u>589,114</u>	<u>25,920</u>	<u>232,914</u>	<u>39,694</u>

5. Revenue

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

	2019	2018
	HK\$'000	HK\$'000
Sales of timber and wooden products	562,777	16,196
Interest income from money lending business	21,276	5,212
Arrangement fee income from money lending business	1,043	609
Income from licensing of harvesting rights	3,244	3,153
Income from leasing of properties	774	750
	<u>589,114</u>	<u>25,920</u>

Note:

During the year, revenue is recognised at a point in time except for interest income from money lending business, income from licensing of harvesting rights and leasing of properties which fall outside the scope of IFRS 15.

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18.

6. Other income and other net gains

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other income		
Reversal of provision for litigation claim (<i>note</i>)	1,611	–
Others	148	417
	<u>1,759</u>	<u>417</u>
Other net gains		
Net gain on disposal of a subsidiary	57	–
Change in fair value of financial liabilities	10	22,522
	<u>67</u>	<u>22,522</u>

Note:

A claim was filed by a former director (the “**Claimant**”) of Universal Timber Resources do Brasil Ltda. (“**UTRB**”) against UTRB during the year ended 31 March 2014. In March 2019, the Claimant and UTRB entered into a settlement agreement, pursuant to which UTRB shall pay Brazilian Reais (“**R\$**”) 579,000 (approximately HK\$1,159,000) to the Claimant as settlement amount which has been included in other payables. The reversal of over-provision for the claim of R\$775,000 (approximately HK\$1,611,000) was recognised during the year and included in other income.

7. Profit before taxation

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(a) Net finance costs		
Finance income:		
Interest income from bank deposits	(242)	(342)
Finance costs:		
Interest expense on bank loans and other borrowings	<u>1,498</u>	<u>364</u>
	<u><u>1,256</u></u>	<u><u>22</u></u>
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	5,095	3,875
Contributions to retirement benefits scheme	<u>156</u>	<u>136</u>
	<u><u>5,251</u></u>	<u><u>4,011</u></u>
(c) Other items		
Cost of inventories	546,154	15,484
Depreciation of property, plant and equipment	13	7
Minimum lease payments under operating leases for land and buildings	849	697
Impairment loss on trade receivables*	324	–
Impairment loss on loan receivables (<i>note 13</i>)*	655	–
Impairment loss on harvesting rights*	–	1,440
	979	1,440
Auditor's remuneration		
– audit services	1,313	1,187
– other services	450	243
	1,763	1,430
Gross rental income from investment properties less direct outgoings of HK\$104,000 (2018: HK\$115,000)	<u><u>(670)</u></u>	<u><u>(635)</u></u>

* These items are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

8. Income tax expense/(credit)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax		
– current tax	454	–
– under-provision in prior years	–	226
Deferred tax		
– Reversal of temporary differences	–	(431)
Income tax expense/(credit)	<u>454</u>	<u>(205)</u>

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 the qualifying corporation 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 year ended 31 March 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax regime for the qualifying corporation and the remaining corporations are calculated at a flat rate of 16.5% (2018: 16.5%)

Brazil income tax is charged at 34% (2018: 34%) on the estimated assessable profits arising in Brazil. No Brazil income tax has been provided for the year ended 31 March 2019 since the assessable profit is wholly absorbed by tax losses brought forward. There was no assessable profit for the year ended 31 March 2018.

9. Dividends

The directors of the Company do not recommend the payment or declaration of any dividend for the year ended 31 March 2019 (2018: nil).

10. Earnings per share

- (a) The calculation of basic and diluted earnings per share is based on the profit attributable to the owners of the Company as follows and the reconciliation of the weighted average number of shares as shown in note 10(b):

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit		
Profit for the purpose of calculating basic and diluted earnings per share	<u>26,372</u>	<u>21,865</u>
(b) Weighted average number of shares		
	2019 <i>'000</i>	2018 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	9,105,708	8,916,189
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	<u>106,283</u>	<u>106,283</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>9,211,991</u>	<u>9,022,472</u>

For the year ended 31 March 2019, as the exercise price of the warrants (2018: 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.

11. Investment properties

The Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At fair value		
Balance at beginning of the year	31,600	29,023
Changes in fair value	2,180	2,577
Disposal of a subsidiary	(10,880)	–
Transferred to assets classified as held-for-sale (<i>note 15</i>)	(22,900)	–
	<u>–</u>	<u>–</u>
Balance at end of the year	<u>–</u>	<u>31,600</u>

All of the Group's investment properties are situated in Hong Kong and are held under medium-term leases.

The investment properties are leased to third parties under operating leases.

All of the Group's investment properties were pledged to secure bank loans granted to the Group (note 17) at 31 March 2018, which were fully settled during the year ended 31 March 2019.

12. Trade and other receivables

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	51,990	8,147
Less: impairment allowance	(324)	–
	<u>51,666</u>	<u>8,147</u>
Bill receivables discounted with full recourse	48,151	–
Interest receivables	2,142	955
Other receivables	236	1,873
	<u>102,195</u>	<u>10,975</u>
Financial assets at amortised costs	102,195	10,975
Trade and logging deposits	5,095	8,441
Other deposits and prepayments	1,939	1,447
	<u>109,229</u>	<u>20,863</u>

Notes:

(i) **Trade receivables**

The aging analysis of the Group's trade receivables at the end of the reporting date, based on invoice date, and net of impairment allowance is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 30 days	46,362	8,147
31 to 90 days	207	–
Over 90 days	5,097	–
	51,666	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 and 90 days after issuance. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

(ii) **Bill receivables discounted with full recourse**

At 31 March 2019, the amounts represented bill receivables discounted to a bank with full recourse with a maturity period of less than 90 days. The Group recognised the full amount of the discounted proceeds as liabilities as set out in note 17.

The following were the Group's financial assets at 31 March 2019 and 31 March 2018 that were transferred to a 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 consolidated statement of financial position.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Carrying amount of the transferred assets	48,151	–
Carrying amount of the associated liabilities	(48,151)	–
	–	–

13. Loan receivables

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fixed-rate loan receivables	296,533	105,468
Less: impairment allowance	<u>(655)</u>	<u>–</u>
	<u>295,878</u>	<u>105,468</u>
Analysed as:		
Current portion	76,078	105,468
Non-current portion	<u>219,800</u>	<u>–</u>
	<u>295,878</u>	<u>105,468</u>
Analysed as:		
Secured	250,234	35,468
Unsecured	<u>45,644</u>	<u>70,000</u>
	<u>295,878</u>	<u>105,468</u>

All loans were denominated in Hong Kong dollars. At 31 March 2019, the loan receivables carrying interest rates ranging from 8.75% to 18% per annum (2018: 6.5% to 15% per annum).

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.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability, aging analysis of account and current creditworthiness, collateral and past collection history of each borrower under the Group's credit risk grading system.

In determining the recoverability of loan receivables on a collective basis, the Group considers any change in the credit quality of the loan receivables from the date of credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

Upon initial application of IFRS 9 during the year, the directors of the Company are of the view that there have been no significant increase in credit risk nor default risk of the loan receivables since their initial recognition.

At 31 March 2019, the loan receivables of HK\$250,234,000 (2018: HK\$35,468,000) were secured by borrowers' properties. At the reporting date, the loan receivables with total principal amount of HK\$296,533,000 (2018: HK\$105,468,000) were not past due.

At the end of each reporting date, the Group's loan receivables were individually and collectively assessed for impairment. The Group provided impairment allowance of HK\$655,000 for the year (2018: nil).

14. Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease receivables comprise:				
Within one year	4,737	–	3,923	–
After one year but within five years	6,827	–	6,252	–
	<u>11,564</u>	<u>–</u>	<u>10,175</u>	<u>–</u>
Less: unearned finance income	(1,389)	–	–	–
	<u>10,175</u>	<u>–</u>	<u>10,175</u>	<u>–</u>
Analysed for reporting purposes as:				
Current assets			3,923	–
Non-current assets			6,252	–
			<u>10,175</u>	<u>–</u>

The Group's finance lease receivables were denominated in Hong Kong dollars. At 31 March 2019, the effective interest rate of the finance lease receivables ranging from 8.75% to 11% per annum (2018: nil).

In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable will be classified as past due. At 31 March 2019, all finance lease receivables were neither past due nor impaired (2018: nil).

Finance lease receivables are secured by the leased assets and customers' deposits. Customers' deposits are collected and calculated based on certain percentage of the entire value of the lease contract. The deposits are returned to the customers by instalments over the lease contract or in full at the end of the 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 under the lease contract. At 31 March 2019, customers' deposits of HK\$324,000 (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 year ended 31 March 2019 (2018: nil).

15. Assets classified as held-for-sale/liabilities directly associated with assets classified as held-for-sale

Bluestone Investment Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement on 21 February 2019 and 18 March 2019 respectively for the disposal of two investment properties in total located in Hong Kong at a cash consideration of HK\$12,380,000 and HK\$11,000,000. Each of the purchasers is an independent third party of the Group. Investment properties with total carrying value of HK\$22,900,000 (note 11) was reclassified as assets classified as held-for-sale following the Company's decision to dispose of the properties. The properties were subsequently revalued at a fair value of HK\$23,380,000 at 31 March 2019, accordingly, a valuation gain of HK\$480,000 was recognised during the year. The first disposal was completed in April 2019 and the second disposal is expected to be completed in June 2019.

	2019
	HK\$'000
<i>Assets classified as held-for-sale</i>	
Investment properties reclassified as assets classified as held-for-sale	23,380
Prepayments and deposits	20
	23,400
<i>Liabilities directly associated with assets classified as held-for-sale</i>	
Deposits received for the disposals	(1,238)
Rental deposits received, accruals and receipt in advance	(598)
	(1,836)

16. Trade and other payables

	2019	2018
	HK\$'000	HK\$'000
Trade payables (<i>note</i>)	37,490	3,951
Other payables and accruals	15,004	13,645
	52,494	17,596

Note:

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

	2019	2018
	HK\$'000	HK\$'000
0 to 30 days	37,490	3,951

17. Bank loans and borrowings

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Secured bank loans	(i)	–	10,848
Advances drawn on bill receivables discounted with full recourse	(ii)	48,151	–
Total		48,151	10,848
Less: amounts due within one year shown under current liabilities		(48,151)	(4,020)
Amounts shown under non-current liabilities		–	6,828

Notes:

- (i) The secured bank loans were fully settled during the year. At 31 March 2018, the Group's bank loans were secured by mortgages over the Group's investment properties of HK\$31,600,000 (note 11) in Hong Kong.
- (ii) The amount represented the Group's borrowings secured by the bill receivables discounted to a bank with full recourse (note 12(ii)), the amount was repayable within one year.

18. Amounts received from a shareholder/loan from a shareholder

The amounts received from a shareholder, Champion Alliance, which was accounted for as a loan from a shareholder initially, 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 on such other date at the request of the Company and agreed by the shareholder in writing. On 1 February 2019, the shareholder confirmed that the amount due to it up to HK\$200,000,000 will be fully utilised for the subscription of new shares under a fund raising exercise to be conducted by the Company for the purpose of enlarging its capital base, such fund raising exercise is subject to the approval of the Stock Exchange. In the case of failing to get the approval, Champion Alliance has undertaken not to demand for repayment of the amount due to it (which is unsecured and interest-free) until the Group is financially viable to do so.

19. Litigation

On 30 May 2010, UTRB entered into a service agreement (“**Service Agreement**”) with F Um Terraplanagem (“**Terraplanagem**”). Under the Service Agreement, Terraplanagem would carry out earthwork service in the hydropower plant in Rondonia, Brazil for a service fee of R\$892,500. 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 May 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\$2,583,000) has been included in other payables.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The Board would like to draw your attention that the Company's auditor, Crowe (HK) CPA Limited, issued a qualified opinion on the consolidated financial statements for the year ended 31 March 2019. An extract of the independent auditor's report which states the qualified opinion is as follows:

“Qualified opinion

In our opinion, except for the possible effect of the matters described in the Basis for qualified opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

Our audit opinion dated 28 June 2017 on the Group's 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 a significant effect on the net assets of the Group and the Company at 1 April 2017, and the Group's loss and cash flows for the year then ended and the related disclosures in the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 March 2018 was modified accordingly. Our opinion on the current year's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.”

As the qualified opinion on the Group's consolidated financial statements for the year ended 31 March 2019 is related to the comparability of the current year's figures and the corresponding figures of the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows, which is a consequential effect resulting from the disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 March 2017, the Board understands, after discussion with the auditor, there will be no consequential effect on the Group's consolidated financial statements for the year ending 31 March 2020 in relation to the same matter.

The Audit Committee of the Company has critically reviewed the major judgemental areas relating to the qualified opinion on the Group's audited consolidated financial statements for the year ended 31 March 2019 and there is no disagreement between the Audit Committee and the management of the Company.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2019 (2018: nil)

BUSINESS REVIEW

For the year ended 31 March 2019 (“**FY2019**”), the Group continued to principally engage in the four business segments, namely, money lending business, forest-related business including sustainable forest management and sales of timber and wooden products, and leasing of properties.

For FY2019, the Group achieved very encouraging results by generating a revenue of HK\$589,114,000, substantially increased by 21.7 times over last year (2018: HK\$25,920,000), and reporting a profit attributable to owners of the Company of HK\$26,372,000, increased by 21% over last year (2018: HK\$21,865,000). The increases in the Group's revenue and profit were mainly attributed to (i) the continuous expansion of the loan and finance lease portfolio of the money lending business and (ii) the tremendous growth in trade volume of the sales of timber and wooden products business.

Money Lending

For FY2019, the Group's money lending business achieved remarkable growth by generating a revenue of HK\$22,319,000 (2018: HK\$5,821,000) and profit of HK\$18,958,000 (2018: HK\$5,123,000), both increased by 2.8 times and 2.7 times respectively over their comparables in the prior year. The substantial increases in revenue and profit of the business were mainly due to the continuous expansion of its loan and finance lease portfolio which in turn resulted from the concerted efforts of the management in promoting the business. During FY2019, the Group granted new loans and finance leases in an aggregate principal amount of HK\$249,419,000 at interest rates ranging from 8.75% to 18% per annum, and tenors from 18 to 36 months. At 31 March 2019, the Group's portfolio was constituted by 39 loans and finance leases totalling HK\$306,053,000 (2018: HK\$105,468,000) (net of the impairment loss on loan receivables of HK\$655,000 (2018: nil)) 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	75%	8.75%-14%	Within three years	Loans were secured by properties located in Hong Kong
Second mortgage loans	6%	13.5%-18%	Within two years	Loans were secured by properties located in Hong Kong
Corporate loans	15%	9%-12.5%	Within one year	Loans were granted to listed companies in Hong Kong
Finance lease	4%	8.75%-11%	Within three years	The finance leases were secured by motor vehicles
Total	100%			

The Group's loan and finance lease portfolio was well spread with an average loan size of around HK\$7.9 million, credit healthy as 85% of the portfolio was secured by collaterals, and earning a good return with weighted average interest rate amounting to approximately 11%.

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.

Risk management is an integral part of the success of the money lending business. There are clear credit policies, guidelines, controls and procedures in place which cover every aspects of the operation from information verification, credit assessment, loan approval, monitoring to collection. The operation has clear authorisation and approval hierarchy and is led and managed by very experienced personnel. The management team is able to deliver expedite credit approval process to customers without compromising commercial benefits of lending decisions made.

There was no default in repayments from borrowers during the current year and impairment loss of HK\$655,000 recognised against the loan receivables was in fact a general provision made in accordance with the expected credit losses assessment under a newly introduced accounting standard. The allowance for impairment losses were made on both individual assessment and collective assessment basis.

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 two to three years, aiming to establish a stable favourable income stream to the Group. The management is confident that this business will continue to perform well and there will be satisfactory progress in revenue and profit of this business in the financial year ending 31 March 2020 ("FY2020").

Forest-related Business

Sales of timber and wooden products

During FY2019, the Group's sales of timber and wooden products business registered tremendous growth in revenue and profit reaching HK\$562,777,000 (2018: HK\$16,196,000) and HK\$12,134,000 (2018: HK\$351,000) respectively, representing increases of 33.7 times and 33.6 times over their comparables in last year. The business is led by an experienced management team with extensive business network in the industry, with their good efforts, a large supplier and customer base has been built up during the year which led to the significant increase in trade volume of the business. For FY2019, approximately 265,000 m³ of hard wood logs and sawn wood products were traded on FOB (Free on Board) and CFR (Cost & Freight) basis with logistics support provided by the Group. The Group is now sourcing timber logs and wooden products from Papua New Guinea, Cameroon, Congo, Guinea Equatorial, Liberia, Malaysia, Indonesia, Suriname, Myanmar and the United States and mainly supply to customers in Mainland China.

The management has built up a high volume trading business which brings a satisfactory financial return to the Group, through effectively utilising the trade credit facilities from bank, although the profit margin of individual trade transaction is not high. The management is confident that this business will continue to perform well, for FY2020, the Group has secured sales of timber logs from major customers in the range of HK\$298.3 million to HK\$354.6 million.

Sustainable forest management

Since the Group suspended 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 considered to be unfavourable to the Group. As a result, the Board decided to change the operational model of the Group's forest assets to leasing of harvesting rights in June 2014 and since then, the Group has been actively looking for potential tenants to lease its forest assets. During the year, the Group has accumulatively leased out approximately 60% of the 44,500 hectares forest areas owned by the Group.

During FY2019, the revenue of the sustainable forest management business, representing income from licensing of harvesting rights, was HK\$3,244,000 (2018: HK\$3,153,000), and profit achieved was HK\$2,634,000 (2018: HK\$387,000), increased by 3% and 5.8 times respectively when compared with the prior year. Such increases were mainly due to the additional forest areas leased during the year (the effect of which was partly offset by the depreciation in Brazilian Reals) and the one-off reversal of over-provision for the claim of a litigation case involving a former employee of HK\$1,611,000. The Group will continue to solicit more tenants including sawmill owners so as to enhance the income stream of this business.

Leasing of Properties

During FY2019, the leasing of properties business continued to contribute a stable rental revenue of HK\$774,000 (2018: HK\$750,000) and a profit of HK\$2,774,000 (2018: HK\$2,761,000) to the Group, which comprised a total increase in fair value of investment properties of HK\$2,660,000 (2018: HK\$2,577,000). During the year, the rent of the properties rose by 20% to 32% when new tenancies were entered, primarily owing to strong demand in the residential leasing market. Taking the opportunity of realising the cumulative gains embedded in these investment properties, the Group entered into agreements with independent third parties during FY2019 to dispose of all of the investment properties at an aggregate consideration of HK\$34,260,000, of which the sale of one of the properties was completed during the year and the remaining two will be completed in FY2020. The investment properties pending for sale completion are reclassified as assets classified as held-for-sale at year end. At 31 March 2019, the Group's held-for-sale investment properties were valued at HK\$23,380,000.

The principal reasons of these disposals are to fully realise the cumulative gains embedded in these properties and to allow the Group to reallocate its financial resources to other higher yield businesses, including the money lending business and the forestry projects in Suriname. The investment properties were originally acquired at a total cost of approximately HK\$23,700,000, an aggregate gain of HK\$10,560,000 would be realised upon completion of all the disposals.

OVERALL RESULTS

The Group has achieved very encouraging results for FY2019 by reporting a profit attributable to owners of the Company of HK\$26,372,000 (2018: HK\$21,865,000), and corresponding basic earnings per share of HK0.29 cent (2018: HK0.25 cent), and total comprehensive income attributable to owners of the Company of HK\$26,637,000 (2018: HK\$21,802,000).

Notwithstanding the absence of the gain on written-back of financial liabilities relating to warrants issued by the Company of HK\$22,522,000 recorded last year, the significant improvement of the Group's results in FY2019 was mainly attributed to the profitable results of all four business segments of the Group totalling HK\$36,500,000, which increased by HK\$27,878,000 or 3.2 times over the prior year (2018: HK\$8,622,000). The profitable business results were nevertheless partly offset by the increase of administrative expenses of HK\$5,555,000 to HK\$18,385,000 (2018: HK\$12,830,000), which mainly related to the professional fees incurred to demonstrate the Group's compliance with the sufficient operations and assets requirement under Rule 13.24 of the Listing Rules.

FINANCIAL REVIEW

In order to cope with the Group's expanding scale of operation and continual business development, on 26 March 2018, Champion Alliance, a substantial shareholder of the Company, granted to the Company a loan facility for an aggregate principal amount of HK\$200,000,000 (the "**Loan Facility**") to meet its working capital requirements. The Loan Facility is unsecured and interest-free and has been mainly applied to the Group's money lending and forest-related businesses to facilitate 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 FY2019, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by bank and Loan Facility from Champion Alliance and the existing shareholders' funds. At 31 March 2019, the Group had current assets of HK\$238,063,000 (2018: HK\$150,767,000) and cash and cash equivalents of HK\$25,433,000 (2018: HK\$24,436,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$303,774,000 (2018: HK\$22,651,000), was at a ratio of about 0.8 (2018: 6.7). The significant drop in the current ratio is mainly due to the reclassification of the loan from Champion Alliance from non-current liabilities to current liabilities (i.e. the line item of "Amounts received from a shareholder") as Champion Alliance intends to fully utilise the HK\$200,000,000 advanced to the Company to subscribe for new shares under a fund raising exercise to be conducted by the Company for the purpose of enlarging its capital base, such fund raising exercise is subject to the approval of the Stock Exchange.

At 31 March 2019, the Group's borrowings comprised bank borrowings of HK\$48,151,000, which 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 Group's gearing ratio expressed as a percentage of total borrowings of HK\$48,151,000 (2018: HK\$10,848,000) (not including the loan from Champion Alliance) over equity attributable to owners of the Company of HK\$164,930,000 (2018: HK\$138,282,000), significantly increased to 29% at 31 March 2019 from 8% at 31 March 2018. Such increase was mainly due to the increase in bank borrowings from HK\$10,848,000 at 31 March 2018 to HK\$48,151,000 at 31 March 2019 to cope with the expanded scale of the timber trading business.

At 31 March 2019, the Group's total assets increased by 147% to HK\$470,977,000 (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 asset base.

At 31 March 2019, the equity attributable to owners of the Company increased by 19% or HK\$26,648,000 to HK\$164,930,000 compared to HK\$138,282,000 at 31 March 2018. The increase was mainly due to the profit earned by the Group's money lending business and forest-related business.

With the amount of liquid assets on hand, the Trade Facility from bank as well as 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 31 March 2019, bill receivables of HK\$48,151,000 were pledged to a bank to secure advances drawn on the bill receivables (2018: investment properties with carrying value of HK\$31,600,000 were pledged to secure mortgage loans from banks).

Contingent Liabilities

At 31 March 2019, except for the litigation as set out in note 19 above, the Group had no other significant contingent liability (2018: nil).

Litigation

At 31 March 2019, there was a claim of approximately HK\$2,583,000 (approximately R\$1,291,000) against the Group which had been included in other payables, details of the ongoing litigation are set out in note 19 above.

Foreign Exchange Risk

The Group mainly operates in Brazil and Hong Kong. During FY2019, 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 currency 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 year under review, the Group had not experienced any significant exposure to exchange rate fluctuations of 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 Group's assets 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.

PROSPECTS

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 used their best endeavour to improve the businesses of the Group. The outcomes are very encouraging and the Group has registered significant increases in its revenue and profit for FY2019. The scale of the Group's operation, in particular the money lending and the forest-related businesses, have expanded significantly during FY2019. Looking forward, the management will continue to actively exploring organic growth and vertical expansion business opportunities to further expand the scale of operation of the Group.

One of the Group's major business developments recently is the commencement of a logging and sales of timber project in Suriname, South America. The Group has entered into a cooperation agreement with the owner of a forest asset covering an area of over 28,000 hectares with zone number 716 in Suriname (the "**716 Suriname Forest**") for a period of eight years. Under the agreement, the Group is primarily responsible for providing working capital, deploying human resources and equipment for logging activities, and arranging the logistics and selling of cut timber, whereas the forest asset owner is primarily responsible for the provision of logging license rights and assistance in exporting timber. The Group shares the net profit derived from the sales of timber under an agreed proportion with the forest asset owner. The Group has commenced logging activities in the forest area in January 2019 and most of the cut timber logs are commonly known as hard woods suitable for exterior paneling, household furniture and flooring. Sale contracts have been signed for two shipments of cut timber to be delivered in June 2019. As woods exporting from Suriname are well received by buyers in India and Vietnam in addition to those from the Mainland China, and profit margin derived from sale of timber from own logging activities is much higher than ordinary timber trading activities, the management is optimistic about the prospects of this project. The revenue and profit of this project will be incorporated in the Group's results in FY2020.

To further expand the Group's interest in forestry projects in Suriname, the Group has also entered into cooperation agreement with the parent company and associates of the owner of the 716 Suriname Forest for another forestry project in Suriname, the project covers a site area of approximately 40,000 hectares and is estimated to have timber resources of approximately 17,200,000 m³. The site is planned for clear cutting and subsequently for the setting up of an agricultural plantation to be run by the owner (the "**Clear Cut Forest**"). The project is in advanced planning stage and is under similar commercial terms as the 716 Suriname Forest project in terms of the Group's contribution and profit sharing.

On the pipeline, in addition to the 716 Suriname Forest project and the Clear Cut Forest project abovementioned, there are another two forestry projects in Suriname under negotiation with a total site area of approximately 180,000 hectares. The Group plans to finalise commercial terms of these two new projects when the operation of the 716 Suriname Forest project and the Clear Cut Forest project are on track.

Overall speaking, in light of the significant business progress of the Group's money lending business and forest-related business in FY2019 and the commencement of the 716 Suriname Forest project which is expected to contribute positively to the Group's results, the management is optimistic about the Group's results in FY2020, and there will be continuous growth of the Group's scale of operation, level of assets, revenue and profit for FY2020 as compared to FY2019.

LISTING STATUS

As announced by the Company on 12 October 2018, the Company has been placed in the first delisting stage by the Stock Exchange as it 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. On 9 April 2019, the Company submitted a resumption proposal (the "**Resumption Proposal**") to the Stock Exchange to apply for the resumption of trading of the Company's shares. The Resumption Proposal contained the Group's financial results for FY2019, business plan and other information which demonstrated that the Group has sufficient operations and assets to warrant the continued listing of the Company. On 25 April 2019, the Company received comments on the Resumption Proposal from the Stock Exchange. On 22 and 28 May 2019, the Company submitted responses to the Stock Exchange to address its comments. Further announcements will be made by the Company in respect of this matter as and when appropriate.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2019.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 March 2019 have been reviewed by the Audit Committee and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the year ended 31 March 2019, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that 540,000 ordinary shares of the Company, being shares returned to the Group, were disposed of by a subsidiary of the Company. Pursuant to the settlement of an acquisition agreement in relation to a group of companies during the year ended 31 March 2013, resulted from the failure of the vendor in meeting the net profit guarantee, 46,666,666 ordinary shares of the Company (after share consolidation and capital reorganisation in previous years) (the "**Returned Ordinary Shares**") were returned to the Group awaiting disposal with proceeds to be returned to the Group. During the year, 540,000 Returned Ordinary Shares were disposed of at a consideration of approximately HK\$10,000 on the Stock Exchange.

SUSPENSION OF TRADING

Trading in shares of the Company has been suspended commencing from 9:00 a.m. on 10 October 2018 as the Company has been placed in the first delisting stage under Practice Note 17 of the Listing Rules referred to in the Company's announcement dated 12 October 2018.

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

Hong Kong, 6 June 2019

As at the date of this announcement, the Board comprises Ms. Wang Jingyu (Chairlady), Mr. Lai Ming Wai (Chief Executive Officer) and Ms. Chan Yuk Yee as Executive Directors and Mr. Yam Kwong Chun, Mr. Chiang Bun and Mr. Chai Chi Keung as Independent Non-executive Directors.