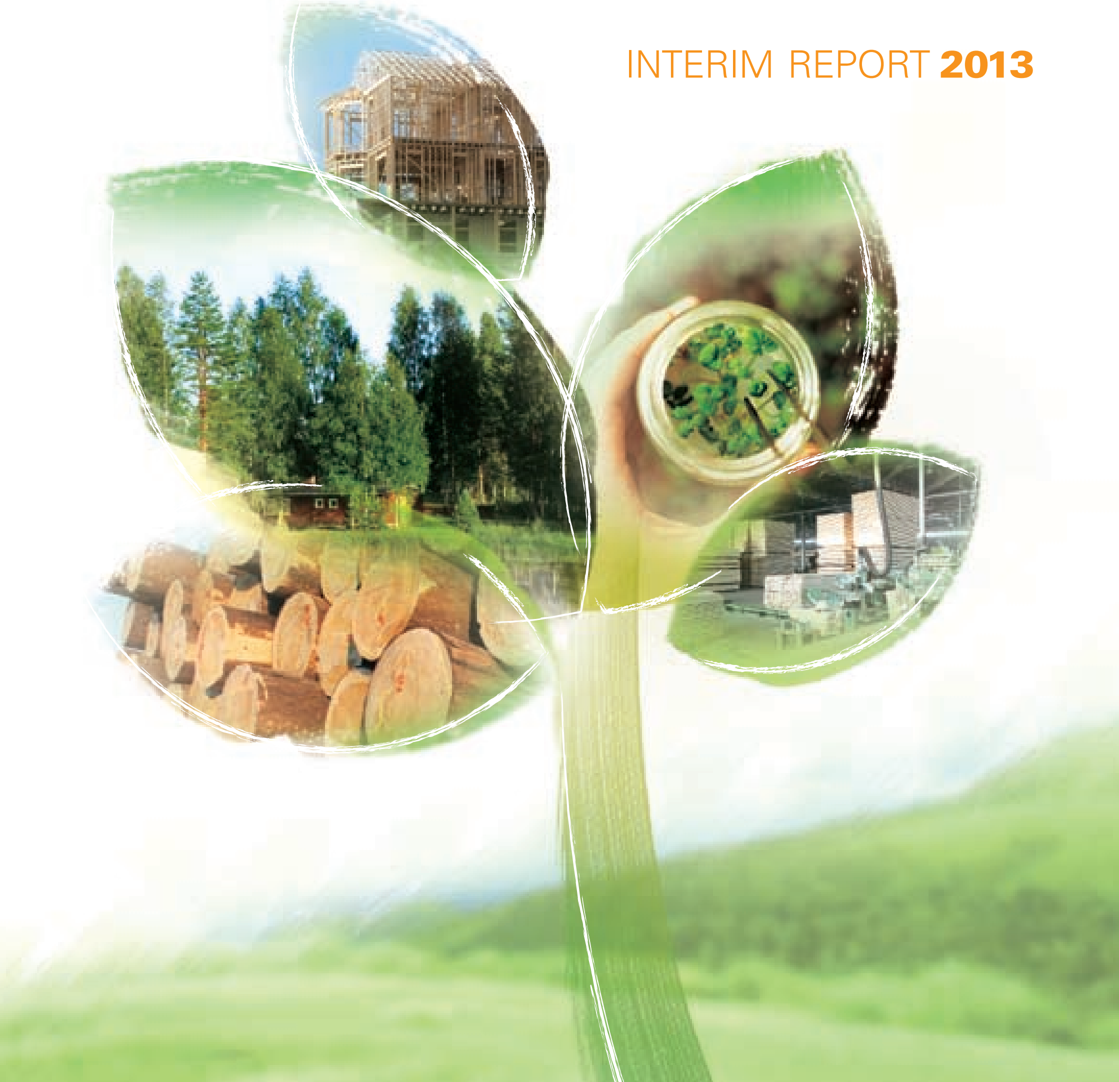
CHINA FORESTRY HOLDINGS CO., LTD.
中國森林控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE：930

INTERIM REPORT **2013**



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Kwok Cheong (Chairman)
Mr. Lin Pu
Mr. Wei Bin
(appointed on 28 June 2013)

Non-Executive Directors

Mr. Xiao Feng
Mr. Li Zhi Tong
Mr. Meng Fan Zhi

Independent Non-Executive Directors

Mr. Liu Can
Ms. Hsu Wai Man, Helen
Dr. Liu Yongping

AUDIT COMMITTEE

Ms. Hsu Wai Man, Helen (Chairlady)
Mr. Liu Can
Dr. Liu Yongping

REMUNERATION COMMITTEE

Ms. Hsu Wai Man, Helen (Chairlady)
Mr. Xiao Feng
Dr. Liu Yongping

NOMINATION COMMITTEE

Mr. Li Kwok Cheong (Chairman)
Mr. Liu Can
Dr. Liu Yongping

COMPANY SECRETARY

Mr. Tong Wai Kit, Raymond (FCCA, FCPA)
(resigned on 19 July 2013)
Mr. Kong Shing Chi, Albert (CPA)
(appointed on 20 July 2013)

AUTHORISED REPRESENTATIVES

Mr. Li Kwok Cheong
Mr. Tong Wai Kit, Raymond (FCCA, FCPA)
(resigned on 19 July 2013)
Mr. Kong Shing Chi, Albert (CPA)
(appointed on 20 July 2013)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 11-13, 22/F, East Tower
World Financial Center
1 East Third Ring Middle Road
Chaoyang District Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2507, 25th Floor
Bank of America Tower
12 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre,
183 Queen's Road East
Wanchai Hong Kong

AUDITORS

Crowe Horwath (HK) CPA Limited
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay,
Hong Kong

LEGAL ADVISERS

as to Hong Kong law
Orrick, Herrington & Sutcliffe
43/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

WEBSITE ADDRESS

www.chinaforestryholding.com

STOCK CODE

00930

SHARE INFORMATION

Board lot size: 2,000

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2013, China Forestry Holdings Co., Ltd. (the "Company", together with its subsidiaries, the "Group") continued to focus on implementing its vertically-integrated development strategy in China.

For the six months ended 30 June 2013 (the "**Current Period**"), the Company recorded turnover of approximately RMB101 million, representing an increase of approximately 173% over the same period in 2012. The majority of the increase was mainly attributable to the Group's lumber trading. Other revenue contributions include the high-end wood processing and trading in Manzhouli Triple Success Co., Ltd. ("**Triple Success**"). Loss attributable to owners of the Group amounted to approximately RMB88.6 million as compared to a loss of approximately RMB102.7 million for the same period in 2012. The loss was mainly due to a slow recovery in harvesting activities, which were hindered by a severe earthquake in Sichuan in April 2013, as well as the higher operational costs of newly developed businesses.

The Group's wood trading business sold approximately 76,000 cubic meters of logs and generated approximately RMB72.3 million in revenue for the six months ended 30 June 2013, an increase of approximately 533% and 444% compared to approximately 12,000 cubic meters and approximately RMB13.3 million, respectively, in the same period in 2012.

Lumber were mainly traded by the Group in Yunnan Province and at Manzhouli, Inner Mongolia. In Yunnan Province, approximately 70,800 cubic metres of lumber were traded by the Group.

For the Current Period, the Group harvested approximately 10,700 cubic meters of timber logs, mainly in Sichuan Province, representing a decrease of approximately 20,000 cubic meters over the same period in 2012. The harvesting activities were hindered by the Sichuan earthquake in April 2013 since the transport routes leading to the forest were cut off and the felling team of the Group has been unable to operate. Therefore, harvesting activities of the Group have been limited since May 2013.

The wood processing activities of Triple Success witnessed steady growth during the Current Period. However, the performance of Triple Success has been affected by the depreciation of the Japanese Yen, which had been the settlement currency with the Group's major Japanese clientele. In June 2013, Triple Success entered into an agreement with its Japanese clientele stipulating that future transactions be settled in USD.

In the first half of 2013, the Group continued to promote the development of forest-based ecological energy by providing technical services and high-tech products for the utilization and development of this energy resource in China. China Forestry has strategically developed the wood-frame house manufacturing and construction business with a view to accelerating the Group's downstream forestry operations.

Meanwhile, the Group also paid continued efforts to developing its saplings business by focusing on saplings trading, which presents higher margins. By replanting high-quality saplings such as Liriodendron Chinese while utilizing life science technologies, the Group strives to elevate the quality of its forest resources and expects higher turnover in the future.

As at 30 June 2013, the Company had a cash and bank balance of approximately RMB236.15 million, of which approximately HK$6.28 million, RMB111.89 million and US$13.73 million were maintained in the PRC and approximately HK$0.43 million, RMB27.06 million and US$2.08 million were maintained in Hong Kong.

PROSPECTS

Given that China's economy is no longer developing at double-digit rates of growth and has entered a mature stage featuring more robust but slower growth, the market demand for wood products will still be supported by all kinds of infrastructure projects. The Group is cautiously optimistic about the future of the forestry industry.

Looking forward, China Forestry will continue to implement its vertically-integrated development strategy by exploring downstream businesses to capture opportunities throughout the industry value chain.

Triple Success, one of the largest high-end wood processing plants in Asia will continue expanding its high-end wood products so as to create synergies with the Company's established log trading business. Meanwhile, Triple Success's production capacity utilization is expected to grow gradually in the second half of 2013.

As for the saplings development business, the Group will continue to conduct further research and development in future. As both the saplings development business and wood-frame houses are at an exploratory stage, China Forestry will leverage its existing resources to optimize the industry value chain.

In addition, the Group will proactively strengthen its corporate governance to establish a solid foundation for future growth to reposition itself as one of the leading players in the industry in the coming future.

FINANCIAL REVIEW

Revenue

During the Current Period, the Group recorded total revenue of approximately RMB101 million, representing an increase of approximately 173% over the same period in 2012. The revenue were mainly derived from harvesting activities in Sichuan province and trading of timber logs in Yunnan and the northeastern China.

Staff cost

Staff cost decreased to approximately RMB18.1 million for the period ended 30 June 2013 from approximately RMB19.9 million over the same period last year mainly due to the decrease in directors' remuneration.

Consultancy fees

Consultancy fees for the period decreased to approximately RMB3.5 million for the period ended 30 June 2013 from approximately RMB9.8 million over the same period last year mainly due to the completion of independent investigation and internal control review during the corresponding period in 2012.

Foreign exchange loss/gain

The foreign exchange loss increased to approximately RMB2.44 million for the period ended 30 June 2013 from approximately RMB0.12 million over the same period last year mainly due to depreciation of USD against RMB during the current period, as the PRC subsidiaries have kept US Dollar as denominated deposits during the current period.

Other operating expenses

The increase in other operating expenses by approximately 81.2% to approximately RMB38.6 million for the period ended 30 June 2013 from approximately RMB21.3 million over the same period last year was mainly due to the change of fair value on the 10.25% Senior Notes with an aggregate principal amount of US$19,690,000.

Net finance costs

Net finance costs for the period ended 30 June 2013 of approximately RMB61.9 million mainly arose from the interest expenses of Senior Notes with an outstanding amount of USD180 million bearing interest at 10.25% per annum.

Income tax expenses

Pursuant to section 27 of the Corporate Income Tax Law of the PRC and section 86 of the Implementation Regulations of the Corporate Income Tax Law, the income derived from our forestry business is exempt from income tax. For timber log trading business, the Group is subject to the Corporate Income Tax at the rate of 25%.

Loss for the period

Based on the foregoing reasons, our loss attributable to the owners of the Company amounted to approximately RMB88.6 million for the Current Period.

SEGMENTAL INFORMATION

There are three operating segments namely forestry management, trading operation and wood processing and construction. Unallocated segment includes corporate functions managed by the Group management. During the period under review, total revenue of forestry management, trading operation, wood processing and construction was approximately RMB7.8 million, RMB72.3 million and RMB20.9 million respectively. During the last year same period, the total revenue of forestry management, trading operation, wood processing and construction was approximately RMB18.8 million, RMB13.3 million and RMB5 million respectively.

In comparison to the corresponding period in 2012, the turnover of forestry management for the Current Period decreased by approximately 58.5%, since harvesting activities for the Current Period were hindered by a severe earthquake in Sichuan in April 2013. The turnover for trading operation increased by approximately 443.6%, such increase was mainly contributed by the Group's new lumber trading business in Yunnan. Whereas the turnover for wood processing and construction increased by approximately 318%, since only two months of results of Triple Success (acquired as at 27 April 2012) has been consolidated for the corresponding period in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2013, the Group had cash and bank balances of approximately RMB236.15 million, of which approximately HK$6.28 million, RMB111.89 million and USD13.73 million were maintained in the PRC; and approximately HK$0.43 million, RMB27.06 million and USD2.08 million were maintained in Hong Kong (31 December 2012: RMB632.50 million).

CONTINGENT LIABILITIES

a) During the year, the PRC tax authority conducted a tax investigation on a subsidiary in the PRC. Up to the date of approval of these consolidated financial statements, the PRC tax authority is still reviewing the case and no final decision is reached. In the opinion of the directors, the subsidiary has sufficient tax losses to cover the tax liabilities, if any, as a result of the investigation. Therefore, the directors consider that no provision is necessary to be made in these consolidated financial statements.

b) At the end of the reporting period, a bank deposit of RMB7,300,000 of a subsidiary was pledged to a bank as security for the banking facilities of US$1,000,000 (equivalent to RMB6,220,000) granted to a PRC entity (the "**Borrower**") unrelated to the Group. In return, the shareholder of the Borrower pledged its 50% shareholding interest in the Borrower as a counter guarantee to the Group.

PLEDGE OF ASSETS

The Senior Notes are secured by the shares of the Company's certain subsidiaries incorporated in Hong Kong and BVI, and are subject to the fulfilment of certain financial and non-financial covenants relating to the Group, as commonly found in lending arrangements in high yield senior notes. If the Group was to breach the covenants, the principal and, accrued and unpaid interest of the Senior Notes would become payable on demand. The Directors consider that none of the covenants had been breached as at 30 June 2013.

At 30 June 2013, the bank loans in the aggregate amount of approximately RMB39.8 million bear interest ranging from 5.25% to 6.90% per annum and are secured by a guarantee from a subsidiary and certain forestry ownership certificates for 4,254 hectares of plantation assets in Sichuan with total carrying amount of approximately RMB53,407,000, repayable within one year.

Please also refer to the paragraph headed "Contingent Liabilities" above for information regarding a pledge over bank deposit of RMB7,300,000.

FINANCIAL INSTRUMENTS

The Group did not hold any financial instruments for hedging purposes during the Current Period.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are located in the PRC and its operating transactions are primarily conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, Hong Kong dollars and US dollars. Since the Renminbi is not freely convertible, there is a risk that the PRC government may take actions affecting exchange rates which may have a material adverse effect on its net assets, earnings and any dividends it declares if such dividends are to be exchanged or converted into foreign currency. Moreover, the Group has not hedged its foreign exchange risk.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 21 February 2013, the Group through its wholly-owned subsidiary, Cheng Du Fine Fit Forestry Resources Development Co., Ltd., acquired 100% equity interest in Beijing Yanse Catering Co., Limited ("Yanse") at a total consideration of RMB6 million. Yanse is engaged in the provision of food and catering services and operates a restaurant in Beijing. The Group planned to set up a showroom featuring wood made products in the restaurant operated by Yanse, so as to support the Group's downstream operation.

BORROWING AND GEARING RATIO

As at 30 June 2013, the Group had the Senior Notes of USD180 million in issue, bearing interest at 10.25% per annum, and repayable on 17 November 2015.

At 30 June 2013, the bank loans amounted to RMB39.8 million bear interest ranged from 5.25% to 6.90% per annum and are secured by a guarantee from a subsidiary and certain forestry ownership certificates for 4,254 hectares of plantation assets in Sichuan with total carrying amount of approximately RMB53,407,000, repayable within one year.

The Group's gearing ratio is total debts divided by total assets. The Group's policy is to keep the gearing ratio at reasonable level. The Group's gearing ratio as at 30 June 2013 was 0.58 (31 December 2012: 0.58).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2013, the Group had a total of 729 employees (31 December 2012: 715 employees). The remuneration of employees was based on their performance, skills knowledge, experiences and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and cash awards based on individual performance. The Group has also adopted a share option scheme for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

Directors' Report

The Directors hereby present their report and the unaudited interim financial statements of the Group for the six months ended 30 June 2013.

INTERIM DIVIDEND

The board of Directors of the Company has resolved not to pay any interim dividend in respect of the six months ended 30 June 2013.

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

As at 30 June 2013, the interests and short positions of the Directors and chief executives 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) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in Shares

Long Positions in our Company

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in our Company
Li Kwok Cheong[1]	Interest of a controlled corporation	1,556,950,000	50.87%
	Security interest	75,000,023	2.45%

Notes:

(1) Kingfly Capital Limited ("**Kingfly Capital**") is wholly-owned and controlled by Mr. Li Kwok Cheong and Mr. Li Kwok Cheong is therefore deemed to be interested in the Shares held by Kingfly Capital. Kingfly Capital has a security interest over 75,000,023 Shares, representing approximately 2.45% of the interest in the Company held by Top Wisdom Overseas Holdings Limited ("**Top Wisdom**"). Top Wisdom is wholly-owned and controlled by Mr. Han Chun.

Save as disclosed above, as at 30 June 2013, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

The Company has adopted a share option scheme (the "**Share Option Scheme**") pursuant to the shareholders' written resolution passed on 5 November 2009.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12 month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board of Directors of the Company, which must not be more than 10 years from the date of the grant.

On 7 September 2010, the Company granted 42,750,000 options to a director, senior management and key employees. As at 30 June 2013, there were 7,250,000 options granted outstanding and during the period ended 30 June 2013, no share option was forfeited. For further details on the financial aspects of the share options, please refer to note 19 to the unaudited interim financial report.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executives of the Company, as at 30 June 2013, Shareholders (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

Name	Notes	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Kingfly Capital	1	Beneficial Owner Security Interest	1,556,950,000 75,000,023	50.87% 2.45%
Silver Capital Enterprise Limited	2	Security interest	400,000,000	13.07%
Wong Moon Hei	2	Interest in controlled corporation	400,000,000	13.07%
Carlyle Asia Growth Partners III L.P. ("**CAGP**")	3	Beneficial owner	322,650,000	10.54%
CAGP General Partner, L.P.	3	Interest in controlled corporation	335,475,000	10.96%
CAGP Ltd.	3	Interest in controlled corporation	335,475,000	10.96%
TC Group Cayman Investment Holdings, L.P.	3	Interest in controlled corporation	335,475,000	10.96%
TCG Holdings Cayman II, L.P	3	Interest in controlled corporation	335,475,000	10.96%
Carlyle Offshore Partners II, Limited	3	Interest in controlled corporation	335,475,000	10.96%
Partners Group AG	4	Investment Manager	165,150,000	5.40%
Partners Group Holding AG	5	Interest in controlled company	165,150,000	5.40%

Notes:

1. Kingfly Capital is wholly-owned and controlled by Mr. Li Kwok Cheong and Mr. Li Kwok Cheong is therefore deemed to be interested in the Shares held by Kingfly Capital Limited.

   Kingfly Capital, as the chargee in respect of a charge made by Top Wisdom as the chargor over 75,000,023 Shares representing approximately 2.45% of the issued share capital of the Company, has a security interest over such Shares.

2. Silver Capital Enterprise Limited is wholly owned by Wong Moon Hei.

3. CAGP General Partner, L.P. is the general partner of CAGP and CAGP III Co Investment, L.P. which collectively are interested in 10.96% of the total issued share capital of the Company. CAGP General Partner, L.P. itself acts by its general partner, CAGP Ltd., which in turn is 100% owned, controlled and managed by TC Group Cayman Investment Holdings, L.P., the general partner of which is, TCG Holdings Cayman, L.P.. Carlyle Offshore Partners II, Limited is the general partner of TCG Holdings Cayman II, L.P.. Each of CAGP General Partner, L.P., CAGP Ltd., TC Group Cayman Investment Holdings, L.P., TCG Holdings Cayman II, L.P. and Carlyle Offshore Partners II is deemed to be interested in the Shares held by CAGP and CAGP Coinvestment.

4. Partners Group Management (Scotland) Limited, the general partner of Partners Group Access, which is interested in 4.68% of the total issued share capital of the Company, is accustomed to act in accordance with the direction of Partners Group AG. In addition, Partners Group AG has discretion to make decisions regarding the exercise of the voting rights attributable to the 0.72% interest in the Company held by International Fund on account of IFM-Invest: 2 Private Equity. Partners Group AG is therefore, deemed to be interested in 5.40% of the total issued share capital of the Company.

5. Partners Group AG is a wholly-owned subsidiary of Partners Group Holding AG, which is, therefore, deemed to be interested in 5.40% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2013, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

Code Provision A.2.1 of the Code of Corporate Governance Practices (the "**Code**") as was set out in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

On 15 April 2012, Mr. Li Jian resigned from his position as the acting chief executive officer of the Company, and Mr. Li Kwok Cheong, chairman of the Company, was appointed as the chief executive officer. The Company is in the process of identifying suitable candidates to act as the chief executive officer of the Company and will make an announcement in accordance with the Listing Rules once a new chief executive officer is appointed.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the six months ended 30 June 2013, in compliance with the code provisions of the Code for the six months ended 30 June 2013.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes to information of Directors during the six months ended 30 June 2013 are set out as below:

In support the Group, Mr. Li Kwok Cheong, who is the chairman of the Board, chief executive officer of the Company and an executive Director, and Mr. Lin Pu, an executive Director and the Head of Yunnan Operations of the Group, voluntarily reduced the remuneration they are entitled to receive from the Group. Specifically, (i) the director's fee for Mr. Li Kwok Cheong has been reduced from RMB3 million per annum to RMB2 million per annum; and his basic salary has been reduced from RMB1.2 million per annum to RMB300,000 per annum; and (ii) the director's fee for Mr. Lin Pu has been reduced from RMB960,000 per annum to RMB300,000 per annum, while his basic salary remains unchanged RMB180,000 per annum.

Save for the information disclosed above, there is no other information related to Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

During the six month period ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Group, they confirmed that they have complied with the required standard of dealings as set out in the Model Code.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended since 26 January 2011 and shall remain suspended until further notice. Please refer to the announcements of the Company dated 26 January 2011, 31 January 2011, 18 February 2011, 2 March 2011, 3 March 2011 and 29 April 2011, respectively, for further details in relation to the suspension.

REVIEW OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The audit committee of the Group currently comprises three independent non-executive directors, namely Ms. Hsu Wai Man, Helen (Chairlady of the Audit Committee), Mr. Liu Can and Dr. Liu Yongping. All members of the audit committee have reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2013.

APPRECIATION

I would like to take this opportunity to thank my fellow directors, our staff and all our stakeholders for their continued support.

By order of the Board
China Forestry Holdings Co., Ltd.
Li Kwok Cheong
Chairman

Hong Kong, 30 August 2013

Condensed Consolidated Income Statement

for the six months ended 30 June 2013

	Note	Six months ended 30 June **2013** **RMB'000** **(unaudited)**	2012 RMB'000 (unaudited)
Turnover	*4*	**101,012**	37,044
Cost of sales		**(94,316)**	(34,719)
Other operating income	*6*	**43,587**	13,675
Amortisation of insurance premium		**(257)**	(48)
Amortisation of lease prepayments	*12*	**(5,421)**	(4,641)
Consultancy fees		**(3,532)**	(9,796)
Depreciation	*11*	**(8,212)**	(5,636)
Foreign exchange loss		**(2,435)**	(123)
Other operating expenses		**(38,612)**	(21,329)
Rental expenses of properties		**(4,636)**	(4,328)
Staff costs	*8*	**(18,052)**	(19,928)
Travelling expenses		**(4,252)**	(3,072)
Changes in fair value of plantation assets less costs to sell	*13*	**–**	1,200
Provisional gain on a bargain purchase of subsidiaries	*21*	**–**	2,970
Loss from operations		**(35,126)**	(48,731)
Finance income		**6,883**	7,054
Finance expenses		**(61,949)**	(61,933)
Net finance costs	*7(a)*	**(55,066)**	(54,879)
Loss before taxation	*7*	**(90,192)**	(103,610)
Income tax	*9*	**(14)**	–
Loss for the period		**(90,206)**	(103,610)
Attributable to:			
Owners of the Company		**(88,571)**	(102,733)
Non-controlling interests		**(1,635)**	(877)
Loss for the period		**(90,206)**	(103,610)
Loss per share (RMB)			
Basic and diluted	*10*	**(0.03)**	(0.03)

The notes on pages 22 to 54 form part of this unaudited interim financial report. Details of dividends payable to owners of the Company attributable to the loss for the period are set out in note 18.

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period	**(90,206)**	(103,610)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of group entities outside of the PRC	**8,291**	4,932
Total other comprehensive income for the period	**8,291**	4,932
Total comprehensive loss for the period	**(81,915)**	(98,678)
Attributable to:		
Owners of the Company	**(80,280)**	(97,801)
Non-controlling interests	**(1,635)**	(877)
Total comprehensive loss for the period	**(81,915)**	(98,678)

The notes on pages 22 to 54 form part of this unaudited interim financial report.

Condensed Consolidated Statement of Financial Position

at 30 June 2013

	Note	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**142,248**	145,418
Lease prepayments	*12*	**311,084**	316,564
Intangible assets		**6,000**	–
Plantation assets	*13*	**2,031,255**	2,033,900
Prepayment for forest acquisition		**48,985**	49,787
Deposit for construction of a property		**6,212**	6,212
Deferred tax assets		**3,642**	3,642
Total non-current assets		**2,549,426**	2,555,523
Current assets			
Lease prepayments	*12*	**10,783**	10,724
Inventories		**58,659**	39,405
Trade and other receivables	*14*	**143,007**	88,363
Loan receivable	*15*	**30,000**	50,000
Due from customers on construction contracts		**29,182**	28,804
Financial assets at fair value through profit or loss		**42,777**	66,560
Pledged bank deposits		**7,300**	10,700
Cash and cash equivalents		**236,153**	395,876
Total current assets		**557,861**	690,432
Current liabilities			
Trade and other payables	*16*	**(599,827)**	(617,627)
Current income tax payable		**(71,383)**	(71,385)
Interest-bearing borrowings	*17*	**(39,786)**	(70,000)
Financial guarantee liabilities		**–**	(3,000)
Total current liabilities		**(710,996)**	(762,012)
Net current liabilities		**(153,135)**	(71,580)
Total assets less current liabilities		**2,396,291**	2,483,943
Non-current liabilities			
Interest-bearing borrowings	*17*	**(1,100,712)**	(1,106,989)
Total non-current liabilities		**(1,100,712)**	(1,106,989)
NET ASSETS		**1,295,579**	1,376,954
CAPITAL AND RESERVES			
Share capital		**20,797**	20,797
Reserves		**1,234,145**	1,313,885
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,254,942**	1,334,682
NON-CONTROLLING INTERESTS		**40,637**	42,272
TOTAL EQUITY		**1,295,579**	1,376,954

Approved and authorised for issue by the board of directors on 30 August 2013.

Li Kwok Cheong	**Lin Pu**
Director	*Director*

The notes on pages 22 to 54 form part of this unaudited interim financial report.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2013

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012 (audited)	20,797	1,717,949	170,865	96,339	5,709	547,914	2,559,573	–	2,559,573
Loss for the period	–	–	–	–	–	(102,733)	(102,733)	(877)	(103,610)
Exchange differences on translation of financial statements of group entities outside of the PRC	–	–	–	–	4,932	–	4,932	–	4,932
Total other comprehensive income	–	–	–	–	4,932	–	4,932	–	4,932
Total comprehensive income/(loss)	–	–	–	–	4,932	(102,733)	(97,801)	(877)	(98,678)
Transactions with owners									
Acquisition of subsidiaries	–	–	–	–	–	–	–	49,273	49,273
Equity-settled share-based transaction	–	–	–	1,455	–	–	1,455	–	1,455
Transfer to retained profits upon forfeiture of share options	–	–	–	(1,197)	–	1,197	–	–	–
Dividend approved and paid in respect of prior year	–	(63,124)	–	–	–	–	(63,124)	–	(63,124)
At 30 June 2012 (unaudited)	20,797	1,654,825	170,865	96,597	10,641	446,378	2,400,103	48,396	2,448,499
At 1 January 2013 (audited)	**20,797**	**1,654,774**	**170,865**	**97,446**	**22,007**	**(631,207)**	**1,334,682**	**42,272**	**1,376,954**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(88,571)**	**(88,571)**	**(1,635)**	**(90,206)**
Exchange differences on translation of financial statements of group entities outside of the PRC	**–**	**–**	**–**	**–**	**8,291**	**–**	**8,291**	**–**	**8,291**
Total other comprehensive income	**–**	**–**	**–**	**–**	**8,291**	**–**	**8,291**	**–**	**8,291**
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**8,291**	**(88,571)**	**(80,280)**	**(1,635)**	**(81,915)**
Transactions with owners									
Equity-settled share-based transaction	**–**	**–**	**–**	**540**	**–**	**–**	**540**	**–**	**540**
At 30 June 2013 (unaudited)	**20,797**	**1,654,774**	**170,865**	**97,986**	**30,298**	**(719,778)**	**1,254,942**	**40,637**	**1,295,579**

The notes on pages 22 to 54 form part of this unaudited interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash used in operations	**(88,060)**	(49,941)
Tax paid	**(16)**	–
Net cash used in operating activities	**(88,076)**	(49,941)
Net cash generated from/(used in) investing activities	**18,542**	(22,384)
Net cash used in financing activities	**(89,921)**	(43,681)
Net decrease in cash and cash equivalents	**(159,455)**	(116,006)
Cash and cash equivalents at 1 January	**395,876**	749,638
Effect of foreign exchange rate change	**(268)**	(1,180)
Cash and cash equivalents at 30 June	**236,153**	632,452

The notes on pages 22 to 54 form part of this unaudited interim financial report.

Notes to the Condensed Consolidated Financial Statements (unaudited)

for the six months ended 30 June 2013

1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB").

The unaudited condensed consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") that are expected to be reflected in the 2013 annual financial statements. Details of the new and revised IFRSs are set out in note 2.

The unaudited condensed consolidated financial statements contains condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs. The interim condensed consolidated financial statements are unaudited, but have been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012. The financial information relating to the financial year ended 31 December 2012 that is included in the unaudited condensed consolidated financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed a disclaimer of opinion on those financial statements in their report dated 30 April 2013.

1 BASIS OF PREPARATION (continued)

Going concern

The Group incurred a loss attributable to the owners of the Company of RMB88,571,000 and net cash outflow from operating activities of RMB88,076,000 for the period ended 30 June 2013 and had net current liabilities of RMB153,135,000 and net debt of RMB897,045,000 as at 30 June 2013. In preparing these condensed consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to attain profitable and positive cash flows from operations in the immediate and longer term.

Based on the projections of the Group and having taken into account the available financial resources of the Company, the directors have concluded that the Group and the Company is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Revised IAS 19, *Employee benefits*
- Revised IAS 27, *Separate Financial Statement*
- Revised IAS 28, *Investments in Associates and Joint Ventures*
- *Annual Improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The adoption of the above new and revised IFRSs had no significant financial impact on these condensed consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012, as set out on pages 123 to 126 of the 2012 annual report.

4 TURNOVER

The principal activities of the Group are the forestry management, trading of timber logs and lumbers and wood processing and construction in the People's Republic of China (the "PRC"). Turnover represents the sales value of goods supplied to customers less value added tax, returns and trade discounts and service income from provision of wood processing and construction services.

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of logs from harvesting activities	**7,816**	18,758
Sales of logs and lumbers from trading activities	**72,271**	13,267
Revenue from provision of wood processing and construction services	**20,925**	5,019
	101,012	37,044

5 SEGMENT INFORMATION

The Group manages its business by division which is organised from the product perspective.

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the board of directors, being the chief operating decision-makers ("CODM") for the purposes of resource allocation and performance assessment. The Group has presented the following three reportable segments, no operating segment has been aggregated to form the following reportable segments:

Forestry management – this segment is engaged in forestry management in the PRC.

Trading operation – this segment is engaged in trading of timber logs and lumbers in the PRC.

Wood processing and construction – this segment is engaged in provision of wood processing and construction of wood-frame houses services in the PRC.

5 SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the six months ended 30 June 2013 (unaudited)

	Forestry management RMB'000	Trading operation RMB'000	Wood processing and construction RMB'000	Total RMB'000
SEGMENT REVENUE				
Revenue from external customers	7,816	72,271	20,925	101,012
Inter-segment revenue	–	8,998	–	8,998
Reportable segment revenue	7,816	81,269	20,925	110,010
Less: inter-segment revenue				(8,998)
Consolidated revenue				101,012
Segment results	(16,866)	10,389	(8,270)	(14,747)
Unallocated finance income				6,585
Unallocated finance expenses				(61,128)
Unallocated other operating income				30,428
Unallocated corporate expenses				(27,880)
Fair value loss on financial assets at fair value through profit or loss				(23,450)
Loss before taxation				(90,192)

Notes to the Condensed Consolidated Financial Statements (unaudited) *(Continued)*

for the six months ended 30 June 2013

5 SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2012 (unaudited)

	Forestry management RMB'000	Trading operation RMB'000	Wood processing and construction RMB'000	Total RMB'000
SEGMENT REVENUE				
Revenue from external customers	18,758	13,267	5,019	37,044
Inter-segment revenue	–	2,625	–	2,625
Reportable segment revenue	18,758	15,892	5,019	39,669
Less: inter-segment revenue				(2,625)
Consolidated revenue				37,044
Segment results	(15,655)	7,091	(89)	(8,653)
Unallocated finance income				5,865
Unallocated finance expenses				(61,722)
Unallocated other operating income				363
Unallocated corporate expenses				(31,313)
Fair value loss on financial assets at fair value through profit or loss				(8,150)
Loss before taxation				(103,610)

5 SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in the annual financial statements for the year ended 31 December 2012. Segment results represent the profit or loss from each segment without allocation of unallocated finance income, unallocated interest expenses, unallocated other operating income, unallocated corporate expenses, and fair value loss on financial assets at fair value through profit or loss. This is the measure reported to CODM of the Company for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Assets		
Forestry management	**2,466,824**	2,566,440
Trading operation	**185,234**	172,773
Wood processing and construction	**280,143**	264,008
Total segment assets	**2,932,201**	3,003,221
Financial assets at fair value through profit or loss	**42,777**	66,560
Deferred tax assets	**3,642**	3,642
Loan receivable	**30,000**	50,000
Unallocated corporate assets	**98,667**	122,532
Consolidated assets	**3,107,287**	3,245,955

Notes to the Condensed Consolidated Financial Statements (unaudited) *(Continued)*

for the six months ended 30 June 2013

5 SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Segment liabilities

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Liabilities		
Forestry management	**507,233**	537,766
Trading operation	**38,116**	17,930
Wood processing and construction	**18,535**	17,652
Total segment liabilities	**563,884**	573,348
Interest-bearing borrowings	**1,130,712**	1,176,989
Current tax income payable	**71,383**	71,385
Unallocated corporate liabilities	**45,729**	47,279
Consolidated liabilities	**1,811,708**	1,869,001

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

– all assets are allocated to operating segments other than loan receivable, financial assets at fair value through profit or loss, deferred tax assets and unallocated corporate assets; and

– all liabilities are allocated to operating segments other than interest-bearing borrowings, current income tax payable and unallocated corporate liabilities.

5 SEGMENT INFORMATION (continued)

Other segment information (unaudited)

	Forestry management RMB'000	Trading operation RMB'000	Wood processing and construction RMB'000	Unallocated RMB'000	Consolidated RMB'000
For the six months ended 30 June 2013					
Other operating income	–	13,104	55	30,428	43,587
Finance income	202	80	16	6,585	6,883
Finance expenses	–	821	–	61,128	61,949
Depreciation of property, plant and equipment	1,038	305	5,337	1,532	8,212
Reversal of impairment loss on trade receivable	–	1,200	–	–	1,200
Reversal of impairment loss on prepayment for purchase of inventories	–	6,170	–	–	6,170
Reversal of written off inventories	–	5,134	–	–	5,134
Gain on disposal of property, plant and equipment	–	–	–	2	2
Amortisation of lease prepayments	4,620	–	801	–	5,421
Additions of property, plant and equipment	1,349	58	6,045	141	7,593

Notes to the Condensed Consolidated Financial Statements (unaudited) *(Continued)*

for the six months ended 30 June 2013

5 SEGMENT INFORMATION (continued)

Other segment information (unaudited) (continued)

	Forestry management RMB'000	Trading operation RMB'000	Wood processing and construction RMB'000	Unallocated RMB'000	Consolidated RMB'000
For the six months ended 30 June 2012					
Changes in fair value of plantation assets less costs to sell	1,200	–	–	–	1,200
Other operating income	1,152	12,160	–	363	13,675
Finance income	918	265	6	5,865	7,054
Finance expenses	196	13	2	61,722	61,933
Depreciation of property, plant and equipment	815	291	2,711	1,819	5,636
Reversal of impairment loss on trade receivables	–	5,750	–	–	5,750
Reversal of impairment loss on other receivables	–	3,000	–	–	3,000
Reversal of impairment loss on prepayment for purchase of inventories	–	3,365	–	–	3,365
Amortisation of lease prepayments	4,552	–	89	–	4,641
Additions of property, plant and equipment	582	600	137,808	1,473	140,463
Additions of lease prepayments	–	–	21,134	–	21,134

5 SEGMENT INFORMATION (continued)

Geographical information

The Group's revenue from external customers is derived solely from its operations in the PRC and all material non-current assets of the Group are located in the PRC. Accordingly, no disclosure of geographical information is provided.

Information about major customers (unaudited)

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A – revenue from sales of timber logs and lumbers from forestry management	**5,885**	16,029
Customer B – revenue from sales of timber logs and lumbers from trading operation	**10,684**	4,797
Customer C – revenue from wood processing and construction	**7,320**	4,289

6 OTHER OPERATING INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commission income	**–**	345
Disposal of property, plant and equipment	**2**	–
Reversal of impairment loss on trade receivables	**1,200**	5,750
Reversal of impairment loss on prepayment for purchase of inventories	**6,170**	3,365
Reversal of impairment loss on other receivables	**–**	3,000
Reversal of written off inventories	**5,134**	–
Government grants	**–**	54
Recovery of embezzled funds *(Note)*	**30,000**	–
Others	**1,081**	1,161
	43,587	13,675

Note: In January 2011, the Group discovered that the former chief executive officer, Mr Li Han Chun embezzled funds of approximately RMB30 million from the Group. During the six months ended 30 June 2013, the Group received a refund of RMB30 million from public security bureau as a recovery of the embezzled funds.

for the six months ended 30 June 2013

7 LOSS BEFORE TAXATION

a) Net finance costs

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Finance income		
Interest income earned from deposits with banks	**557**	1,474
Total interest income on financial assets not at fair value through profit or loss	**557**	1,474
Interest income from financial assets at fair value through profit or loss	**6,326**	5,580
	6,883	7,054
Finance expenses		
Interest on borrowings wholly repayable within five years		
– bank loans	**(1,716)**	(820)
– senior notes	**(60,066)**	(60,861)
– other loans	**(167)**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**(61,949)**	(61,681)
Others	**–**	(252)
	(61,949)	(61,933)
Net finance costs	**(55,066)**	(54,879)

7 LOSS BEFORE TAXATION (continued)

b) Other items

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	**94,316**	30,857
Fair value loss on financial assets at fair value through profit or loss	**23,450**	8,150

8 STAFF COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries, wages and other benefits	**20,375**	16,617
Contributions to defined contribution retirement schemes	**2,935**	1,856
Equity-settled share-based payment expenses *(note 19)*	**540**	1,455
Less: staff costs absorbed into work in progress	**(5,798)**	–
Total (including directors' emoluments)	**18,052**	19,928

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes ("the Schemes") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% (2012: 20%) of the standard wages determined by the relevant authorities during the six months ended 30 June 2013. Contributions to the Schemes vest immediately.

8 STAFF COSTS (continued)

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Contributions to the MPF scheme vest immediately.

Save for the above schemes, the Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

9 INCOME TAX

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

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2013 and 2012.

(c) No provision for PRC enterprise income tax is required for the six months ended 30 June 2012 as the Group did not have any assessable profits subject to PRC enterprise income tax. Under the PRC tax law, the Corporate Income Tax rate of the PRC was 25% for the six months ended 30 June 2013 (six months ended 30 June 2012: 25%). Pursuant to section 27 of the PRC tax law and section 86 of the Implementation Regulations of the PRC tax law, the entity's income derived from forestry business is exempt from income tax.

10 LOSS PER SHARE

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Loss attributable to owners of the Company (RMB'000)	**88,571**	102,733
Number of ordinary shares in issue (thousand shares)	**3,060,452**	3,060,452
Basic loss per share (RMB)	**(0.03)**	(0.03)

The diluted loss per share for the six months ended 30 June 2013 and 2012 is the same as the basic loss per share as the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since the exercise price of the share options exceeded the average market price of ordinary shares during the period.

11 PROPERTY, PLANT AND EQUIPMENT

	RMB'000
Carrying amount	
At 1 January 2013 (audited)	145,418
Exchange adjustments	(28)
Additions	7,593
Disposals	(11)
Charge for the period	(10,724)
At 30 June 2013 (unaudited)	142,248

11 PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of depreciation charged to profit or loss is as follows:

	RMB'000
Depreciation	10,724
Less: depreciation absorbed into work in progress	(2,512)
	8,212

12 LEASE PREPAYMENTS

	Forestry land RMB'000 *(Note a)*	**Industrial land** RMB'000 *(Note b)*	**Total** RMB'000
At 1 January 2013 (audited)	254,689	72,599	327,288
Amortisation for the period	4,620	801	5,421
At 30 June 2013 (unaudited)	250,069	71,798	321,867
Analysed for reporting purpose			
Current assets			10,783
Non-current assets			311,084
			321,867

Note:

(a) This represents the amount allocated as land portion from the consideration in respect of the forests acquired by the Group in the PRC. Usage of the land is regulated by the implementation regulations of PRC forest laws issued by the State Council of the PRC.

(b) This represents the land held for own use in wood processing and construction in the PRC.

Notes to the Condensed Consolidated Financial Statements (unaudited) *(Continued)*

for the six months ended 30 June 2013

13 PLANTATION ASSETS

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
At 1 January 2013/1 January 2012	**2,033,900**	2,898,000
Changes in fair value less costs to sell and other reconciling items	**–**	(858,230)
Harvested timber transferred to inventories	**(2,645)**	(5,870)
At 30 June 2013/31 December 2012	**2,031,255**	2,033,900

14 TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Trade and bills receivables, net	**18,162**	22,873
Other receivables	**6,692**	4,947
Loans and receivables	**24,854**	27,820
Prepayment for purchase of inventories	**91,760**	36,813
Prepayment for lumbering	**8,671**	10,232
Value added tax recoverable	**6,593**	7,218
Other prepayments and deposits	**11,129**	6,280
	143,007	88,363

14 TRADE AND OTHER RECEIVABLES (continued)

The following is an aging analysis of trade and bills receivables (net of allowance for doubtful debts) based on the date of recognition of sales as of the end of the reporting period:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
0 – 90 days	**9,138**	20,565
91 – 180 days	**2,611**	2,308
181 – 365 days	**6,413**	–
	18,162	22,873

Trade and bills receivables are due within 10 days to 30 days from the date of delivery of goods.

15 LOAN RECEIVABLE

On 6 December 2012, 北京呈獻文化藝術有限公司 ("呈獻") entered into an agreement (the "呈獻" agreement) with 鴻洋國際保理（天津）有限公司 ("鴻洋") pursuant to which 鴻洋 lent RMB50,000,000 to 呈獻 for a period of one year from 6 December 2012 at an interest rate of 6.5% per annum. 呈獻 entered into a mortgage agreement (the "Mortgage Agreement") to pledge its accounts receivables and various paintings to 鴻洋 for the loan of RMB50,000,000. The sole director and the manager of 呈獻 is 蘇倩倩 who is the sister-in-law of Mr. Li Kwok Cheong, the chairman and a director of the Company. 蘇倩倩 is a connected person of the Group under the definition of the Listing Rules. However, 蘇倩倩 does not hold any shares in or exercise any control or significant influence in 呈獻. Taken into account the opinion of the legal advisor of the Company, the directors considered that 呈獻 is not a related party of the Group.

15 LOAN RECEIVABLE (continued)

On 7 December 2012, the Group entered in an agreement with 鴻洋 whereby the Group lent RMB50,000,000 to 鴻洋 for one year commencing from 7 December 2012. The loan is secured by the accounts receivables and various paintings under the Mortgage Agreement held by 鴻洋. 鴻洋 assigned to the Group the rights and income to the loan under the 呈獻 agreement and guaranteed the performance and repayment of 呈獻. The loan carries interest at 6.5% per annum and is repayable on 6 December 2013. According to a legal opinion issued by a PRC lawyer, the Group is able to demand 鴻洋 and 呈獻 for repayment of the loan and enforce the securities under the Mortgage Agreement. During the six months ended 30 June 2013, 鴻洋 had settled RMB20,000,000 to the Group. At present, the Group takes possession of most of the paintings and therefore the directors considered that sufficient securities are held by the Group and no impairment loss on the loan receivable is considered necessary.

16 TRADE AND OTHER PAYABLES

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Trade payables	**14,723**	10,851
Payable for forest acquisitions	**41,615**	56,534
Other payables and accrued expenses	**32,318**	31,888
Consideration payable for acquisition of subsidiaries	**18,519**	28,000
Amount due to a non-controlling interest	**8,500**	8,500
Financial liabilities measured at amortised cost	**115,675**	135,773
Advances from customers	**18,231**	15,846
Value added tax and other tax levies payable	**465,921**	466,008
	599,827	617,627

16 TRADE AND OTHER PAYABLES (continued)

The following is an aging analysis of the trade payables based on date of receipt of goods as at the end of the reporting period:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within 1 month or on demand	**481**	2,729
After 1 month but within 3 months	**3,308**	2,654
After 3 months but within 6 months	**1,054**	287
After 6 months but within 1 year	**4,700**	61
After 1 year	**5,180**	5,120
	14,723	10,851

17 INTEREST-BEARING BORROWINGS

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Current		
Short-term bank loans, secured	**39,786**	40,000
Short-term bank loans, unsecured	**–**	30,000
	39,786	70,000
Non-current		
Senior notes, secured	**1,100,712**	1,106,989
Total	**1,140,498**	1,176,989

17 INTEREST-BEARING BORROWINGS (continued)

The interest-bearing borrowings were repayable as follows:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within 1 year	**39,786**	70,000
More than 2 years but not more than 5 years	**1,100,712**	1,106,989
Total	**1,140,498**	1,176,989

All of the interest-bearing borrowings were carried at amortised cost.

At 30 June 2013, the bank loans bear interest ranged from 5.6% to 7.216% (at 31 December 2012: 5.6% to 7.216%) per annum and are secured by a guarantee from a subsidiary and certain forestry ownership certificates.

The senior notes ("Senior Notes") with aggregate principal amount of US$300,000,000 were issued on 17 November 2010 and repayable on 17 November 2015. As at 30 June 2013, the Senior Notes carried interest at the rate of 10.25% per annum (31 December 2012: 10.25% per annum) and with the outstanding principal amount of US$180,000,000 (31 December 2012: US$180,000,000) (the interest rate per annum was changed from 7.75% to 10.25% on 15 August 2011 due to the amendments of the indenture).

The 10.25% Senior Notes due 2015 were secured by the shares of the Company's subsidiaries incorporated in Hong Kong and BVI, and were subject to the fulfilment of certain financial and non-financial covenants, as commonly found in lending arrangements in high yield senior notes.

17 INTEREST-BEARING BORROWINGS (continued)

At any time on or after 17 November 2013, the Company may redeem the Senior Notes in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on 17 November of any year set forth below:

Period	Redemption Price
2013	103.875%
2014	101.9375%

At any time prior to 17 November 2013, the Company may at its option redeem the Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Senior Notes plus an applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date.

The Company will give not less than 30 day's nor more than 60 day's notice of any redemption.

The Senior Notes contain a liability component and an early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the period is calculated by applying an effective interest rate of approximately 10.85% per annum (six months ended 30 June 2012: 10.85% per annum) to the liability component of Senior Notes.

(ii) Early redemption options are regarded as embedded derivative not closely related to the host contract. The fair value of the early redemption options was zero as at 30 June 2013 and 31 December 2012.

18 DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the prior financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Special dividend in respect of the previous financial year, approved and paid during the period ended 30 June 2012, of HK2.54 cent (RMB2.06 cent) per ordinary share	**–**	63,124

(b) The Board does not recommend the payment of dividends attributable to the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

19 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 5 November 2009, the Group established a share option scheme that entitles key management personnel and senior employees to purchase shares in the Company. On 7 September 2010, the Group granted 42,750,000 options to a director, senior management and key employees at a consideration of HK$1 per individual. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. The option shall lapse on the date the grantee ceases to be an employee of the Group for any reason.

19 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) The terms and conditions of the grants are as follows:

Grant Date	Number of instruments	Vesting Date	Contractual life of options
Options granted to directors:			
– On 7 September 2010	2,666,400	One year from the date of grant	10 years
– On 7 September 2010	2,666,400	Two years from the date of grant	10 years
– On 7 September 2010	2,667,200	Three years from the date of grant	10 years
Options granted to employees:			
– On 7 September 2010	11,582,175	One year from the date of grant	10 years
– On 7 September 2010	11,582,175	Two years from the date of grant	10 years
– On 7 September 2010	11,585,650	Three years from the date of grant	10 years
Total share options granted	42,750,000		

The options vest after one year to three years from the date of grant and are then exercisable within a period of ten years from the date of grant and when the net cash generated from operating activities or operating profit of the Group as reported in the Group's latest audited consolidated financial statements available as of the vesting date for the vested options or in any subsequent period if this condition is not fulfilled at the vesting date, is at least 25% higher than that of the preceding financial year. Any share option not exercised on or before 6 September 2020 will lapse.

19 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	Six month ended 30 June 2013 Weighted average exercise price	
	Weighted average exercise price	**Number of options**
	HK$	'000
Outstanding at the beginning and the end of the period	3.23	7,250
Exercisable at the end of the period	–	–

The options outstanding at 30 June 2013 had an exercise price of HK$3.23 and a weighted average remaining contractual life of approximately 7.2 years.

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration of key management personnel of the Group, including amounts paid to the Company's directors and certain of highest paid employees are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	**4,126**	5,246
Retirement benefits	**20**	10
Equity compensation benefits	**354**	843
	4,500	6,099

(b) Financial arrangements

	As at 30 June 2013	As at 31 December 2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Advance from a non-controlling interest	**8,500**	8,500

Note:

The advance from a non-controlling interest is unsecured, interest free and have no fixed repayment term.

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Other related party transactions

	Note	Six months ended 30 June **2013** **RMB'000** **(unaudited)**	2012 RMB'000 (unaudited)
Rental expenses paid to a related party	*(i)*	**25**	45

Notes:

(i) The Group paid rental expenses to Mr. Xiao Hui Bo ("Mr. Xiao"), a senior management member of a subsidiary, for leasing of an office from Mr. Xiao.

21 BUSINESS COMBINATION

On 21 January 2013, Cheng Du Fine Fit Forestry Resources Development Co., Ltd. ("Cheng Du Fine Fit") a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with an independent third party (the "Vendor") to purchase 100% equity interest in Beijing Yanse Catering Co., Ltd ("Yanse") at a total consideration of RMB6,000,000. The acquisition was completed on 21 February 2013. Yanse is engaged in the provision of catering services in the PRC. The Group planned to set up a showroom in the restaurant serve for demonstrating wood made products, so as to support the Group's downstream operations. Pursuant to the Agreement, the consideration for the acquisition shall be paid in cash as follows:

	RMB'000
Within 5 days upon signing of the Agreement	4,500
Before 30 January 2013	500
Within 10 days upon completion	1,000
Total cash consideration	6,000

21 BUSINESS COMBINATION (continued)

The subsidiary acquired during the six months ended 30 June 2013 contributed RMB2,073,000 to the Group's loss for the period. If the acquisition had been completed on 1 January 2013, the Group's loss for the six months ended 30 June 2013 would have been RMB90,383,000. The proforma information is for illustration purpose only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

Identifiable assets and liabilities assumed

	Acquiree's carrying amount before combination RMB'000	**Fair value adjustment** RMB'000	**Provisional fair value** RMB'000
Non-current assets			
Intangible assets			
– favourable lease contract	–	6,000	6,000
Property, plant and equipment	2,577	(2,577)	–
Total net assets identified	2,577	3,423	6,000

The financial information as disclosed above represented the financial information of Yanse as of 21 February 2013.

As at the date of approval of these financial statements, the Group has not finalised the fair value assessment for the acquiree's identifiable assets, liabilities and contingent liabilities as at the date of acquisition. The relevant fair value of net assets acquired stated above is arrived at on a provisional basis awaiting the finalisation of identification of and fair values of identifiable assets and liabilities of Yanse.

21 BUSINESS COMBINATION (continued)

Identifiable assets and liabilities assumed (continued)

	RMB'000
Total consideration satisfied by:	
Cash consideration paid	4,962
Consideration payable for acquisition of subsidiary	1,038
	6,000

Gain on a bargain purchase	RMB'000
Consideration transferred	6,000
Less: provisional fair value of identifiable net assets acquired	(6,000)
Gain on a bargain purchase	–

Net cash outflow on business combinations:

	RMB'000
Cash consideration	6,000
Cash and cash equivalents in subsidiary acquired	–*
Less: consideration payable at 30 June 2013	(1,038)
Net cash outflow on acquisition of the subsidiary for the six months ended 30 June 2013	4,962

* The cash and cash equivalents in subsidiary acquired at 21 February 2013 was RMB10.

22 COMMITMENTS

a) Capital commitments outstanding at 30 June 2013 not provided for in the financial statement are as follows:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Contracted but not provided for:		
– acquisition of forests	**98,425**	98,425
– construction of a property	**21,113**	–
Authorised but not contracted for:		
– construction of a property	**132,628**	138,350
	252,166	236,775

The above capital commitments represented outstanding commitments in respect of contracts signed during the year ended 31 December 2012 and six months ended 30 June 2013 and did not include outstanding commitments, if any, for contracts signed in previous years as the directors considered that all the payables for forest acquisition have been accounted for.

22 COMMITMENTS (continued)

(b) At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	As at 30 June 2013 RMB'000 (unaudited)	As at 31 December 2012 RMB'000 (audited)
Within 1 year	**7,622**	6,569
After 1 year but within 5 years	**14,089**	4,149
After 5 years	**–**	348
	21,711	11,066

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to eight years, with no option to renew. None of the leases includes contingent rentals.

23 SEASONALITY OF OPERATIONS

The Group's forest operations in Yunnan and Sichuan, the PRC, are subject to weather conditions during the rainy season ranging roughly from July to September each year. Forest logging activities in the PRC are substantially scaled down or stopped completely in some areas. Log prices usually increase during the rainy season due to diminished supplies. This affects many sawmill operators that have to stock up logs and tie up significant working capital, but benefit forest owners who can plan ahead to reserve stock pile prior to the start of the rainy season. The Group incorporates this seasonality in its forest management plan to avoid supply shortage as well as to take advantage of seasonal price differentials in logs.