



奇峰國際
Superb Summit International

**SUPERB SUMMIT INTERNATIONAL
TIMBER COMPANY LIMITED**

奇峰國際木業有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 01228)

Interim
Report
2008



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CORPORATE INFORMATION BOARD OF DIRECTORS

Executive Directors

LAM Ping Kei (*Chairman*)
LI Jun (*Vice-Chairman*)
JING Bin (*Chief Executive Officer*)
LAW Wai Fai
CHENG Man For

Independent Non-executive Directors

CHAN Chi Yuen
WONG Yun Kuen
ZHU Guang Qian

MEMBERS OF AUDIT COMMITTEE

CHAN Chi Yuen
WONG Yun Kuen
ZHU Guang Qian

MEMBERS OF REMUNERATION COMMITTEE

CHAN Chi Yuen
WONG Yun Kuen
ZHU Guang Qian

MEMBERS OF NOMINATION COMMITTEE

CHAN Chi Yuen
WONG Yun Kuen
ZHU Guang Qian

REGISTERED OFFICE

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COMPANY SECRETARY

CHENG Man For

QUALIFIED ACCOUNTANT

LAW Wai Fai

PRINCIPAL BANKERS Hong Kong

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

The PRC

Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

AUDITORS

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STOCK CODE

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The Board of Directors (the “Board” or “Directors”) of Superb Summit International Timber Company Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2008 (“the Period”). The unaudited consolidated results have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
	Notes	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	3	264,955	218,883
Cost of sales		<u>(222,495)</u>	<u>(189,159)</u>
Gross profit		42,460	29,724
Other income		918	7,428
Other gains and losses		(6,501)	–
Selling and distribution expenses		(11,206)	(7,192)
Administrative expenses		(29,256)	(12,015)
Other operating expenses		<u>(43,729)</u>	<u>(3,139)</u>
(Loss)/profit from operations		(47,314)	14,806
Finance costs	4	<u>(19,004)</u>	<u>(2,586)</u>
(Loss)/profit before taxation	5	(66,318)	12,220
Income tax expenses	6	<u>(129)</u>	<u>(486)</u>
(Loss)/profit for the period		<u>(66,447)</u>	<u>11,734</u>
Attributable to:			
Equity holders of the Company		(65,505)	11,734
Minority interests		<u>(942)</u>	<u>–</u>
		<u>(66,447)</u>	<u>11,734</u>
Dividend	7	<u>–</u>	<u>–</u>
(Loss)/earnings per share for result attributable to the equity holders of the Company during the period			
(Loss)/earnings per share	8		
Basic:			
Current period/prior period as retrospectively restated		<u>(HK0.37 cents)</u>	<u>HK0.09 cents</u>
as previously reported			HK0.43 cents
Diluted:			
Current period/prior period as retrospectively restated		<u>(HK0.29 cents)</u>	<u>HK0.08 cents</u>
as previously reported			HK0.38 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30 JUNE 2008

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Assets			
Non-current assets			
Owner-occupied leasehold interest in land		52,778	49,815
Property, plant and equipment	9	498,094	488,525
Goodwill		27,279	25,715
Biological assets	10	3,611,294	3,415,440
Total non-current assets		4,189,445	3,979,495
Current assets			
Inventories		102,380	107,085
Owner-occupied leasehold interest in land		430	760
Trade receivables	11	162,909	103,949
Prepayments, deposits and other receivables		134,863	139,995
Available for sales financial assets	13	5,130	11,610
Cash and cash equivalents		81,743	138,205
Total current assets		487,455	501,604
Total assets		4,676,900	4,481,099
Liabilities			
Current liabilities			
Trade payables	12	50,711	59,580
Tax payables		40,841	35,957
Other payables and accruals		179,220	199,082
Interest-bearing bank loans – due within one year		146,353	66,587
Total current liabilities		417,125	361,206
Non-current liabilities			
Convertible note payable		836,566	836,566
Interest-bearing bank loans – due after one year		286,039	346,680
Total liabilities		1,539,730	1,544,452
TOTAL NET ASSETS		3,137,170	2,936,647
Capital and reserves			
Share capital	14	176,762	176,299
Reserves		1,818,661	1,685,769
Total equity attributable to equity holders of the Company		1,995,423	1,862,068
Minority interests		1,141,747	1,074,579
TOTAL EQUITY		3,137,170	2,936,647



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to the equity holders of the Company												
	Share capital HK\$'000 (Note 14)	Share premium HK\$'000 (Note (a))	Property revaluation reserve HK\$'000	Foreign exchange reserve HK\$'000	Share options reserve HK\$'000	Warrant reserve HK\$'000	Conversion notes equity reserve HK\$'000	Statutory fund HK\$'000	Investment reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008 (audited)	176,299	667,977	2,795	136,625	107,047	15,148	93,123	4,578	-	658,476	1,862,068	1,074,579	2,936,647
Translation differences on overseas operations	-	-	-	162,932	-	-	-	-	-	-	162,932	68,110	231,042
Net income recognised directly in equity	-	-	-	162,932	-	-	-	-	-	-	162,932	68,110	231,042
Loss for the period	-	-	-	-	-	-	-	-	-	(65,505)	(65,505)	(942)	(66,447)
Total recognised income and expenses for the period	-	-	-	162,932	-	-	-	-	-	(65,505)	97,427	67,168	164,595
Exercise of share options	442	2,043	-	-	(1,525)	-	-	-	-	1,525	2,485	-	2,485
Exercise of warrants	21	185	-	-	-	(19)	-	-	-	-	187	-	187
Unrealised gain on available for sales financial assets	-	-	-	-	-	-	-	18	-	-	18	-	18
Transfer of retained profits	-	-	-	-	-	-	90	-	(90)	-	-	-	-
Employee share option benefits	-	-	-	-	33,238	-	-	-	-	-	33,238	-	33,238
At 30 June 2008 (unaudited)	176,762	670,205*	2,795*	299,557*	138,760*	15,129*	93,123*	4,668*	18*	594,406*	1,995,423	1,141,747	3,137,170
At 1 January 2007 (audited)	23,040	76,937	2,326	28,601	2,766	-	-	4,186	-	266,142	403,998	-	403,998
Translation differences on overseas operations	-	-	-	10,304	-	-	-	-	-	-	10,304	-	10,304
Net income recognised directly in equity	-	-	-	10,304	-	-	-	-	-	-	10,304	-	10,304
Profit for the period	-	-	-	-	-	-	-	-	-	11,734	11,734	-	11,734
Total recognised income and expenses for the period	-	-	-	10,304	-	-	-	-	-	11,734	22,038	-	22,038
Issue of placing shares	4,608	91,922	-	-	-	-	-	-	-	-	96,530	-	96,530
Exercise of share options	164	4,459	-	-	-	-	-	-	-	-	4,623	-	4,623
Placing of listed warrants	-	-	-	-	-	23,728	-	-	-	-	23,728	-	23,728
Unrealised gain on available for sales financial assets	-	-	-	-	-	-	-	8,421	-	8,421	-	-	8,421
Transfer of retained profits	-	-	-	-	-	-	382	-	(382)	-	-	-	-
Employee share option benefits	-	-	-	-	211	-	-	-	-	-	211	-	211
At 30 June 2007 (unaudited)	27,812	173,318	2,326	38,905	2,977	23,728	-	4,568	8,421	277,494	559,549	-	559,549

* As at 30 June 2008, these reserve accounts comprise the consolidated reserves of approximately HK\$1,818,661,000 (30 June 2007: HK\$531,737,000) in the consolidated balance sheet.

(a) The share premium of the Group includes the premium arising from the new issue of shares of the Company.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash used in operating activities	(40,367)	(4,969)
Net cash used in investing activities	(8,803)	(147,580)
Net cash from financing activities	<u>2,793</u>	<u>123,321</u>
Net decrease in cash and cash equivalents	(46,377)	(29,228)
Cash and cash equivalents at beginning of period	138,205	101,253
Effect of foreign exchange rate changes, net	<u>(10,085)</u>	<u>4,333</u>
Cash and cash equivalents at end of period	<u><u>81,743</u></u>	<u><u>76,358</u></u>
Analysis of cash and cash equivalents		
Bank balances and cash	<u><u>81,743</u></u>	<u><u>76,358</u></u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

The condensed financial statements of the Group for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

The principal accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

The adoption of the new standards, amendment and interpretations which become effective for accounting periods beginning on or after 1 January 2008 have had no material impact on the Group's results of operations and financial position.

The Group has not early applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that have been issued but are not yet effective, in this interim financial report.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 Amendments	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The adoption of these new and revised HKFRSs will have no material impact on the financial statements of the Group and will not result in substantial changes to the Group's accounting policies.



3. SEGMENT INFORMATION

The Group is principally engaged in the (i) exploitation and management of timber resources in the PRC; (ii) research and development, processing, manufacturing, distribution, marketing and sales of a wide range of timber products and (iii) manufacturing and sales of electronic products.

(a) Business segments

The entity's primary format for reporting segment information is business segments. The following table presents revenue and results information for the Group's Business segments.

	For the six months ended 30 June							
	Timber business		Electronic consumer products business		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>58,795</u>	—	<u>206,160</u>	<u>218,883</u>	—	—	<u>264,955</u>	<u>218,883</u>
Segment results	10,268	—	(11,563)	14,806	(46,019)	—	(47,314)	14,806
Finance cost	(13,392)	—	(976)	(2,586)	(4,636)	—	(19,004)	(2,586)
(Loss)/profit before taxation	(3,124)	—	(12,539)	12,220	(50,655)	—	(66,318)	12,220
Income tax expenses	—	—	(129)	(486)	—	—	(129)	(486)
(Loss)/profit for the period	<u>(3,124)</u>	—	<u>(12,668)</u>	<u>11,734</u>	<u>(50,655)</u>	—	<u>(66,447)</u>	<u>11,734</u>



3. SEGMENT INFORMATION (Continued)

(b) Geographical segments based on the location of customers

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

	For the six months ended 30 June											
	People's of Republic China		Hong Kong		India		Elsewhere in Asia		Africa, Western Europe Middle East, North and South America and Russia		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Segment revenue:												
Sales to external customers	<u>86,376</u>	<u>38,548</u>	<u>1,118</u>	<u>2,161</u>	<u>59,949</u>	<u>55,840</u>	<u>29,282</u>	<u>33,587</u>	<u>88,230</u>	<u>88,747</u>	<u>264,955</u>	<u>218,883</u>
Segment results	<u>2,207</u>	<u>1,419</u>	<u>(39,751)</u>	<u>64</u>	<u>(3,647)</u>	<u>2,098</u>	<u>(1,707)</u>	<u>1,237</u>	<u>(5,178)</u>	<u>3,717</u>	<u>(48,076)</u>	8,535
Unallocated income less expenses											762	6,271
Finance costs											<u>(19,004)</u>	<u>(2,586)</u>
(Loss)/profit before taxation											<u>(66,318)</u>	12,220
Income tax expenses											<u>(129)</u>	<u>(486)</u>
(Loss)/profit for the period											<u>(66,447)</u>	<u>11,734</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within 5 years	<u>14,368</u>	2,586
Convertible notes	<u>4,636</u>	—
	<u>19,004</u>	<u>2,586</u>



5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Cost of inventories sold	222,495	189,159
Depreciation of property, plant and equipment	22,716	9,962
Amortisation of owner-occupied leasehold interest in land	430	137
Staff costs	40,101	33,994
Share-based payments expenses	33,238	211
Loss/(gain) on disposal of available for sales financial assets	6,501	(2,310)
Interest income	(351)	(2,403)
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current taxation:		
Hong Kong	–	–
Other jurisdictions	257	457
	<u> </u>	<u> </u>
	257	457
Over provision in prior years		
Hong Kong	(128)	(12)
Other jurisdictions	–	41
	<u> </u>	<u> </u>
	129	486
	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six month ended 30 June 2007: Nil).



8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss for the period attributable to equity holders of the Company of approximately HK\$65,505,000 (2007: profit of HK\$11,734,000) and the weighted average of 17,669,581,347 (2007: 13,758,096,030 prior period as retrospectively restated/2,751,619,206 as previously reported) ordinary shares in issue during the Period. Calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
Issued ordinary shares at 1 January	17,629,928,600	11,520,033,600
Effect of exercise of listed warrants	1,524,725	2,202,165,745
Effect of exercise of share options	<u>38,128,022</u>	<u>35,896,685</u>
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>17,669,581,347</u>	<u>13,758,096,030</u>

Weighted average number of ordinary shares for the Period ended 30 June 2007 is restated to reflect the bonus issue of ordinary shares on basis of four bonus shares for one share.

**8. (LOSS)/EARNINGS PER SHARE (Continued)****(b) Diluted (loss)/earnings per share**

The calculation of diluted (loss)/earnings per share is based on the Group's loss for the period attributable to equity holders of the Company of approximately loss of HK\$65,505,000 (2007 profit of HK\$11,734,000) and the adjusted weighted average of 22,818,580,610 (2007:15,314,682,095 prior period as retrospectively restated/3,062,936,419 as previously reported) ordinary shares in issue during the Period. Calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited) (Restated)
	HK\$'000	HK\$'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	17,669,581,347	13,758,096,030
Effect of exercise of share options	31,258,307	1,902,520
Effect of exercise of listed warrants	592,605,241	1,554,683,545
Effect of issuance of conversion shares (net of tax)	4,525,135,715	—
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>22,818,580,610</u>	<u>15,314,682,095</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent approximately HK\$11 million (1 January 2007 to 30 June 2007: HK\$4 million) on acquisition of property, plant and equipment.

At 30 June 2008, the Directors have considered the carrying amount of the Group's leasehold land and buildings carried at previously revalued amounts at 31 December 2007 and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the Period.



10. BIOLOGICAL ASSETS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
At beginning of the period	3,415,440	–
Acquisition through business combination	–	3,138,375
Direct sales	(11,509)	(108,536)
Exchange realignment	207,363	122,677
Gain arising from changes in fair value less estimated point-of-sale cost of biological assets	–	262,924
At end of the period	<u>3,611,294</u>	<u>3,415,440</u>

The analysis of fair value of biological assets by location is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Hebei	34,073	31,993
Hunan	–	10,112
Yunan	<u>3,577,221</u>	<u>3,373,335</u>
	<u>3,611,294</u>	<u>3,415,440</u>

At 30 June 2008, the Directors have considered the carrying amount of the Group's Biological assets carried at previously revalued amounts at 31 December 2007 and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the Period.

11. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 90 days to its customers.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of sale, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
1 – 30 days	99,821	46,464
31 – 60 days	24,945	28,523
61 – 90 days	18,734	17,873
Over 90 days	<u>19,409</u>	<u>11,089</u>
	<u>162,909</u>	<u>103,949</u>

The fair values of Group's trade receivables at 30 June 2008 approximated to the corresponding carrying amounts.

**12. TRADE PAYABLES**

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
1 – 30 days	19,323	24,028
31 – 60 days	12,918	13,024
61 – 90 days	3,682	6,856
91 – 180 days	2,273	7,265
Over 180 days	12,515	8,407
	<u>50,711</u>	<u>59,580</u>

The fair values of Group's trade payables at 30 June 2008 approximated to the corresponding carrying amounts.

13. AVAILABLE FOR SALES FINANCIAL ASSETS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Listed investments:		
Equity securities listed in Hong Kong	<u>5,130</u>	<u>11,610</u>
Analysed for reporting purposes as:		
Current assets	<u>5,130</u>	<u>11,610</u>

14. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2008 and 30 June 2008	<u>100,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2008	17,629,928,600	176,299
Issue of new shares upon exercise of options (Note 1)	44,150,000	442
Issue of new shares upon exercise of warrants (Note 2)	<u>2,100,000</u>	<u>21</u>
At 30 June 2008	<u>17,676,178,600</u>	<u>176,762</u>



14. SHARE CAPITAL (Continued)

Notes:

- (1) During the Period, 44,150,000 new shares were issued and allotted upon the exercise of share options were exercised by the employees of the Company at an exercise price of HK\$0.05628 per share. The gross proceeds from exercising the share options were approximately HK\$2,485,000. All new shares issued ranked par pass in all respects with the existing ordinary shares of the Company.
- (2) During the Period, registered warrant holders exercised their rights to subscribe for 2,100,000 ordinary shares at a consideration of HK\$186,900 of which HK\$21,000 was credited to share capital and the balance of HK\$165,900 was credited to share premium account.

15. SHARE OPTION SCHEME

The Company operates a share option scheme for eligible participants to subscribe for new shares of the Company. A summary of the terms of the share option scheme adopted by the Company was disclosed in the Company's 2007 Annual Report.

Name or category of participant	Number of share options				At 30 June 2008 (Note 2)	Exercise period of share options (Note 3)	Exercise price of share options HK\$
	At 1 January 2008	Granted during the Period	Exercised during the Period (Note 1)	Cancelled during the Period			
Directors							
Lam Ping Kei	-	20,000,000	-	-	20,000,000	3/3/2008 to 13/9/2011	0.159
Li Jun	75,000,000	-	-	-	75,000,000	15/10/2007 to 13/9/2011	0.194
	-	20,000,000	-	-	20,000,000	3/3/2008 to 13/9/2011	0.159
Jing Bin	75,000,000	-	-	-	75,000,000	15/10/2007 to 13/9/2011	0.194
	-	20,000,000	-	-	20,000,000	3/3/2008 to 13/9/2011	0.159
Cheng Man For	50,000,000	-	-	-	50,000,000	15/10/2007 to 13/9/2011	0.194
	-	20,000,000	-	-	20,000,000	3/3/2008 to 13/9/2011	0.159
Law Wai Fai	-	6,000,000	-	-	6,000,000	3/3/2008 to 13/9/2011	0.159
Consultants							
In aggregate	875,000,000	-	-	-	875,000,000	15/10/2007 to 13/9/2011	0.194
	-	344,000,000	-	-	344,000,000	3/3/2008 to 13/9/2011	0.159
	-	6,000,000	-	-	6,000,000	3/3/2009 to 13/9/2011	0.159
	-	6,000,000	-	-	6,000,000	3/3/2010 to 13/9/2011	0.159



15. SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options				At 30 June 2008 (Note 2)	Exercise period of share options (Note 3)	Exercise price of share options HK\$
	At 1 January 2008	Granted during the Period	Exercised during the Period (Note 1)	Cancelled during the Period			
Employees							
In aggregate	729,300	-	364,650	-	364,650	24/1/2005 to 25/1/2010	0.05628
	1,093,950	-	546,975	-	546,975	24/1/2006 to 25/1/2010	0.05628
	1,847,200	-	1,117,900	-	729,300	24/1/2007 to 25/1/2010	0.05628
	43,150,250	-	42,120,475	-	1,029,775	24/1/2008 to 25/1/2010	0.05628
	51,780,300	-	-	-	51,780,300	24/1/2009 to 25/1/2010	0.05628
	75,000,000	-	-	-	75,000,000	15/10/2007 to 13/9/2011	0.194
	-	71,600,000	-	-	71,600,000	3/3/2008 to 13/9/2011	0.159
	-	53,700,000	-	-	53,700,000	3/3/2009 to 13/9/2011	0.159
	-	53,700,000	-	-	53,700,000	3/3/2010 to 13/9/2011	0.159
	<u>1,248,601,000</u>	<u>621,000,000</u>	<u>44,150,000</u>	<u>-</u>	<u>1,825,451,000</u>		

Note:

- (1) The 44,150,000 share options were exercised during the Period which resulted in the issue of 44,150,000 ordinary shares of the Company and new share capital of HK\$441,500 and share premium of HK\$2,043,262, before issue expenses, as detailed in the statement of changes of equity.
- (2) At the balance sheet date, the Company had 1,825,451,000 share options outstanding. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 1,825,451,000 additional ordinary shares of HK\$0.01 each in the Company and proceeds, before relevant share issue expenses, of approximately HK\$324,904,000.
- (3) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.



16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2008 (31 December 2007: Nil).

17. COMMITMENTS

At 30 June 2008, the Group had the following commitments in respect of acquisition of property, plant and equipment:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Contracted for but not provided in the financial statements in respect of:		
Leasehold land and buildings	14,115	19,057
Plant and machinery	930	—
	<u>15,045</u>	<u>19,057</u>

18. POST BALANCE SHEET EVENTS

The following events occurred subsequent to 30 June 2008 up to the date of approval of these condensed consolidated financial statements by the Board of Directors:

- On 28 July 2008, the Company entered into a Letter of Intent with the Leadup Group Limited ("Vendor"), pursuant to which the Company may (subject to the satisfaction of the Due Diligence Review and entering into of the Formal Agreement) acquire from the Vendor the entire issued share capital of the Target Company, which through the Hong Kong Company, will own 99% equity interest in the Operating Company. The Operating Company is principally engaged in exploration of metal resources in the PRC and upon completion of a corporate restructuring of the Target Group, the Operating Company will be the owner of two coal mines with high coking coal content in Shanxi province of the PRC.
- On 21 August 2008, there was an amount of HK\$50,000,000 Convertible Notes was converted into 555,555,555 shares in the capital of the Company at conversion price of HK\$0.09 each.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in (i) exploitation and management of timber resources in the PRC; (ii) research and development, processing, manufacturing, distribution, marketing and sales of a wide range of timber products and (iii) manufacturing and sales of electronic calculators and other electronic products and liquid crystal display units.

During the Period, the Group recorded turnover of HK\$265.0 million, up 21.1% compared with approximately HK\$218.9 million in corresponding period last year. The increase in turnover was attributable to the increase in sales of timber log and wood products. The Group's net loss attributable to shareholders was HK\$65.5 million in contrast to net profit of HK\$11.7 million in corresponding period last year. During the Period, the Group had recognized share option expenses of approximately HK\$33.2 million. In addition, due to the soaring raw material cost and labour cost during the Period, the Group's electronic business had incurred a loss of approximately HK\$12.7 million. For the timber business, the Group had not recognized for any change in fair value of biological assets and had recorded a loss of approximately HK\$3.1 million during the Period.

The Group's gross profit during the Period recorded approximately HK\$42.5 million (2007: approximately HK\$29.7 million), up 43.1% compared with corresponding period last year. Gross profit margin had increased to 16.0% (2007: 13.6%). The increase in gross profit margin was mainly contributed to the newly acquired timber business, which as higher profit margin compared to the Group's electronic products business.

TIMBER BUSINESS

The Group had successfully diversified its business into timber resources and timber products manufacturing and trading business upon completion of acquisition of Green & Good Group Limited in second half of the year 2007. The operating results of the first half of the year 2008 were fully incorporated into the results of the Group during the Period.

During the Period, the Group has recorded a segment turnover of HK\$58.8 million, accounting for approximately 22.2% of the Group's turnover (2007: Nil), which mainly arose from the timber logging and trading. The gross profit for timber business during the Period recorded approximately HK\$26.1 million (2007: Nil) and gross profit margin was 44.4% (2007: Nil).

During the Period, although the economic growth in PRC still maintained strong, the property development activities in PRC during the Period had a sluggish performance which in turn affected the timber market in PRC. Operating result during the Period for the timber business segment was slightly recorded a loss of HK\$3.1 million (2007: Nil).



ELECTRONIC PRODUCTS BUSINESS

Electronic Calculators

During the Period, the sales of electronic calculators recorded HK\$107.9 million or 40.7% of the Group's total turnover. (2007: sales of approximately HK\$130.3 million and 59.6% of the Group's total turnover). The decrease is mainly due to scale down of production volume and sluggish market during the Period.

Other Consumer Electronic Products

The sales of multifunctional water resistance watches and household telephones recorded HK\$28.1 million and HK\$26.3 million respectively during the Period, contributing 10.6% and 9.9% of the Group's total turnover (2007: sales of multifunctional water resistance watches and household telephones were approximately HK\$28.6 million and HK\$22.5 million respectively, or 13.1% and 10.3% of the Group's total turnover). The increase in sales of household telephones was mainly due to launching of more new models. The sales of electronic game card only recorded HK\$0.4 million or 0.2% of the Group's turnover (2007: sales of HK\$1 million or 0.5% of the Group's turnover). The decrease in sales of electronic game card was due to the reason that our customer had further cut down its orders from us.

Liquid Crystal Display ("LCD")

During the Period, the sale of LCD recorded HK\$21.0 million or 7.9% of the Group's total turnover (2007: sales of HK\$19.8 million or 9.0% of the Group's total turnover). Since the internal requirement for LCD was dropped as a result of scale down of production of electronic calculators, more TN-LCD and STN-LCD were produced for external sale.

Corporate Development

During second half of the year 2007, the Group had acquired 70% interest in Green & Good Group Limited, which is, through its subsidiaries in PRC, principally engaged in the (i) exploitation and management of timber resources in the PRC; and (ii) research and development, processing, manufacture, distribution, marketing and sales of a wide range of wood products. During the Period, contribution to gross profit from the sales of timber logs and wood products amount to HK\$26.1 million. In addition, the Group had commissioned the study of standardization in the timber trading activities in China (the "Study") conducted by the Research Institute of Wood Industry of the Chinese Academy of Forestry, which aimed at standardizing timber trading activities in China, thereby facilitating standardization of the timber trading market in China. The Study had obtained satisfactory results.

During the Period, the Group's electronic products business had incurred a loss although the Group had implemented measures such as raising selling price, controlling of production cost and scaling down of production by concentrating on high profit margin products etc., The downturn of electronic products business was mainly due to soaring



of raw material cost and labour cost. In addition, the appreciation of Renminbi during the Period also posts severe cost pressure to the Group's electronic products business. The Group will continue to control the production costs and other implement appropriate measures to improve the production efficiency and profitability.

Employees and Remuneration Package

As at 30 June 2008, the Group had approximately 4,500 employees (30 June 2007: approximately 4,900 employees). The remuneration package was based on their work performance, experience and the industry practice. The Group also participated in retirement benefits schemes for its staff in Hong Kong and the People's Republic of China (the "PRC").

Capital Expenditures

During the period, the Group spent approximately HK\$10.6 million (2007: HK\$4 million) on acquisition of new production machines, which was financed by internal cash resources.

Contingent liabilities

The Group did not have any significant contingent liabilities at 30 June 2008 (31 December 2007: Nil).

FINANCIAL REVIEW

Liquidity and Finance Resources

During the Period, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and PRC. As at 30 June 2008, the Group had approximately HK\$432 million interest-bearing bank borrowings (31 December 2007: HK\$413 million), of which approximately HK\$429 million was floating interest bearing and denominated in Renminbi with maturity within five years (31 December 2007: HK\$406 million) and the remaining was floating-interest bearing and denominated in Hong Kong Dollars. The Group's banking facilities were secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

As at 30 June 2008, the Group's bank borrowings were denominated in Renminbi or Hong Kong dollars. The Group's sales and purchases were either denominated in Renminbi, Hong Kong and US dollars. Accordingly, the Directors consider the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates of Renminbi, Hong Kong and US dollars. During the Period, the Group did not use any financial instrument for hedging the foreign exchange risk. However, for hedging of interest rate risk, the Group used interest rate swap which could effectively convert the floating interest rate bank-loan to fixed interest rate. The amount of swap outstanding as at 30 June 2008 was HK\$3.3 million (31 December 2007: HK\$6.7 million).



As at 30 June 2008, the Group had current assets of approximately HK\$487.5 million (31 December 2007: HK\$501.6 million) and current liabilities of approximately HK\$417.1 million (31 December 2007: HK\$361.2 million). The Group's current ratio had decreased from approximately 1.4 times as at 31 December 2007 to 1.2 times as at 30 June 2008. The Group had total assets of approximately HK\$4,676.9 million (31 December 2007: HK\$4,481.1 million) and total liabilities of approximately HK\$1,539.7 million (31 December 2007: HK\$1,544.5 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 32.9% as at 30 June 2008 as compared with approximately 34.5% as at 31 December 2007.

PROSPECTS

During the Period, the new timber business had full period contribution to the Group. The Group believes that the new investment in timber and wood products business will bring the Group tremendous commercial returns and enhance shareholders' value.

In achieving the long term goal of development in the area of timber circulation, the Group will strive to attain integration of its timber stocks, inventories and other resources through standardized management within the circulation process of timber products. The Group had obtained satisfactory results from the study of standardization in the timber trading activities in China conducted by the Research Institute of Wood Industry of the Chinese Academy of Forestry, which aimed at standardizing timber trading activities in China, thereby facilitating standardization of the timber trading market in China. In future, the Group will identify and make investments in or form partnerships with such trading channels with leading status in the PRC.

The Group's electronic product business was not performing well due to soaring material and labour cost and appreciation of Renminbi during the Period. The Group will continue to control the production costs and implement other appropriate measures to improve the production efficiency and profitability. Furthermore, the Group will closely monitor the market condition of electronic consumer products to explore new market opportunities.



DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests or short positions in shares

As at 30 June 2008, the interests of the directors and chief executives of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long position

(a) Ordinary shares of HK\$0.01 each of the Company

<u>Name of Directors</u>	<u>Capacity</u>	<u>Number of issued shares held</u>	<u>Percentage of the issued share capital</u>
Lam Ping Kei	Held by controlled corporation (Note)	3,510,000,000	19.86%

(b) Share options

<u>Name of Directors</u>	<u>Capacity</u>	<u>Number of underlying shares</u>	<u>Percentage of the issued share capital</u>
Lam Ping Kei	Beneficial owner	20,000,000	0.11%
Li Jun	Beneficial owner	95,000,000	0.54%
Jing Bing	Beneficial owner	95,000,000	0.54%
Cheng Man For	Beneficial owner	75,000,000	0.42%
Law Wai Fai	Beneficial owner	6,000,000	0.03%

Notes:

These ordinary shares are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei, the Chairman of the Company.

Save as disclosed above, none of the other directors, chief executives and their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2008.



Directors' rights to acquire shares or debentures

Saved as disclosed under the heading "Directors' interests or short positions in shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders

As at 30 June 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Number of issued underlying shares (convertible notes) held	Percentage of the issued share capital of the Company
Super Giant Assets Limited (Note 1)	Beneficial owner	3,510,000,000	–	19.86%
Superview International Limited (Note 2)	Beneficial owner	550,000,000	3,333,333,333	21.97%
Mr. Yiu Yat On (Note 3)	Beneficial owner	550,000,000	3,333,333,333	21.97%

Notes:

1. These ordinary shares are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei, the Chairman of the Company.
2. Superview International Limited is a company incorporated in the British Virgin Islands. It is 56% owned by Mr. Yiu Yat On.
3. Mr. Yiu Yat On owns 56% of Superview International Limited. Accordingly, Mr. Yiu Yat On was deemed to be interested in 550,000,000 shares and 3,333,333,333 underlying shares held by Superview International Limited.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2008.



Purchase, redemption or sale of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2008.

Corporate governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, with deviations from code provisions A.4.1 of the Code in respect of term of office of non-executive directors.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election.

Currently, all independent non-executive directors, except for Mr. Zhu Guang Qian who was appointed for a specific term of one year, have not been appointed for a specific term of office with the Company. All independent non-executive directors including are subject to retirement by rotation in accordance with the Articles of Association. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquire by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2008.

Audit committee Review

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company.

The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Group and the unaudited interim financial reports for the six months ended 30 June 2008.

On behalf of the Board
Lam Ping Kei
Chairman

Hong Kong, 23 September 2008