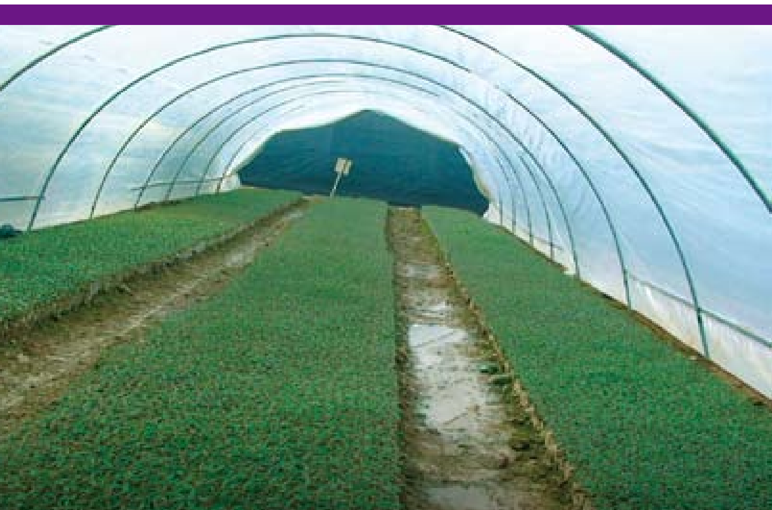
China Timber Resources Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 269

Annual Report | 2009



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fung Tsun Pong *(Chairman)*
Mr. Lau Sing Hung, Stephen
(Chief Executive Officer)
Mr. Tsang Kam Ching, David *(Finance Director)*
Mr. Chow Ki Shui, Louie

Independent Non-executive Directors

Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming

Audit Committee

Mr. Yip Tak On *(Chairman)*
Mr. Jing Baoli
Mr. Bao Liang Ming

Remuneration Committee

Mr. Yip Tak On *(Chairman)*
Mr. Jing Baoli
Mr. Bao Liang Ming
Mr. Tsang Kam Ching, David

COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

AUDITORS

Shu Lun Pan Hong Kong CPA Limited

LEGAL ADVISOR

Louis K.Y. Pau & Company

PRINCIPAL BANKERS

The Bank of East Asia, Limited

REGISTERED OFFICE

The Office of Caledonian Bank & Trust Limited
Caledonian House
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 1606, Office Tower
Convention Plaza
Wanchai
Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tricor Progressive Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE AT HONG KONG STOCK EXCHANGE

269

CONTACT DETAILS

Telephone no. : (852) 3176 7100
Facsimile no. : (852) 3176 7122

COMPANY WEBSITE

www.ctrg.com.hk

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

To all shareholders,

I am pleased to present the 2009 Annual Report and the audited financial statements of China Timber Resources Group Limited and its subsidiaries (together the "Group") for the year ended 31 March 2009.

BUSINESS REVIEW

For the year ended 31 March 2009, the Group was mainly engaged in forest operation and management, timber logging and trading, timber processing, and manufacture and sale of timber products.

The turnover of the Group was unavoidably affected by the worldwide financial tsunami. The credit crunch led to decrease in demand for the whole PRC market. As a result, the wholesale and retail price of timber in PRC dropped significantly.

The turnover contributed by timber logging and trading and other operation represented 96% of the overall turnover of the Group for the year. Taking the advantage of low production and sales costs in timber related products, the Group explored the manufacture and sale of furniture and handicrafts business in the PRC to maximize investment return. In the long run, in view of the stimulation of the macro-economic by the PRC government, the internal demand for timber products will be boosted up and thus will provide a better gross margin to our shareholders. In addition, the Group's operation in cold storage warehouse rental business has become insignificant due to continuous decrease in rental income for the past few years.

FINANCIAL REVIEW

For the year ended 31 March 2009, the Group's turnover decreased by 46% to approximately HK$17.8 million as compared with approximately HK$33.4 million in 2008 financial year and the cost of sales was approximately HK$18.69 million (2008: 19.39 million) which represents a strong increase in view of the substantial decrease in turnover. The two business segments engaged by the Group, namely timber logging and trading, and other timber operation (manufacture and sale of furniture and handicrafts), contributed approximately HK$13 million (73%) and HK$4 million (23%) respectively to the Group's consolidated turnover. Detailed segment turnover and contribution to loss before tax of the Group are shown in note 14 to the financial statements. In addition, the Group experienced a gross loss of HK$0.86 million this year which is due to the net write off of inventories related to a one-off processing transaction for the manufacture of furniture operation, a new business venture of the Group which commenced in 2008. At 31 March 2008, inventories of processed timber logs of approximately HK$12,504,000 were kept by an independent third party processing agent of wooden board and other products. The inventories did not measure up to the expected quality standard for the production of the Group's furniture products and had to be scraped. Management sought compensation from, and negotiated and agreed with the processing agent that the agent would waive the amount of processing and transportation charges of approximately HK$9,900,000. The net loss suffered by the Group on this one-off processing transaction was therefore reduced to approximately HK$2,604,000.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

The loss before taxation and net loss were approximately HK$71.3 million and HK$71.4 million respectively (2008: profit before taxation: HK$19.4 million and net profit: HK$19.8 million), representing a decrease in profit of approximately HK$91 million. The loss was mainly attributable to the decrease in turnover, increase in investment, increase of staff costs to approximately HK$32 million (2008: approximately HK$16 million) due to an increase in staff, realised loss on disposal of financial assets amounted to approximately HK$27.5 million (2008: Nil), unrealised loss on finance assets amounted to approximately HK$910,000, depreciation amounted to approximately HK$7.5 million (2008: approximately 2 million) and net exchange loss amounted to approximately HK$8 million (2008: net exchange gain: HK$1 million). The loss attributable to shareholders for the year was approximately HK$67.4 million (2008: profit HK$21.2 million).

LIQUIDITY AND FINANCIAL REVIEW

As at 31 March 2009, the Group's net assets amounted to approximately HK$1,074 million as compared with net assets value of approximately HK$1,150 million as at 31 March 2008. Besides, the current assets of the Group were HK$284 million (2008: HK$456 million) with deposit, cash and bank balances of approximately HK$133 million (2008: HK$340 million), and the current liabilities decreased from HK$30 million (2008) to HK$25.5 million (2009) due to decrease in other payables and accruals. The gearing ratio of the Group, measured as total debts to total assets, was kept at a stable level of 3.5% (2008: 3.6%).

As at 31 March 2009, the Group had no outstanding bank loan (2008: Nil), but it had committed short term borrowings amounted to approximately HK$14 million (2008: HK$6 million), all of which will be due within one year and subject to interest rate ranging from 7.2% to 8.4% per annum. The Group's business operations, assets and liabilities are denominated mainly in Hong Kong dollars, Renminbi and US dollars except its cold storage warehouse in Australia, thus depreciation in Australian dollars has resulted in a net exchange loss. Save as aforesaid, the Board considered foreign exchange risk being minimal. The management will review from time to time the potential foreign exchange exposure and will take appropriate actions to minimize any potential foreign exchange exposure risk to arise in the future. During this financial year, the Company has not given any guarantee to any financial institution in respect of bank facilities utilised by any of its subsidiaries. As at 31 March 2009, there were no assets being pledged to secure credit facilities granted to and utilised by the Group (2008: Nil).

As at 31 March 2009, the Group had no material contingent liabilities but it had capital commitments of HK$101 million (2008: HK$275 million). The Group did not use any financial instruments for hedging purposes and did not have foreign currency net investments being hedged by foreign currency borrowings and other hedging instruments.

CAPITAL RAISING AND EXPENDITURE

During the year ended 31 March 2009, the Group did not carry out any equity fund raising activities.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

MATERIAL SUBSEQUENT EVENTS

The Company and its wholly owned subsidiary entered into a framework agreement on 13 April 2009 and a formal sale and purchase agreement on 9 May 2009 for the acquisition of Yichang Xinshougang Property Development Company Limited*（宜昌新首鋼房地產發展有限公司）, a company incorporated in the PRC with limited liability and its sole asset is a piece of land of approximately 587,700 square meters located in Yiling District（夷陵區）, Yichang City（宜昌市）, Hubei Province, the PRC, for the development of Yichang Three Gorges International Exhibition Centre*（宜昌三峽國際會展中心）and Three Gorges Guobin Garden Commercial Property*（三峽國賓花園商品房）. The said agreement is subject to shareholders' approval in due course and its total consideration for the acquisition is HK$986 million which will be settled by payment of cash, promissory note, issue of new shares and issue of convertible bonds. For further details, please refer to the announcement of the Company dated 21 May 2009.

PROSPECT

Forest land reserve and logging business

The Group has forest resources in Guyana of South America covering an aggregate area close to 257,000 hectares which the Group has been granted an exclusive timber concession for a period of 25 years. In addition, the Group's acquisition of forest land in Da Bu County, Guangdong Province had increased to 94,500 Chinese Mu with a lease term of 50 years.

The main types of wood exported from our Guyana forest are first grade timbers like purpleheart（紫心木／南美紫檀）, Greenheart Camphor（綠心樟／南美綠檀）, Mora（莫拉／南美雞翅）and Massaranduba（鑽石紅檀）.

The Company has continued investing substantial financial resources on development of its logging business in Guyana including recruitment of a professional logging team, provision of logging equipment with international standard, construction of timber processing base and a 72TEU collection dual purpose barge. The barge took a trial voyage recently and shall be on duty after obtaining a licence. The Board expects that the Group could gradually increase and stabilise its timber logging, processing and transportation capacity.

Sale and Distribution Centre in Shenzhen

The Group has expanded its distribution network for timber related products by launching its flagship store in Shenzhen in August 2008 which acts as a window for exhibiting high grade furniture made of timbers of the Group.

The grand opening of the Company's 17,000 sq. ft. (1,600m^2) flagship store trading in the name of 紫御•尚品 located in Kingkey Banner Center, Nanshan District of Shenzhen（深圳市南山區京基百納廣場）took place in August 2008. The flagship store focuses on the wholesale and retail of a full line of high-class Chinese style furniture made of top quality hard woods, in particular, rosewood, greenheart, jatoba, purpleheart and massaranduba which are originated from our forest. The flagship store is supported by the Group's furniture manufacture Centre in Yang Jiang and a team of furniture designers and staff in Shenzhen, thus the Group is well equipped to offer tailor-made service to customers.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

The classic Chinese style office furniture sold by our flagship store was awarded The Best Outward Appearance Design at the 23rd China Guangzhou International Furniture Expo in March 2009.

With unique advantages in the industry, including self supply of timber from both Guyana and China, timber processing and furniture manufacture base in Yang Jiang and an experienced furniture design team in Shenzhen, the Group is able to enjoy low production and sales costs and maximum investment efficiency.

Furniture Manufacture Centre in Yang Jiang, Guangdong

The Group has established a furniture manufacture base in Yang Jiang, Guangdong Province which mainly produces high grade classic Chinese style red wood furniture, hard wood furniture and handicrafts.

Tea-oil processing base in Meizhou, Guangdong

興寧樹人木業有限公司 (Xing Ning Shu Ren Wood Limited) was incorporated in Meizhou County, Guangdong Province for the establishment of a tea-oil tree base occupying a total of 300,000 Chinese Mu land with a tea-oil processing center which is expected to commence production in August 2009 and to produce approximately 30,000 tons tea-oil each year.

Tea-oil tree is one of the four main trees that could produce edible oil and tea-oil contains more than 90% unsaturated fatty acid which is good for health. Tea-oil tree products include oil-tea seed, virgin oil (毛油), extra fine tea-oil and other by-products, all of which have high commercial value. In September 2007, the State Council promulgated "The Opinion in relation to Promoting the Production and Development of Oil Materials"《關於促進油料生產發展的意見》and in September 2008, the State Forestry Administration announced "State Tea-Oil Industry Development Plan (2008-2015)《全國油茶產業發展規劃(2008-2015)》, both are targeted to advance and promote large scale tea-oil industry development in China for the purpose of stabilising the supply of edible oil by providing preferential government treatment to tea-oil processing corporation and subsidisation in tea-oil tree plantation.

Sapling Incubation Centre in Da Bu County and Plantation

The Group's Sapling Incubation Centre situated in Da Bu County's forestry area mainly carries out plant tissue cultivation, mass sapling and mass production of fine tree species with high commercial value. The Centre focuses on cultivating valuable tree species such as Acacia melanoxylon and Camphor tree to meet the Group's replantation requirements and for sales. By the end of 2008, the centre had cultivated over 20,000,000 saplings including 5,000,000 acacia melanoxylon and 8,000,000 camphor.

Property development in YiChang

The Company expects that subject to shareholders approval and fulfillment of other conditions precedent, completion of the acquisition of Yichang Xinshougang Property Development Company Limited* (宜昌新首鋼房地產發展有限公司) will take place in the fourth quarter of the year. Upon completion, the Company will commence development of a Yichang Three Gorges International Exhibition Centre (宜昌三峽國際會展中心) with a five-stars hotel and the Three Gorges Guobin Garden Commercial Property (三峽國賓花園商品房) comprising of commercial as well as residential properties by stages.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 420 employees in Hong Kong, the PRC, Australia and Guyana as at 31 March 2009. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration strategy.

The emoluments payable to the Directors are determined based on the scope of work, level of involvement, experience and seniority.

ACKNOWLEDGEMENTS

I wish to take this opportunity to extend my appreciation to all shareholders for their support and to thank Directors for their guidance and our staff members for their dedication and hard work during the past year.

Lau Sing Hung, Stephen
Chief Executive Officer

Hong Kong, 16 July 2009

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries ("Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is engaged in timber trading and investment holding.

The activities of the Company's subsidiaries as at 31 March 2009 are set out in note 38 to the financial statements. The Group is principally engaged in forest operation and management, timber logging and trading, timber processing, and manufacture and sale of timber products.

SEGMENT INFORMATION

Details of the segment information are set out in note 14 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group are set in the consolidated income statement on page 25 of the annual report and in the accompanying notes to the financial statements.

The Directors do not recommend the payment of a final dividend (2008: HK$0.1 cent per share) for the year ended 31 March 2009.

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Group and the Company during the year are set out on pages 28 and 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

PROPERTIES

Particulars of properties of the Group as at 31 March 2009 are set out on page 88 of the annual report.

SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 March 2009 are set out in note 38 to the financial statements.

DIRECTORS' REPORT

BORROWINGS

As at 31 March 2009, the Group had no outstanding bank loan. Other borrowings repayable within one year or on demand are classified as current liabilities. Details of other borrowings as at 31 March 2009 are set out in note 27 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in note 30 to the financial statements.

On 1 August 2006, the Company issued a total of 960,000,000 unlisted warrants which are exercisable for three years, i.e., on or before 31 July 2009. Each warrant entitles the holder to subscribe for one new share of the Company at the subscription price of HK$0.09 per new share.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2009, the aggregate turnover and purchases attributable to the five largest customers of the Group represented 64% and 73% of the total turnover and purchases of the Group, respectively.

RELATED PARTY TRANSACTIONS

The related party transactions in note 37 to the financial statements have been disclosed in accordance with the Statement of Standard Accounting Practice "Related Party Disclosures" issued by the Hong Kong institute of Certified Public Accountants ("HKICPA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 87 of the annual report .The summary does not form part of the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under he Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Fung Tsun Pong
Mr. Lau Sing Hung, Stephen
Mr. Tsang Kam Ching, David
Mr. Chow Ki Shui, Louie

Independent Non-executive Directors:

Mr. Yip Tak On
Mr. Jing Baoli
Mr. Bao Liang Ming

In accordance with Article 117 of the Company's Articles of Association, the Directors of the Company, including the executive and independent non-executive Directors, are subject to retirement by rotation and, being eligible, may offer themselves for re-election. In addition, Article 100 of the Articles of Association provides that any Director appointed by the board of Directors shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Yip Tak On and Mr. Jing Baoli shall retire at the forthcoming annual general meeting, and being eligible, shall offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors (the "INEDs") as regards their independence to the Company and considers that each of the INEDs is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Fung Tsun Pong, aged 49, joined the Company as an Executive Director on 22 September 2004 and has been elected as chairman of the Board since 25 September 2005. Mr. Fung has over 20 years of experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Lau Sing Hung, Stephen, aged 59, has been appointed as an Executive Director of the Company since 1 June 2007 and is the Chief Executive Officer of the Company. Mr. Lau has been a fellow of the Institute of Chartered Accountants in England and Wales in 1976 as well as a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Lau joined Arthur Andersen & Co in 1976 and assisted it in opening its first office in China in the early eighties. Mr. Lau became a partner of Arthur Young in 1984 and Ernst & Young in 1990 when Arthur Young and Ernst & Whinney merged to become Ernst & Young. Mr. Lau had served as Chairman of the Tax Department, member of the Management Committee, General Manager of Ernst & Young Hua Ming, Managing Partner of China North Region, Office Managing Partner of Beijing Office, Dalian Office and Wuhan Office. Mr. Lau retired from Ernst & Young on 31 December 2006.

Mr. Tsang Kam Ching, David, aged 52, joined the Company as an Executive Director on 17 February 2004 and is the Finance Director of the Company. Mr. Tsang has extensive financial management experience over the past 20 years which covers merchant banking, stock broking and corporate finance business. Mr. Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chow Ki Shui, Louie, aged 46, has been appointed as an Executive Director of the Company since 1 June 2007. Mr. Chow graduated from Xiamen University in 1984 with a Bachelor degree of Science. Mr. Chow had worked as a Senior Consultant in Mitsui & Co (HK) Ltd., and a partner in WI Harper Management Consulting Company, which is a venture capital investment company based in San Francisco, USA. In 1998, Mr. Chow co-founded Sino Capital Education Foundation, a nonprofit organization to sponsor college student research programs and to assist children on poverty back to school. Mr. Chow is now a partner of Sino Capital Holdings Limited and is a co-founder of StemCyte, Inc., one of the largest umbilical cord blood banks in the world.

Independent Non-executive Directors

Mr. Yip Tak On, aged 63, joined the Company as an independent non-executive Director on 22 September 2004. Mr. Yip is a fellow member of ACCA, HKICPA, Taxation Institute of Hong Kong, and a full member of Hong Kong Securities Institute. Mr. Yip founded his own Certified Public Accountants firm for more than 20 years and is the managing director of Yip Leung & So Limited. Mr. Yip is also the treasurer of International Chamber of Commerce — Hong Kong China Business Council and the Chairman of a charitable institution, the Neighborhood Advice-Action Council. Mr. Yip has not held other directorships on listed companies in the last three years.

Mr. Jing Baoli, aged 44, has been appointed as an independent non-executive Director of the Company since 28 February 2006. Mr. Jing was graduated from Beijing University Law School with a Bachelor degree in Laws in 1987 and acquired a Master degree in Laws from Lanzhou University in 1997. After graduation from Beijing University, he was assigned to the High Court of Gansu Province and worked in various positions till 1997. In 1997, Mr. Jing joined Gansu Tianhe Law Firm as a partner and in 1999, he became an attorney-at-law of Beijing Shuang Cheng Law Firm. In 2007 Mr. Jing joined Guangdong Hua Shang Law Firm.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

Mr. Bao Liang Ming, aged 53, has been appointed as an independent non-executive Director of the Company since 1 February 2007. Mr. Bao has vast executive and management experience. He has held various directorships in state-owned enterprises in Tianjin and Beijing of the People's Republic of China.

Senior Management

Mr. Liao Xiao Chen, aged 52, is the Vice President of the Company. He graduated from the South China Agricultural University with a Bachelor degree of Science in Forestry and a Master degree of Economics. He had engaged in forestry management and leadership duties for years and had served as the Division Chief of Guangdong Provincial Forestry Bureau and was in charge of the provincial forest industry. Mr. Liao is well recognized in the areas of forestry policies and regulations, and has rich knowledge in businesses of forest operation, afforestation and tree species improvement. He had superintended the whole province on forest operation, afforestation, forest ecology, planning and design when he was the Deputy Director General of Guangdong Provincial Forestry Bureau.

Madam. Feng Jin Mei is stationed in Guyana as the CEO of Jaling Forest Industries Inc., a wholly owned subsidiary of the Company. She had served as CEO and CFO in large-scale corporations and has over 18 years' management experience. Since her taking over of the CEO of Jaling Forest Industries Inc., her management team has greatly improved the efficiency of the South American forestry operations.

DIRECTORS' SERVICE CONTRACTS

None of the existing Directors has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENT, THE FIVE HIGHEST PAID EMPLOYEES AND THE GROUP'S EMOLUMENT POLICY

Details of the Directors' emolument and of the five highest paid employees in the Group are set out in notes 9 and 10 to the financial statements. The Group ensures that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy. The Directors' remuneration is determined by the Company with reference to their responsibilities to undertake, the Company's performance and profitability, remuneration benchmark, prevailing market conditions and recommendation of the Remuneration Committee of the Company.

DIRECTORS' REPORT

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

Save as disclosed below, as at 31 March 2009, according to the register of Interest kept by the Company under Section 336 of the Securities and Future Ordinance (the "SFO") and so far as was known to the Directors, none of the Directors and chief executive of the Company held any interest or short positions on the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) where required to be notified to the Company and SEHK 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 (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Listing Rules, to be notified to the Company and SEHK.

Long positions in shares and underlying shares of the Company

	Number of shares		Number of underlying shares (warrants)			Percentage (%)
Name of Director	personal interest	corporate interests	personal interest	corporate interests	Total	of issued share capital
Mr. Fung Tsun Pong *(note)*	1,047,262,449	1,055,500,000	NIL	NIL	2,102,762,449	20.74
Lau Sing Hung, Stephen	14,000,000	NIL	NIL	NIL	14,000,000	0.138
Mr. Tsang Kam Ching, David	66,624,499	NIL	NIL	NIL	66,624,499	0.65
Chow Ki Shui, Louie	1,000,000	NIL	NIL	NIL	1,000,000	0.009

Note:

Ocean Gain Limited ("OGL") being wholly owned by Mr. Fung Tsun Pong was interested in 1,055,500,000 shares in the Company, representing approximately 10.41% in the issued shares of the Company. OGL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

Save as disclosed above, none of the Directors of the Company and their associates had any interest in the shares and/or underlying shares of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the SEHK pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein as at 31 March 2009.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the annual report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' Interest and Short Position in Shares, Underlying Shares and Debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2009, according to the register of interest kept by the Company, under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

Long Position in shares of the Company

Name of shareholders	Capacity	Number of Shares	Percentage (%) of issued shares
Ocean Gain Limited *(note a)*	Beneficial owner	1,055,500,000	10.41
Allkeen Investments Limited *(note b)*	Beneficial owner	1,000,000,000	9.86
Liu Feng Lei	Beneficial owner	513,833,992	5.06

Notes:

a. Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an executive director of the Company.

b. Allkeen Investments Limited is wholly-owned by Mr. Huang Wei Guang.

Save as disclosed above, as at 31 March 2009, no other persons had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

SHARE OPTIONS SCHEME

The Share Option Scheme of the Company was adopted on 16 July 2004 and shall remain in force for 10 years from the adoption date unless otherwise terminated or amended. Particulars of the Share Option Scheme are set out in note 33 to the consolidation financial statements.

The 6,000,000 share options, which were exercisable at HK$0.35 per share, granted by the Company to an employee on 24 October 2007 were not exercised and expired on 24 October 2008. Save as set out above, no share option has been granted, exercised, cancelled or lapsed during the year ended 31 March 2009.

PUBLIC FLOAT OF THE LISTED SECURITIES

Based on the publicly available information to the Company and within the knowledge of the Board, none of the Directors, up to the date of this report, is aware of any information which would indicate the Company has not maintained sufficient public float of its shares in the market.

MANAGEMENT CONTRACT

No contract concerning the management and administrative of the whole or any substantial part of the business of the Company.

THE MODEL CODE

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules and the Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee have been prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKSA. The Audit Committee provides an important link between the Board and the Company's auditors in matters within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises all INEDs of the Company, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming. Further information of the Audit Committee is set out in the Corporate Governance Report on page 20 to this Annual Report.

DIRECTORS' REPORT

REMUNERATION COMMITTEE

Detailed information related to the remuneration committee is set out in the Corporate Governance Report on page 21 of this Annual Report.

AUDITORS

The financial statements have been audited by Shu Lun Pan Hong Kong CPA Limited. The Company's auditors changed their name from Shu Lun Pan Horwath Hong Kong CPA Limited to Shu Lun Pan Hong Kong CPA Limited and merged their business with BDO McCabe Lo Limited on 1 May 2009. On the same date, BDO McCabe Lo Limited changed their name to BDO Limited. As a result of these changes, a resolution will be proposed at the 2009 AGM to appoint BDO Limited as the Company's auditors.

On behalf of the Board

Lau Sing Hung, Stephen
Chief Executive Officer

Hong Kong, 16 July 2009

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance practices throughout this financial year with emphasis on enhancing accountability and transparency of the management of the Company for the sake of safeguarding the interest of the shareholders of the Company as a whole. Save as disclosed herein below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules for the year ended 31 March 2009.

The purpose of this report is to provide shareholders with information on the major principles and corporate governance practices adopted by the Company.

THE BOARD OF DIRECTORS

The principal duty of the Board is to ensure that the Company is properly managed in the best interest of the shareholders of the Company.

Board Composition

As at the 31 March 2009, there were seven directors of the Company (the "Directors"), of which four were executive Directors, namely Mr. Fung Tsun Pong (the "Chairman"), Mr. Lau Sing Hung, Stephen (the Chief Executive Officer ("CEO")), and Mr. Tsang Kam Ching, David (the Financial Director) and Mr. Chow Ki Shui, Louie and three were independent non-executive Directors namely, Mr. Yip Tak On, Mr. Bao Liang Ming and Mr. Jing Bao Li. Other details of the Directors are given on pages 10 to 12 of this Annual Report. An induction regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group has been provided to all Directors shortly upon their appointment as Directors of the Company.

The Roles of the Chairman and the Board

The Board is chaired by the Chairman since 2005. The overall management of the Company's business is vested in the Board which is led by the Chairman who assumes responsibility for leadership and control of the Company to ensure that the Board acts in the best interests of the Company. The Chairman is responsible for setting the agenda for each Board meeting, taking into account any matters proposed by the Directors. With the support of the Company's secretarial staff, the Chairman ensures that all Board members receive sufficient, complete and reliable information and are properly briefed on issues to be discussed at board meetings by dispatching materials to Directors in advance, such that the Directors could work effectively and discharge their responsibility.

However, the Board is collectively responsible for supervising the Company's affairs, management and operation. Matters like annual budgets, financial statements, significant changes in accounting policy, material contracts, major financing arrangements, risk management strategy and policies, supervision of the management and performance of the Company, are all reserved for the Board.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS *(Continued)*

The Roles of the Chairman and the Board *(Continued)*

The Board regularly reviews its composition and structure to ensure its expertise and independence are attained and maintained. Any Director appointed by the Board to fill a casual vacancy is subject to election of shareholders at the first general meeting after his appointment and all Directors are subject to retirement by rotation in accordance with the Company's articles of association and, being eligible, may offer themselves for re-election.

All Directors disclose to the Board on their first appointment their interests as Director or otherwise in other companies or organisations and such declarations of interests are updated annually. When the Board considers that any Director is having a conflict of interest in a matter to be considered by the Board, the Board will request such Director to fully disclose and declare his interest and require him to abstain from voting.

All Directors are provided upon reasonable request made to the Board with means, at the Company's expense, to take independent professional advice in furtherance of their duties if necessary.

The Roles of the CEO and its Management Team

On the other hand, the day-to-day management, administration and operation of the Company are delegated to the CEO whom heads the management team and implements decisions of the Board. The delegated functions and tasks were supervised and periodically reviewed by the Board to ensure efficiency of management. As the role of the Chairman is separate from that of the CEO and the position of the Chairman and CEO are held by separate individuals, a check and balance of power exists to guarantee better risk management and helps to reinforce their independence and accountability.

The Independent Non-executive Directors

The independent non-executive Directors (the "INEDs") serve the important function of providing a balance of skills and experience to the Board and safeguarding the interests of shareholders and the Company as a whole. Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three INEDs, one of whom has appropriate professional qualifications or accounting or related financial management expertise.

Each of the INEDs has entered into a service agreement with the Company for an initial term of two years unless terminated by notice in writing prior to the expiry of the term. The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board is of the view that all INEDs meet the independence guidelines set out in rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS *(Continued)*

Board Meetings

The Board held 4 meetings during the fiscal year and the attendance of Directors were set forth below:

	Name of Directors	Attended/ Eligible to attend
Executive Directors	Fung Tsun Pong	3/4
	Lau Sing Hung, Stephen	4/4
	Tsang Kam Ching, David	4/4
	Chow Ki Shui, Louie	4/4
Independent Non-executive Directors	Yip Tak On	2/4
	Jing Bao Li	3/4
	Bao Liang Ming	0/4

The Directors have access to the advice and services of the Company's secretarial team and all applicable rules and regulations in respect of the board meetings are followed. Draft with sufficient details and final versions of the minutes of Board meetings and Board committee meetings were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

Among the board meetings held during the fiscal year, two were also regular board meetings with written notice of the meeting despatched to all Directors at least 14 days before the meeting and an agenda with all supporting documents no less than 3 days prior to the meeting. The regular board meetings have achieved active participation of the Directors. The Directors note that the CG Code requires the Board to hold at least four regular board meetings a year at approximately quarterly intervals. However, in view of the size and activities of the Group during the year, the Directors considered four regular board meetings unnecessary.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant board resolution in which he/she or any of his/her associates have a material interest and that he/she shall not be counted in the quorum present at the board meeting.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS *(Continued)*

Board Committees

The Board has established the following committees: the Remuneration Committee and the Audit Committee with the participation of all the INEDs. In addition, the Board has also adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

AUDIT COMMITTEE

The terms of reference of the Audit Committee was amended on 26 September 2005 to bring them in line with the CG Code. The Audit Committee is responsible to the Board and consists of all the three INEDs from time to time. The current members are Mr. Yip Tak On, Mr. Jing Bao Li and Mr. Bao Liang Ming. The Committee reviewed the completeness and accuracy of the Company's financial statements, annual reports and accounts and half-year reports and provided assurance to the Board that these comply with accounting policies, standards and practices, stock exchange and legal requirements. The Committee also reviewed the adequacy and effectiveness of the financial controls, internal control and risk management systems. It also made recommendation to the board of Directors on the appointment and removal of external auditors and their terms of engagement as well as monitor the external auditor's independence and effectiveness and recommended appropriate actions required.

The Audit Committee held 3 meetings during the fiscal year, the attendances of which were as follows: Mr. Yip Tak On (3/3), Mr. Jing Bao Li (3/3), Mr. Bao Liang Ming (0/3).

A summary of the work performed by the Audit Committee during the financial year ended 31 March 2009 is set out below:

(a) approval of the remuneration and terms of engagement of the external auditor;

(b) reviewed the external auditor's independence and the effectiveness of the audit process;

(c) making recommendation to the board on the re-appointment of external auditor;

(d) reviewed with the finance director and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements before submission to the board;

(e) review of the internal audit findings and internal audit plan;

(f) review of the effectiveness of the internal control system of the group; and

(g) reviewed with the external auditor the impact to the Group in respect of the amendments to the accounting principles and standards and the development of corporate governance.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 26 September 2005 to determine policy on executive Directors and senior management's remuneration and fixing remuneration packages. The Committee comprises all the three INEDs and one executive Director, i.e. a majority of the members are independent non-executive directors. The Remuneration Committee is responsible for, among others, the determination, subject to the agreement with the Board, the framework or policy for the remuneration of the Chairman, CEO, the executive directors and senior management staff, and the total individual remuneration package of each executive director and other senior management staff including bonuses, incentive payments and share options or other share awards within the terms of the agreed policy.

In order to be able to attract and retain staff of suitable calibre, the Company provides a competitive remuneration package. This comprises salary, provident fund, leave passage and discretionary bonus. The remuneration policy has contributed considerably to the maintenance of a stable, motivated and high-calibre management team in the Company.

The remuneration policy and the levels of remuneration paid to executive Directors of the Company were reviewed by the Remuneration Committee every year.

No Director takes part in any discussion about his own remuneration. The remuneration of INEDs is determined by the Board in consideration of their responsibility involved. Each of the INEDs are appointed for a fixed term of service and entitled to an annual director's fee of HK$120,000.00.

The Remuneration Committee held 1 meeting during this fiscal year, which was attended by a majority of the INEDs.

INTERNAL CONTROL

The Board is responsible for the system of internal control and for reviewing its effectiveness. During this fiscal year, the Directors have conducted two reviews on the effectiveness of the system of internal control of the Company, including but not limited to, financial, operational and compliance controls and risk management functions, and considered that the internal control systems effective and adequate and the Company has complied with the code provisions on internal control of the CG Code in view of the latest business development and the management structure of the Company.

Detailed control guidelines have been set and made available to all employees of the Company regarding handling and dissemination of price sensitive information.

Systems and procedures are in place to identify, control and report on major risks, including business, legal, financial, and reputational risks. Exposures to these risks are monitored by the Board with the assistance of its external professional advisers.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. A copy of the Securities Code is sent to each Director of the Company first on his appointment and thereafter reminders were sent to Directors twice annually, one month before the date of the board meeting to approve the Company's interim and annual results, with a notice that the Director cannot deal in the securities and derivatives of the Company until after the results announcement has been published.

Under the Securities Code, Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in any securities of the Company and, in the case of the Chairman himself, he must notify the board at a board meeting or alternatively, another executive director and receive a dated written acknowledgement before any dealing. The Company has made specific enquiries on Director's dealings in the securities of the Company and all Directors have confirmed that they have complied with the required standard set out in the Securities Code throughout the year. Directors' interests as at 31 March 2009 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on page 13 of this Annual Report.

EXTERNAL AUDITORS

The external auditors are primarily responsible for auditing and reporting on the annual financial statements. In this fiscal year, the total remuneration paid to the external auditors was approximately HK$1,230,000, of which HK$980,000 and HK$250,000 were paid for audit service and advice, and other non-audit services respectively.

INVESTOR RELATIONS

The Company continues to enhance relationships and communication with its investors. Extensive information about the Company's performance and activities is provided in the Annual Report and the Interim Report which are sent to shareholders.

All shareholders are encouraged to attend the Annual General Meeting to discuss matters relating to the Company. Any inquiries from shareholders can be addressed to any of the Board.

Shareholders may request an extraordinary general meeting to be convened in accordance with Article 73 of the Articles of Association of the Company, which provides that members holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

INDEPENDENT AUDITORS' REPORT

Shu Lun Pan Hong Kong CPA Limited
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TO THE SHAREHOLDERS OF CHINA TIMBER RESOURCES GROUP LIMITED
（中國木業資源集團有限公司）
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of China Timber Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 86, which comprise the consolidated and company balance sheets as at 31 March 2009, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHU LUN PAN HONG KONG CPA LIMITED
Certified Public Accountants
16 July 2009

Choi Man On
Practising Certificate number P02410

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	5	17,841	33,382
Cost of sales		(18,696)	(19,391)
Gross (loss)/profit		(855)	13,991
Interest income		1,166	6,699
(Loss)/gain on change in fair value of investment property	15	(5,236)	18,094
Gain on change in fair value of biological assets less estimated point-of-sale costs	18	35,548	25,513
Gain on disposal of investment property		—	3,036
Other income and other gains or losses	6	(8,870)	4,159
Realised loss on financial assets at fair value through profit or loss		(27,529)	—
Selling and administrative expenses		(64,682)	(52,047)
Finance costs	7	(799)	—
(Loss)/profit before taxation	7	(71,257)	19,445
Taxation (charge)/credit	8	(185)	346
(Loss)/profit for the year		(71,442)	19,791
Attributable to:			
Equity holders of the Company	11	(67,436)	21,211
Minority interests		(4,006)	(1,420)
		(71,442)	19,791
Dividend	12	—	10,137
		HK cents	HK cents
(Loss)/earnings per share	13		
— Basic		(0.67)	0.24
— Diluted		N/A	0.22

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investment property	15	37,000	50,000
Property, plant and equipment	16	95,774	63,092
Prepaid lease payments	17	32,810	26,285
Biological assets	18	71,950	22,606
Forest concession rights	19	530,783	533,811
Prepayments for acquisition of plantation assets and equipment	20	60,358	40,816
		828,675	736,610
CURRENT ASSETS			
Financial assets at fair value through profit or loss	22	882	1,786
Inventories	23	120,603	38,715
Trade and other receivables	24	29,305	76,051
Prepaid lease payments	17	711	81
Cash and bank balances	25	132,736	339,838
		284,237	456,471
CURRENT LIABILITIES			
Trade and other payables	26	11,367	23,861
Short term borrowings	27	14,212	6,073
Tax payable		–	84
		25,579	30,018
NET CURRENT ASSETS		258,658	426,453
TOTAL ASSETS LESS CURRENT LIABILITIES		1,087,333	1,163,063
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	1,574	1,574
Acreage fees payable		11,368	11,764
		12,942	13,338
NET ASSETS		1,074,391	1,149,725
EQUITY			
Share capital	30	101,370	101,370
Reserves		950,050	1,021,516
Equity attributable to equity holders of the Company		1,051,420	1,122,886
Minority interests		22,971	26,839
TOTAL EQUITY		1,074,391	1,149,725

These financial statements were approved and authorised for issue by the board of directors on 16 July 2009.

Mr. Lau Sing Hung, Stephen
Director

Mr. Tsang Kam Ching, David
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	197	262
Interests in subsidiaries	21	872,440	650,876
		872,637	651,138
CURRENT ASSETS			
Financial assets at fair value through profit or loss	22	882	1,786
Inventories	23	—	12,505
Other receivables	24	1,151	16,720
Cash and bank balances	25	42,677	292,696
		44,710	323,707
CURRENT LIABILITIES			
Trade and other payables	26	1,417	11,309
Amounts due to subsidiaries	28	1,430	—
		2,847	11,309
NET CURRENT ASSETS		41,863	312,398
NET ASSETS		914,500	963,536
EQUITY			
Share capital	30	101,370	101,370
Reserves		813,130	862,166
TOTAL EQUITY		914,500	963,536

These financial statements were approved and authorised for issue by the board of directors on 16 July 2009.

Mr. Lau Sing Hung, Stephen
Director

Mr. Tsang Kam Ching, David
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2009

THE GROUP

	Attributable to equity holders of the Company												
	Share capital HK$'000 (Note 30)	Share premium HK$'000	Warrants reserve HK$'000	Share-based compensation reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Forest concession rights revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	71,261	510,741	4,000	4,041	3,800	20,918	16,552	–	(392)	(534,624)	96,297	128,926	225,223
Issue of new ordinary shares	28,826	891,830	–	–	–	–	–	–	–	–	920,656	–	920,656
Issuance costs	–	(18,905)	–	–	–	–	–	–	–	–	(18,905)	–	(18,905)
Exercise of share options	1,283	12,765	–	(4,041)	–	–	–	–	–	–	10,007	–	10,007
Exchange differences	–	–	–	–	–	–	–	–	9,236	–	9,236	–	9,236
Revaluation surplus	–	–	–	–	–	–	8,440	–	–	–	8,440	–	8,440
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	7,282	7,282
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over cost arising from acquisition of additional interest in other subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(952)	(952)
Deferred tax arising from revaluation of buildings	–	–	–	–	–	–	(1,124)	–	–	–	(1,124)	–	(1,124)
Profit for the year	–	–	–	–	–	–	–	–	–	21,211	21,211	(1,420)	19,791
Adjustment for forest concession rights stated at fair value on the acquisition of 44% of Jaling	–	–	–	–	–	–	–	76,213	–	–	76,213	73,224	149,437
Issued shares for acquisition of additional 44% of Jaling stated at fair value	–	–	–	–	–	–	–	–	–	–	–	(180,221)	(180,221)
Recognition of equity-settled share-based compensation	–	–	–	855	–	–	–	–	–	–	855	–	855
Elimination of accumulated losses by reduction of share premium account	–	(1,396,431)	–	–	–	–	–	–	–	1,396,431	–	–	–
At 31 March 2008	101,370	–	4,000	855	3,800	20,918	23,868	76,213	8,844	883,018	1,122,886	26,839	1,149,725
2008 final dividend at $0.001 per share	–	–	–	–	–	–	–	–	–	(10,137)	(10,137)	–	(10,137)
Release of reserve upon lapse of share options	–	–	–	(855)	–	–	–	–	–	855	–	–	–
Exchange differences	–	–	–	–	–	–	–	–	6,107	–	6,107	138	6,245
Loss for the year	–	–	–	–	–	–	–	–	–	(67,436)	(67,436)	(4,006)	(71,442)
At 31 March 2009	101,370	–	4,000	–	3,800	20,918	23,868	76,213	14,951	806,300	1,051,420	22,971	1,074,391

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2009

THE COMPANY

	Share capital *HK$'000* *(Note 30)*	Share premium *HK$'000*	Warrants reserve *HK$'000*	Share-based compensation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 April 2007	71,261	510,741	4,000	4,041	3,800	64,314	(582,354)	75,803
Issue of new ordinary shares	28,826	891,830	–	–	–	–	–	920,656
Issuance costs	–	(18,905)	–	–	–	–	–	(18,905)
Exercise of share options	1,283	12,765	–	(4,041)	–	–	–	10,007
Recognition of equity-settled share-based compensation	–	–	–	855	–	–	–	855
Loss for the year	–	–	–	–	–	–	(24,880)	(24,880)
Elimination of accumulated losses by reduction of shares premium account	–	(1,396,431)	–	–	–	–	1,396,431	–
At 31 March 2008	101,370	–	4,000	855	3,800	64,314	789,197	963,536
2008 final dividend at $0.001 per share	–	–	–	–	–	–	(10,137)	(10,137)
Release of reserve upon lapse of share options	–	–	–	(855)	–	–	855	–
Loss for the year	–	–	–	–	–	–	(38,899)	(38,899)
At 31 March 2009	101,370	–	4,000	–	3,800	64,314	741,016	914,500

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2009

Warrants reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon the exercise of the warrants.

On 14 July 2006, the Company issued 960,000,000 un-listed warrants at an issue price of HK$4,000,000 by private placement. Each warrant entitles the holder to subscribe for one ordinary share at an initial subscription price of HK$0.09 per Subscription Share during the three years period from the date of allocation and issue of the warrants.

Share-based compensation reserve represents the fair value of outstanding share options granted to executive directors, employees, and any of its subsidiary recognised in accordance with the accounting policy adopted for share-based payment.

Translation reserve represents exchange differences arising from the translation of the financial statements of subsidiaries operating outside Hong Kong.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

In accordance with the provision of the Company's New Article of Association, the reserve available for distribution to shareholders of the Company as at 31 March 2009 amounted to HK$813,130,000 (2008: HK$861,311,000).

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation		(71,257)	19,445
Adjustments for:			
Interest income		(1,166)	(6,699)
Depreciation of property, plant and equipment		7,467	2,004
Share-based compensation		—	855
Loss/(gain) on change in fair value of investment property		5,236	(18,094)
Gain on change in fair value of biological assets less estimated point-of-sale costs		(35,548)	(25,513)
Gain on disposal of subsidiaries		—	(687)
Realised loss on financial assets at fair value through profit or loss		27,529	—
Release of prepaid lease payment		711	81
Amortisation of forest concession rights		3,024	—
Written off of loan from a former director of a subsidiary		—	(822)
Gain on disposal of investment property		—	(3,036)
Harvested timber transferred to inventories and sold		—	14,850
Property, plant and equipment written off		245	577
Impairment loss on inventories		1,956	—
Net write off of inventories		2,604	—
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over costs:			
Arising from acquisition of additional interests in other subsidiaries		—	(952)
Arising from 2008 acquisition	31(a)	—	(379)
Operating cash outflows before changes in working capital		(59,199)	(18,370)
Decrease in financial assets at fair value through profit or loss		904	1,730
Decrease in derivative financial instruments		—	1,040
Increase in inventories		(84,645)	(35,245)
Decrease/(increase) in trade and other receivables		24,360	(16,046)
Decrease in amount due to a director of a subsidiary		—	(383)
Decrease in trade and other payables		(12,341)	(9,341)
Decrease in acreage fees payable		(549)	—
Increase of biological assets due to plantation expenditure incurred		(10,955)	(7,244)
Decrease of biological assets due to direct sales		329	2,446
Effect of foreign exchange difference		8,231	—
Cash used in operations		(133,865)	(81,413)
Interest received		1,166	6,699
Overseas tax paid		(269)	—
Net cash used in operating activities		(132,968)	(74,714)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of investment property		—	4,353
Purchase of property, plant and equipment		(16,534)	(46,687)
Additions of prepaid lease payment		(1,173)	(22,893)
Purchase of biological assets		(1,703)	(7,145)
Net increase in prepayments for acquisition of plantation assets and equipment		(25,982)	(58,176)
Additions of prepayment for land use right and equipment		—	(40,016)
Payment to acquire a subsidiary	31(b)	—	(110,000)
Purchase of financial assets at fair value through profit or loss		(63,789)	—
Proceeds from disposal of financial assets at fair value through profit or loss		36,260	—
Net cash used in investing activities		(72,921)	(280,564)
FINANCING ACTIVITIES			
Proceeds from exercise of share options		—	10,007
Repayment of bank loan		—	(6,250)
Proceed from short term borrowings		8,139	6,073
Net proceeds from issue of new ordinary shares		—	665,345
Capital injection by minority interest		—	7,282
Dividend paid		(10,137)	—
Net cash (used in)/generated from financing activities		(1,998)	682,457
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(207,887)	327,179
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		785	3,543
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		339,838	9,116
CASH AND CASH EQUIVALENTS AT END OF YEAR		132,736	339,838
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		132,736	339,838

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office is the office of Caledonian Bank & Trust Limited, Caledonian House, George Town, Grand Cayman, Cayman Islands.

The principal activities of the Company and its subsidiaries (the "Group") are principally engaged in forest operation, timber logging and trading, timber processing and manufacture and sale of timber products.

The financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no material impact on the financial statements.

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC) – Int 15	Agreements for the construction of real estates	(i)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

2. ADOPTION OF NEW AND REVISED STANDARDS *(Continued)*

		Effective date
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosure about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	(ii)
HK(IFRIC) – Int 13	Customer loyalty programmes	(iii)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)
HK(IFRIC) – Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	— HKFRS 5	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 39 (80)	(i)
	— HKAS 38, HKFRS 2, HK(IFRIC) – Int 9, HK(IFRIC) – Int 16	(ii)
	— HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5, HKFRS 8	(vii)

Effective date

(i) Annual periods beginning on or after 1 January 2009
(ii) Annual periods beginning on or after 1 July 2009
(iii) Annual periods beginning on or after 1 July 2008
(iv) Annual periods beginning on or after 1 October 2008
(v) Annual periods ending on or after 30 June 2009
(vi) Transfers of assets from customers received on or after 1 July 2009
(vii) Annual periods beginning on or after 1 January 2010

The Group is in the process of making an assessment of what the impact of these new or revised standards or interpretations is expected to be in the period of their initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation

These financial statements are prepared under the historical cost convention modified for the revaluation of investment property, buildings, certain financial instruments and biological assets which are carried at fair value.

(c) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. Subsidiaries are those entities in which the Group, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies, to appoint or remove the majority of the board of directors, or to cast majority of votes at the meetings of the board of directors.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Minority interests in the net assets excluding goodwill of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity of the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Group accounting *(Continued)*

(i) ***Consolidation*** *(Continued)*

On the disposal of subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

(ii) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill on acquisitions of a subsidiary is presented separately in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Group accounting *(Continued)*

(ii) ***Business combinations*** (Continued)

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's cash-generating units or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(d) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of the consolidated financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowing, tax balances, corporate and financing expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translation at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

Group companies *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairments losses. The cost of assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Leasehold land and buildings are stated in the balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of assets is credited in equity to the assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Leasehold improvements	:	20%
Furniture and fixtures	:	20%
Motor vehicles	:	20%

The gain or loss on disposal or retirement of a property, plant and equipment recognised in profit or loss is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(g) Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

(h) Prepaid lease payment

Prepaid lease payments represent upfront premium paid for use of land. Prepaid lease payments are released to the profit or loss over the lease term on a straight-line basis.

(i) Investment property

Investment property is property held to earn rentals and for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property or at its fair value.

After initial recognition, the investment property is stated at its fair value based on valuation by an external valuer. Gains or losses from changes in fair value of the investment property are included in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets

(i) Forest concession rights

Forest concession licenses are stated at fair value at the date of acquisition. Thereafter, they are subject to amortisation (see below) and impairment losses (see note 3(k)). These licenses give the Group rights to harvest trees in the allocated concession forests in designated area in Guyana.

The costs of forest concession rights include the acreage fees payable to Guyana Forestry Commission, costs of necessary exploratory, geological, geophysical and other research studies incurred prior to obtaining the right.

(ii) Amortisation

Forest concession rights are amortised using the units of production method based on the total proven and probable reserves of the total forestry exploitation volume.

(k) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Impairment of tangible and intangible assets excluding goodwill *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets, agricultural produce and seedlings, are measured at fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date. The fair value less estimated point-of-sale costs at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable.

If an active market exists for a biological asset or agricultural produce with reference to comparable specie, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the balance sheet date, or the market prices for similar assets adjusted to reflect differences to determine fair values. The gain or loss arising on initial recognition and subsequent changes in fair values less estimated point-of-sale costs of biological assets is recognised in profit or loss in the period in which it arise. Upon the sale of the agricultural produce as forestry products, the carrying amount is transferred to cost of sales in the consolidated income statement.

Seedlings that have little biological transformation taken place since initial cost incurrence are stated at cost less any impairment loss.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of timber harvested from biological assets is its fair value less estimated point-of-sale costs at the date of harvest, determined in accordance with the accounting policy for biological assets. (see Note 3(l)). Any change in value through the date of harvest is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Financial assets *(Continued)*

(iii) ***Impairment of financial assets*** *(Continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(v) ***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(o) Financial liabilities and equity instrument issued by the Group

Financial liabilities and equity instruments issued by a Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Financial liabilities and equity instrument issued by the Group *(Continued)*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

(i) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(ii) Financial liabilities

Financial liabilities, including other payables and borrowings, are subsequently measured at amortised cost, using the effective interest method.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(iv) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue of disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any differences between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. However, such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Company's PRC subsidiaries participate in defined contribution retirement schemes organised by the local government authorities in the PRC. All of the PRC employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC subsidiaries are required to contribute certain percentage of the basic salaries of their PRC employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to profit or loss of the Group as they become payable in accordance with the rules of scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("the MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(iii) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on granting.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(t) Provision and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns and other similar allowances.

(i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Rental income from operating leases is recognised in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

(iv) Dividend income is recognised when the shareholders' rights to receive payment is established.

(v) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(x) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

(y) Related party transactions

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Estimated impairment of assets

The Group's management tests annually whether assets (including goodwill and forest concession right) have suffered any impairment, in accordance with the accounting policy stated in note 3(k). The recoverable amounts of cash-generated units have been determined based on value-in-use calculations. These calculations require the use of estimates. Management has not identified any impairment at the balance sheet date.

(d) Fair value estimation

The fair value of financial assets through profit or loss is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group used a variety of methods and made assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Fair value estimation *(Continued)*

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

(e) Fair values of biological assets

Management estimates at the balance sheet date the current market prices less estimated point-of-sale costs of biological assets with reference to market prices and professional valuations. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

The Group's forestry business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry laws in the PRC will assist in minimising exposure. Nevertheless, to the extent that un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or harvest losses in future accounting periods.

(f) Recoverability of trade receivables

Recoverability of the trade receivable are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgement is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

(g) Net realisable value of inventories

Management reviews the conditions of timber and other inventories at each balance sheet date, and make allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production and/or sales in the market. These estimates are based on current market conditions and the historical experience of selling goods of similar nature. It could change significantly as a result of change in market condition. Management will reassess the estimations at each balance sheet date.

(h) Amortisation of forest concession rights

Management determines the amortisation policy on forest concession rights by estimating the economic benefits of units of production of timber products from the harvest of timber during the period of concession rights, or the expected useful life of the rights if shorter. The volume of timber that the Group is able to derive future economic benefits from the use of forest concession rights will change significantly as a result of un-anticipated factors that affect the rate and efficiency of harvest. The amortisation expenses in future accounting periods may be adjusted if there are significant changes in those estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

5. TURNOVER

The Group is engaged in timber logging and trading, manufacture and sale of furniture and handicrafts and cold warehouse rental.

	2009 *HK$'000*	2008 *HK$'000*
Income from timber logging and trading	12,975	32,021
Sales of goods	4,146	—
Gross rental income from cold storage warehouse (before direct outgoings of HK$24,000; 2008: HK$839,000)	720	1,361
	17,841	33,382

6. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprise:

	2009 *HK$'000*	2008 *HK$'000*
Exchange (loss)/gain, net	(8,081)	1,120
Loss on fair value changes on financial assets	(909)	(1,250)
Waiver of loan from a former director of a subsidiary	—	822
Gain on disposal of subsidiaries	—	687
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets over costs:		
Arising from acquisition of 44% issued share capital of a subsidiary		
— Jaling Forest Industries Inc.	—	379
Arising from acquisition of additional interests in other subsidiaries	—	952
Realised gain on disposal of financial assets	—	87
Other income	120	1,362
	(8,870)	4,159

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging:

	2009 *HK$'000*	2008 *HK$'000*
Auditors' remuneration	980	900
Interest expense on short term borrowings wholly repayable within five years	799	—
Depreciation of property, plant and equipment *(Note 16)*	7,467	2,004
Amortisation of forest concession rights *(Note 19)*	3,024	—
Release of lease payments for land under operating lease *(Note 17)*	711	81
Cost of inventories and timber harvested	18,696	19,391
Royalties paid	349	443
Staff cost (excluding directors' remuneration):		
— Salaries and allowances	17,970	4,650
— Share options granted to employees	—	855
— Pension fund contributions	598	173

Note: Salaries and allowances of HK$2,139,000 (2008: HK$633,000) have been included in the cost of sales on the face of the consolidated income statement. Also depreciation charge of HK$156,000 (2008: HK$Nil) has been included in cost of sales on the face of the consolidated income statement.

Cost of inventories and timber harvested also included a write-down of inventories of HK$1,956,000 and a net write off of inventories of HK$2,604,000.

8. TAXATION

The taxation charge/(credit) comprises:

	2009 *HK$'000*	2008 *HK$'000*
Hong Kong profits tax		
— current year	—	—
— prior year	—	(404)
PRC enterprise income tax	185	58
Taxation charge/(credit)	185	(346)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

8. TAXATION *(Continued)*

The taxation charge/(credit) for the year can be reconciled to the accounting (loss)/profit as follows:

	2009 *HK$'000*	2008 *HK$'000*
(Loss)/profit before taxation	(71,257)	19,445
Taxation calculated at 16.5% (2008: 17.5%)	(11,757)	3,403
Under/(over) provision in prior years	185	(404)
Net effect of non-deductible/taxable items	3,270	(8,228)
Net effect of tax losses and temporary differences not recognised	19,242	11,196
Effect of tax concessionary treatment	(6,619)	(6,218)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,136)	(95)
Taxation charge/(credit)	185	(346)

The statutory tax rate for Hong Kong profits tax is 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. No Hong Kong profits tax was made as there was no assessable profits derived for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

For the year ended 31 March 2009, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (2008: 25% to 33%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

9. DIRECTORS' REMUNERATION

Details of remuneration of each Director are shown below:

Year ended 31 March 2009

Name of Director	Fees *HK$'000*	Basic salaries, allowances and other benefits *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Share-based payment *HK$'000*	Total *HK$'000*
Executive directors					
Fung Tsun Pong	–	3,600	12	–	3,612
Lau Sing Hung, Stephen	–	3,403	12	–	3,415
Tsang Kam Ching, David	–	4,300	12	–	4,312
Chow Ki Shui, Louie	–	1,800	12	–	1,812
Independent non-executive directors					
Yip Tak On	120	–	–	–	120
Jing Baoli	120	–	–	–	120
Bao Liang Ming	120	–	–	–	120
	360	13,103	48	–	13,511

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

9. DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 March 2008

Name of Director	Fees	Basic salaries, allowances and other benefits	Retirement benefit scheme contributions	Share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Fung Tsun Pong	—	3,850	12	—	3,862
Lau Sing Hung, Stephen *(i)*	—	3,000	10	—	3,010
Tsang Kam Ching, David	—	2,515	12	—	2,527
Chow Ki Shui, Louie *(i)*	—	1,500	10	—	1,510
Independent non-executive directors					
Yip Tak On	120	—	—	—	120
Jing Baoli	113	—	—	—	113
Bao Liang Ming	120	—	—	—	120
	353	10,865	44	—	11,262

(i) *appointed on 1 June 2007*

During the years ended 31 March 2009 and 2008, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included four (2008: four) directors, details of whose emoluments are set out in Note 9. The emolument paid or payable to the remaining one (2008: one) non-director highest paid individual is as follows:

	2009 *HK$'000*	2008 *HK$'000*
Salaries and other benefits	535	275
Retirement benefit scheme contributions	—	—
	535	275

The emoluments of the employees are within the following band:

	Number of employees	
	2009	2008
Nil – HK$1,000,000	1	1

11. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders of the Company for the year ended 31 March 2009 includes a loss of approximately HK$38,899,000 (2008:HK$24,880,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 March 2009.

Pursuant to a resolution passed at the Directors' meeting on 29 July 2008, a final dividend of equivalent to HK$0.001 per share totaling HK$10,137,000 for the year ended 31 March 2008 was proposed for shareholders' approval at the Annual General Meeting. The dividend has not been provided for in the consolidated financial statements for the year ended 31 March 2008 and was paid during the year ended 31 March 2009.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$67,436,000 (2008: profit of HK$21,211,000) and on the weighted average number of 10,137,064,686 (2008: 8,880,228,551) ordinary shares in issue during the year.

The calculation of the diluted (loss)/earnings per share is based on the (loss)/profit attributable to equity holders of the Company and on the weighted average number of ordinary shares outstanding during the year, being the weighted average number of ordinary shares used in basic (loss)/earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The diluted loss per share for the year ended 31 March 2009 was not presented as the potential ordinary shares had anti-dilutive effect on basic loss per share.

14. SEGMENT INFORMATION

(a) Business Segments

For the year ended 31 March 2009, the Group was engaged in the following two business segments:

(i) Timber logging and trading – sale of timber logs from forest concession, tree plantation area and outside suppliers. This business segment also existed in the year ended 31 March 2008; and

(ii) Other timber operation – the manufacture and sale of furniture and handicrafts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

14. SEGMENT INFORMATION *(Continued)*

(a) Business Segments *(Continued)*

Segment information by business is presented as follows:

For the year ended 31 March 2009

	Timber logging and trading HK$'000	Other timber operation HK$'000	Unallocated HK$'000	Total HK$'000
REVENUE				
External revenue	12,975	4,146	720	17,841
Segment results	(9,165)	(3,123)		(12,288)
Unallocated interest income				781
Unallocated other income and other gains and losses				656
Loss on change in fair value of investment property				(5,236)
Unallocated expenses				(55,170)
Loss before taxation				(71,257)
Taxation				(185)
Loss for the year				(71,442)
OTHER INFORMATION				
Segment assets	964,657	4,442		969,099
Unallocated				143,813
Total assets				1,112,912
Segment liabilities	34,001	43		34,044
Unallocated				4,477
Total liabilities				38,521
Capital expenditure	20,506	9,507		30,013
Unallocated				9,474
Total capital expenditure				39,487
Depreciation and amortisation	6,139	1,222		7,361
Unallocated				3,130
Total depreciation and amortisation				10,491

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

14. SEGMENT INFORMATION *(Continued)*

(a) Business Segments *(Continued)*

For the year ended 31 March 2008

	Timber logging and trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
REVENUE			
External revenue	32,021	1,361	33,382
Segment results	23,628		23,628
Unallocated interest income			6,474
Unallocated expenses			(30,672)
Gain on change in fair value of investment property			18,094
Unallocated other income and gains			1,921
Profit before taxation			19,445
Taxation credit			346
Profit for the year			19,791
OTHER INFORMATION			
Segment assets	738,649		738,649
Unallocated			454,432
Total assets			1,193,081
Segment liabilities	20,639		20,639
Unallocated			22,717
Total liabilities			43,356
Capital expenditure	14,458		14,458
Unallocated			32,229
Total capital expenditure			46,687
Depreciation and amortisation	1,000		1,000
Unallocated			1,004
Total depreciation and amortisation			2,004

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

14. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue, certain assets and expenditure for the Group's geographical segments for the two years ended 31 March 2009 and 2008:

	Hong Kong & PRC & Australia		Guyana		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE						
Turnover	**10,079**	33,282	**7,762**	—	**17,841**	33,382
OTHER INFORMATION						
Segment assets	**549,298**	637,227	**563,614**	555,854	**1,112,912**	1,193,081
Segment liabilities	**26,622**	30,960	**11,899**	12,396	**38,521**	43,356
Capital expenditure	**20,257**	40,285	**19,230**	6,402	**39,487**	46,687
Depreciation and amortisation	**4,884**	1,994	**5,607**	10	**10,491**	2,004

15. INVESTMENT PROPERTY

	2009	2008
	HK$'000	*HK$'000*
Valuation:		
At 1 April	**50,000**	29,640
Disposal	**—**	(1,317)
Fair value (loss)/gain	**(5,236)**	18,094
Exchange difference	**(7,764)**	3,583
At 31 March	**37,000**	50,000

The investment property is held in freehold land outside Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

15. INVESTMENT PROPERTY *(Continued)*

The Group's investment property was revalued at 31 March 2009 by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited. Due to the lack of an established market upon which to base on comparable transactions as actual sales of comparable transactions on actual sales of comparable properties, the investment property has been valued on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimatisation". The loss from the change in fair value estimated by the valuer on 31 March 2009 amounted to HK$5,236,000 has been charged to the consolidated income statement for the year ended 31 March 2009 (2008: gain of HK$18,094,000).

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, machinery and equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost or valuation:						
At 1 April 2007	4,560	–	5,925	881	–	11,366
Additions	–	421	9,481	5,027	31,758	46,687
Disposal/write off	–	–	(1,377)	–	–	(1,377)
Exchange difference	–	24	160	366	1,773	2,323
Surplus on revaluation	8,440	–	–	–	–	8,440
At 31 March 2008	13,000	445	14,189	6,274	33,531	67,439
Additions	–	1,126	31,818	491	6,052	39,487
Disposal/write off	–	(13)	(251)	–	–	(264)
Exchange difference	–	10	69	110	726	915
At 31 March 2009	**13,000**	**1,568**	**45,825**	**6,875**	**40,309**	**107,577**
Analysis of cost or valuation						
2008						
At cost	–	445	14,189	6,274	33,531	54,439
At valuation	13,000	–	–	–	–	13,000
	13,000	445	14,189	6,274	33,531	67,439
2009						
At cost	**–**	**1,568**	**45,825**	**6,875**	**40,309**	**94,577**
At valuation	**13,000**	**–**	**–**	**–**	**–**	**13,000**
	13,000	**1,568**	**45,825**	**6,875**	**40,309**	**107,577**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, machinery and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment:						
At 1 April 2007	–	–	2,182	743	–	2,925
Charge for the year	–	23	1,424	557	–	2,004
Disposal/write off	–	–	(800)	–	–	(800)
Exchange difference	–	1	93	124	–	218
At 31 March 2008	–	24	2,899	1,424	–	4,347
Charge for the year	–	191	6,130	1,146	–	7,467
Disposal/write off	–	(2)	(17)	–	–	(19)
Exchange difference	–	1	(4)	11	–	8
At 31 March 2009	**–**	**214**	**9,008**	**2,581**	**–**	**11,803**
Net carrying amount:						
At 31 March 2009	**13,000**	**1,354**	**36,817**	**4,294**	**40,309**	**95,774**
At 31 March 2008	13,000	421	11,290	4,850	33,531	63,092

The property held by the Group was revalued at 31 March 2009 at its open market value by reference to net rental income allowing for reversionary income potential. The valuation was carried out by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited. The revaluation surplus of HK$Nil (2008: HK$7,316,000) net of applicable deferred tax has been transferred to assets revaluation reserve.

Had this building been carried at cost less accumulated depreciation, its carrying amount would have been HK$3,183,620 (2008: HK$3,252,829).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Furniture, machinery and equipment *HK'000*	Motor Vehicles *HK'000*	Total *HK'000*
Cost:			
At 1 April 2007	1,071	150	1,221
Additions	175	—	175
Disposal/write off	(1,063)	—	(1,063)
As 31 March 2008	183	150	333
Additions	2	—	2
As 31 March 2009	185	150	335
Accumulated depreciation:			
At 1 April 2007	591	13	604
Charge for the year	240	30	270
Disposal/write off	(803)	—	(803)
As 31 March 2008	28	43	71
Charge for the year	37	30	67
As 31 March 2009	65	73	138
Net book value:			
As 31 March 2009	120	77	197
As 31 March 2008	155	107	262

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent land use rights in the PRC under medium term lease.

	Group	
	2009 ***HK$'000***	2008 *HK$'000*
At 1 April	**26,366**	3,554
Additions:		
— from the People's Government of Da Bu County *(Note 32(a))*	**6,198**	20,091
— others	**1,173**	2,802
Exchange difference	**495**	—
Release to profit or loss	**(711)**	(81)
At 31 March	**33,521**	26,366
Classified as current portion	**(711)**	(81)
Classified as non-current portion	**32,810**	26,285

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

18. BIOLOGICAL ASSETS

	Seedlings	Standing Trees	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2007	—	—	—
Additions at fair value (at cost of approximately HK$5,685,000 *(Note 32)* plus fair value gain at recognition of approximately HK$20,000,000)	1,460	25,685	27,145
Plantation expenditure incurred	2,507	4,737	7,244
Harvested timber transferred to inventories and sold	—	(14,850)	(14,850)
Direct sales	(2,446)	—	(2,446)
Change in fair value less estimated point-of-sale costs	—	5,513	5,513
At 31 March 2008	1,521	21,085	22,606
Additions at fair value (at cost of approximately HK$1,259,000 *(Note 32)* plus fair value gain at recognition of approximately HK$13,000,000)	1,703	14,259	15,962
Plantation expenditure incurred	8,243	2,712	10,955
Reclassification	4,696	(4,696)	—
Direct sales	(329)	—	(329)
Change in fair value less estimated point-of-sale costs	—	22,548	22,548
Exchange differences	135	73	208
At 31 March 2009	**15,969**	**55,981**	**71,950**

The Group's biological assets are located in the People's Republic of China. Standing trees are planted on leasehold land of approximately 94,500 (2008: 72,300) Chinese Mu with 50 years term, expiring in 2057. The Group has entered into a binding agreement with the People's Government of Da Bu County for acquisition of not less than 500,000 Chinese Mu of forest land and its biological assets. Details of the transaction are disclosed in Note 32 to the financial statements.

During the year ended 31 March 2009, the Group did not harvest or sell any round logs. During 2008, approximately 42,084 Chinese Mu of timber was harvested or sold which had a fair value less estimated point-of-sale costs of HK$14,850,000 at the date of harvest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

18. BIOLOGICAL ASSETS *(Continued)*

The Group's standing trees were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer") using market value method. The method uses the current per unit cubic meter market price of round logs and the total merchantable volume of timber in the forest at 31 March 2009 as the basis for estimating the fair value less estimated point-of-sale costs of the Group's standing trees. The principal assumptions adopted are as follows:

— the Group is to produce round logs and

— the factors of natural defects in the wood such as physical defects, rots and directions of grain have been allowed for a recovery rate of 70% for the valuation.

Seedlings are carried at cost as little biological transformation has taken place since initial cost incurrence. The cost of seedlings is therefore not materially different from their fair value as at 31 March 2009 and 2008 as determined by the directors of the Company.

19. FOREST CONCESSION RIGHTS

The Forest Concession Rights in Guyana are stated at cost less accumulated amortisation and any accumulated impairment losses. The costs of forest concession rights include the acreage fees payable to Guyana Forestry Commission, costs of necessary exploration, geological, geophysical and other research studies incurred prior to obtaining the rights.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Valuation:		
At 1 April	**534,479**	269,700
Acquisition of subsidiaries	**—**	264,779
Exchange difference	**(4)**	—
At 31 March	**534,475**	534,479
Accumulated amortisation:		
At 1 April	**668**	668
Amortisation for the year	**3,024**	—
At 31 March	**3,692**	668
Net carrying amount:		
At 31 March	**530,783**	533,811

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

19. FOREST CONCESSION RIGHTS *(Continued)*

The rights purchased in total of HK$533,811,000 as part of business combinations during the years ended 31 March 2007 and 2008, are initially recognised at their fair values on acquisition (Note 31(a) & (b)).

Forest concession rights held by Jaling Forest Industries Inc ("Jaling Concession Rights), a subsidiary of the Company

On 22 August 2003 Jaling was granted a State Forest Exploratory Permit (1/2003) by the Commissioner of Forests, the Guyana Forestry Commission, to carry out exploratory work on an area of 167,000 hectares (approximately 412,000 acres) for a period of 3 years. Pursuant to the Timber Sales Agreement (TSA 02/2005) dated 25 January 2005, Jaling was granted with an exclusive timber concession right by the Commissioner of Forests, the Guyana Forestry Commission for a period of 25 years, commencing on 25 January 2005 and until 24 January 2030 (both dates inclusive) to occupy, cut and remove timber from an area of approximately 136,900 hectares (approximately 338,000 acres) in the State Forest of Guyana, South America, which include a block located on the left bank of Whana River, Guyana — Venezuela border, right bank of Whannamaparu River and left bank of Barama River and another block located on the left bank of Sebai River, right bank of Waiumu River and right bank of India River. Under the Jaling Concession Rights, Jaling shall pay a total acreage fee of approximately HK$9,000,000 charged on all forestry area as prescribed by the Forest Act and Regulations of Guyana. In addition, based on a letter dated 23 November 2004 issued by the Commissioner of Forests, the Guyana Forestry Commission has committed in principle to find an additional area in the proximity of the current concession which would compensate more or less to the area that was exercised and bring the total concession acreage as close as possible to the original 167,000 hectares (approximately 412,000 acres) at terms same as the Forest Concession Rights.

Forest concession rights held by Garner Forest Industries Inc. ("Garner Concession Rights"), a subsidiary of the Company

On 18 August 2004, Garner was granted a State Forest Exploratory permit (3/2004) by the Commissioner of Forests, the Guyana Forestry Commission, to carry out exploratory work on an area of 90,469 hectares (approximately 223,552 acres) for a period of 3 years. Pursuant to the Timber Sales Agreement (TSA 03/2005) dated 11 June 2005, Garner was granted with an exclusive concession right by the Commissioner of Forests, the Guyana Forestry Commission for a period of 25 years, commencing on 11 June 2005 and until 10 June 2030 (both dates inclusive) to occupy, cut and remove timber from an area of approximately 92,737 hectares (approximately 229,158 acres) in the State Forest of Guyana, South America, which includes a block located on the left bank of Mazaruni River, right bank of Puruni River, left bank of Putareng River of Guyana, South America. Under the Garner Concession Rights, Garner shall pay a total acreage fee of approximately HK$5,375,000 charged on all forestry area as prescribed by the Forest Act and Regulations of Guyana. Garner has completed the necessary exploratory studies and obtained the Garner Concession Rights.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

19. FOREST CONCESSION RIGHTS *(Continued)*

The forest concession rights were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer") using the market value method for the valuation of standing trees. The method uses the current per unit cubic meter market price of round logs and the total merchantable volume of timber in the forest at 31 March 2009 as the basis for estimating the fair value less estimated point-of-sale costs of the standing trees. The principal assumptions adopted are as follows:

— the Group is to produce round logs;

— the annual growth rate has been allowed for reasonable rate for the valuation;

— the total volume of logs for Jaling Concession Rights and Garner Concession Rights were 2.67 million cubic meters and 1.83 million cubic meters respectively as at 31 March 2009;

— the price of logs is homogenous and the average price for all species is applicable;

— the round logs are free from all encumbrances, restrictions and outgoings of an onerous nature which could affect its value; and

— the factors of natural defects in the wood such as physical defects, rots and directions of grain have been allowed for reasonable recovery rate for the valuation.

Amortisation is provided to write off the cost of the forest concession rights using the units of production method based on the proven and probable timber resources.

Amortisation charged for the year ended 31 March 2009 represents the cost of logged timbers harvested from the Jaling Concession Rights. No logging activity has taken place from the Garner Concession Rights. No amortisation was charged for the year ended 31 March 2008 as no logging activities took place for the year.

20. PREPAYMENTS FOR ACQUISITION OF PLANTATION ASSETS AND EQUIPMENT

The prepayments primarily comprise (i) payments to the People's Government of Da Bu County for acquisition of plantation assets appropriate for the Group (further details are set out in Note 32) and (ii) deposits paid for the acquisition of equipment by the Group.

21. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10**	10
Due from subsidiaries	**899,530**	1,037,729
	899,540	1,037,739
Less: Impairment losses	**(27,100)**	(386,863)
	872,440	650,876

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

21. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries as at 31 March 2009 are set out in Note 38 to the financial statements.

Amounts due from subsidiaries are unsecured, non-interest bearing and in substance represent the Company's interest in the subsidiaries in the form of quasi-equity loans. The amounts are not expected to be settled within the next twelve months.

An allowance for amounts due from subsidiaries of HK$27,100,000 (2008: HK$386,863,000) was recognised as at 31 March 2009 because the balances due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amount of the related investment costs and amounts due from them is reduced to their recoverable amounts.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2009	2008
	HK$'000	*HK$'000*
Trading securities		
— Listed equity securities in Hong Kong	**882**	1,786
Market value of listed securities	**882**	1,786

The investments above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

23. INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Raw materials	**105,913**	—	**—**	—
Work in progress	**8,022**	—	**—**	—
Finished goods	**4,334**	—	**—**	—
Timber logs and products	**2,334**	38,715	**—**	12,505
	120,603	38,715	**—**	12,505

At the balance sheet date, raw materials included timber logs and roots with a net realisable value of HK$76,160,190, were purchased for a high-end business operation commenced subsequent to 31 March 2009.

The cost of inventories recognised as an expenses during the year was HK$18,696,000 (2008: HK$19,391,000) which included a write down of HK$1,956,000 (2008: HK$Nil) to state inventories at their net realisable value and a net write off of un-useable inventories of HK$2,604,000 (2008: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Trade receivables	**5,733**	–	**–**	–
Other receivables	**2,812**	7,144	**6**	197
Deposits paid	**1,498**	23,344	**389**	369
Prepayments	**19,262**	45,563	**756**	16,154
	29,305	76,051	**1,151**	16,720

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to over three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at 31 March 2009, three major customers accounted for most of the total trade receivables of the Group. Trade receivables are non-interest-bearing.

Details of the ageing analysis of trade receivables of the Group are as follows:

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Outstanding balances aged:				
0 to 30 days	**537**	–	**–**	–
31 to 60 days	**353**	–	**–**	–
61 to 180 days	**4,843**	–	**–**	–
	5,733	–	**–**	–

At 31 March 2009, all of the Group's trade receivables were neither past due nor impaired which related to customers for whom there was no recent history of default. Consequently, no allowance for doubtful debts was recognised therefor as at the balance sheet date.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Renminbi	**3,963**	–	**–**	–
United States dollars	**1,770**	–	**–**	–
	5,733	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

25. CASH AND BANK BALANCES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**132,736**	339,838	**42,677**	292,696

Cash and bank balances were denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**53,541**	293,103	**42,666**	292,685
Renminbi ("RMB")	**78,121**	44,203	**—**	—
United States dollars	**553**	1,710	**11**	11
Australian dollars	**189**	672	**—**	—
Guyana dollars	**332**	150	**—**	—
	132,736	339,838	**42,677**	292,696

The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**5,294**	—	**—**	—
Other payables and accruals	**6,073**	23,861	**1,417**	11,309
	11,367	23,861	**1,417**	11,309

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

26. TRADE AND OTHER PAYABLES *(Continued)*

Details of the ageing analysis of trade payables of the Group are as follows:

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Outstanding balances aged:				
0 to 30 days	**3,640**	–	**–**	–
31 to 60 days	**261**	–	**–**	–
61 to 90 days	**1,393**	–	**–**	–
	5,294	–	**–**	–

Trade and other payable were denominated in the following currencies:

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong dollars	**1,392**	2,100	**1,417**	–
Renminbi	**9,273**	21,085	**–**	11,309
United States dollars	**551**	651	**–**	–
Australian dollars	**151**	24	**–**	–
Guyana dollars	**–**	1	**–**	–
	11,367	23,861	**1,417**	11,309

27. SHORT TERM BORROWINGS

The amounts are unsecured, interest bearing ranging from 7.2% to 8.4% (2008: 9.6%) per annum, and are repayable within one year.

28. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and repayable within the next twelve months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

29. DEFERRED TAX LIABILITIES

The movement in deferred tax assets and liabilities during the year was as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 April	**1,574**	450
Deferred taxation charged directly to reserves	**–**	1,124
At 31 March	**1,574**	1,574

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$86,102,000 (2008: HK$66,010,000) to be carried forward for offset against future taxable income. The tax losses may be carried forward indefinitely.

At the balance sheet date, temporary differences associated with the revaluation on overseas properties of HK$30,364,000 (2008: HK$35,600,000) for which deferred tax liabilities have not been recognised.

30. SHARE CAPITAL

		2009		2008	
	Note	**Number of shares *'000***	**Amount *HK$'000***	Number of shares *'000*	Amount *HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each					
At 1 April		**20,000,000**	**200,000**	10,000,000	100,000
Increase during the year	*(a)*	**–**	**–**	10,000,000	100,000
At 31 March		**20,000,000**	**200,000**	20,000,000	200,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At 1 April		**10,137,065**	**101,370**	7,126,137	71,261
Issue of new shares for business combinations	*(b)*	**–**	**–**	732,641	7,326
Exercise of share options	*(c)*	**–**	**–**	128,287	1,283
Issue of new shares on share placing	*(d)*	**–**	**–**	2,150,000	21,500
At 31 March		**10,137,065**	**101,370**	10,137,065	101,370

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

30. SHARE CAPITAL *(Continued)*

Note:

(a) Authorised share capital

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 August 2007, the authorised ordinary share capital of the Company was increased from HK$100,000,000 dividend into 10,000,000,000 shares of a par value of HK$0.01 each to HK$200,000,000 shares of a par value of HK$0.01 each by the creation of an additional 10,000,000,000 new shares of a par value of HK$0.01 each.

(b) Business combinations

On 29 June 2007 and 31 December 2007, 93,545,369 and 125,260,960 new ordinary shares of HK$0.01 each were issued at HK$0.29 and HK$0.2395 per share respectively as settlement of the consideration for the acquisition of 51% equity interest in Jaling Forest Industries Inc. Details of which were disclosed in the circular of the Company dated 1 September 2006.

On 24 October 2007, 513,833,992 new ordinary shares of HK$0.01 each were issued at HK$0.35 per share as settlement of the consideration for the further acquisition of 44% equity interest in Jaling Forest Industries Inc. Details of which were disclosed in the circular of the Company dated 28 September 2007.

(c) Exercise of share options

On 7 May 2007 and 8 October 2007, 128,286,948 share options granted by the Company were exercised to subscribe for 128,286,948 ordinary shares of the Company at an aggregate consideration of HK$10,006,000, of which HK$1,283,000 was credited to share capital and the remaining balance of HK$8,723,000 was credited to the share premium account. An amount of approximately HK$4,014,000 has been transferred from the share option reserve to the share premium account.

(d) Placement of shares

On 27 June 2007 the Company placed, through a placing agent, CITIC Securities Corporate Finance (HK) Limited, 1,250,000,000 ordinary shares of HK$0.01 each of the Company at the placing price HK$0.29 under a placing agreement dated 13 June 2007.

On 14 November 2007, the Company, Ocean Gain Limited, the entire issue share capital of which is directly wholly owned by Mr. Fung Tsun Pong, the Chairman and executive director of the Company, and Mr. Fung Tsun Pong entered into a placing agreement with an independent placing agent for the placement of 900,000,000 ordinary shares of the Company owned by Ocean Gain Limited and Mr. Fung Tsun Pong at a price of HK$0.3575 per share. Pursuant to a subscription agreement of the same date, Ocean Gain Limited and Mr. Fung Tsun Pong subscribed for 900,000,000 new ordinary shares of the Company at a price of HK$0.3575 per share.

The placements of shares raised total consideration of HK$666,200,000 (net of issuing expenses) to provide general working capital for the Group and strengthen the financial position of the Company.

All these new ordinary shares rank pari passu in all respects with the existing shares of the Company.

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For the year ended 31 March 2009

31. BUSINESS COMBINATIONS

(a) Acquisition of Jaling Forest Industries Inc. ("Jaling")

During the year ended 31 March 2007, the Group acquired 51% of the issued share capital of Jaling ("2007 Acquisition"). On 24 October 2007, the Group acquired another 44% of the issued share capital of Jaling ("2008 Acquisition"). The 2007 and 2008 Acquisitions have been accounted for using the purchase method of accounting.

The fair value of the identifiable assets and liabilities for the 2008 Acquisition were as follows:

	Acquiree's carrying amount before combination *HK$'000*	Fair value adjustments *HK$'000*	Fair value on acquisition *HK$'000*
Net assets acquired:			
Property, plant and equipment	1,397	—	1,397
Forest concession rights *(Note 19)*	8,332	410,108	418,440
Trade and other receivables	1,269	—	1,269
Cash and bank balances	1,778	—	1,778
Trade and other payables	(18,023)	—	(18,023)
Inventories	3,470	—	3,470
Minority interest	(116)	—	(116)
	(1,893)	410,108	408,215
Less: Net asset value attributable to 51% of acquisition already owned by the Group in 2007 Acquisition			(208,189)
Net asset value attributable to 5% by minority interest			(19,805)
Net asset value attributable to 44% of equity interest acquired by the Group in 2008 Acquisition			180,221
Excess of the Group's share of net fair value of the interest in subsidiary acquired over the cost of the acquisition			(379)
Consideration satisfied by the issue of shares			179,842

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

31. BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of Jaling Forest Industries Inc. ("Jaling") *(Continued)*

The fair value of the 513,833,992 new ordinary shares of the Company issued as the consideration was determined, with reference to the market share price of HK$0.35 of the Company's shares at the acquisition date, at the total fair value of HK$179,842,000 of which HK$5,138,000 was credited to share capital and the remaining balance of HK$174,704,000 was credited to the share premium account (Note 30).

(b) Acquisition of Garner Forest Industries Inc. ("Garner")

On 24 October 2007, the Group acquired 100% of the issued share capital of Garner. The acquisition was accounted for using the purchase method of accounting. The consideration comprised cash of HK$110,000,000.

The net assets acquired in the transaction were as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value on acquisition** *HK$'000*
Forest concession rights *(Note 19)*	6,097	109,274	115,371
Trade and other payables	(5,371)	—	(5,371)
Total consideration	726	109,274	110,000
Consideration satisfied by cash			110,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

32. ACQUISITION OF PLANTATION ASSETS

(a) On 15 October 2007, 樹人木業（大埔）有限公司, a wholly owned subsidiary of the Company, entered into a legally binding agreement with the People's Government of Da Bu County ("Binding Agreement"), an independent third party of the Company, engaging it to arrange and procure the acquisition of the leasehold interest in not less than 500,000 Chinese Mu of forest land and its biological assets. The total consideration was expected to be not more than RMB150 million (equivalent to approximately HK$170,327,000). The terms shall be prescribed in the formally signed sale and purchase agreement to be entered into with leaseholders by the Company. Under the Binding Agreement, the Company was also required to pay a one-off arrangement fee of RMB2,500,000 (equivalent to approximately HK$2,779,000) to the People's Government of Da Bu County. The Group's commitment for this acquisition of plantation assets is disclosed in note 35.

As at 31 March 2008, the Group paid RMB60 million (equivalent to HK$65.8 million) to the People's Government of Da Bu County. During the year, the Group made an additional payment of RMB10 million (equivalent to HK$13.7 million). In aggregate, the Group paid RMB70 million (equivalent to HK$79.5 million) as at 31 March 2009. According to the Binding Agreement, these payments should represent the cost of acquisition of forest land together with biological assets for an area of approximately 233,000 Chinese Mu and 200,000 Chinese Mu at 31 March 2009 and 31 March 2008 respectively.

However, as at 31 March 2009, the Group was only granted forestry ownership for an area of approximately 94,500 (2008: 72,300) Chinese Mu. The corresponding cost recognised as acquisition of land use rights and biological assets was HK$33.8 million (2008: HK$25.8 million). The remaining balance was included in prepayments under non-current assets. The People's Government of Da Bu County is actively continuing to select suitable forest land for the Group and management assessed that the prepayments made as at 31 March 2009 is fully recoverable.

The cost for acquisition of land use rights and biological assets detailed above is summarised as follows:

	As at 31 March	
	2009	2008
	HK$'000	*HK$'000*
Acquisition of land use rights *(note i)*	**26,723**	20,091
Acquisition of biological assets *(note ii)*	**7,068**	5,685
	33,791	25,776
Cash paid	**79,486**	65,816
Prepayments	**45,695**	40,040

Notes:

The above movements can be reconciled with additions to prepaid lease payments and biological assets for the year ended 31 March 2009 as follows:

(i) The additions to prepaid lease payments of HK$6,198,000 in Note 17 are made up of cost of acquisition of HK$6,632,000 less an exchange difference of HK$434,000.

(ii) The cost of additions to biological assets of HK$1,259,000 in Note 18 are made up of cost of acquisition of HK$1,383,000 less an exchange difference of HK$124,000.

(b) On 30 August 2007, 樹人苗木組培（大埔）有限公司, a wholly owned subsidiary of the Company, acquired the facilities and seedlings of the plantation centre of Da Bu County at a total consideration of RMB2,100,000 (equivalent to approximately HK$2,334,000). The cost of seedlings was approximately HK$1,460,000 and recorded as biological assets (Note 18).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

33. SHARE OPTIONS

The Share Option Scheme adopted on 16 July 2004 shall remain in force for 10 years from the adoption date unless otherwise terminated or amended.

The exercise price of the options shall be determined by the Directors of the Company, but may at least the highest of (i) the Stock Exchange closing price of the Company's share on the date of the grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (iii) the nominal value of an ordinary share. The maximum number of shares in respect of which options may be granted under the New Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

During the year ended 31 March 2009, 6,000,000 share options granted in prior year were lapsed.

The following table shows the movement of the Company's share options during the year ended 31 March 2008 and 2009:

Employee

Date of share options granted	Outstanding at the beginning of the period	Number of share options granted	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options outstanding at the end of the period	Exercise price *(HK$)*	Exercise period
2008							
24 October 2007	–	6,000,000	–	–	6,000,000	0.35	24 October 2007 to 24 October 2008
2009							
24 October 2007	6,000,000	–	–	(6,000,000)	–	0.35	24 October 2007 to 24 October 2008

In assessing the theoretical aggregate value of the share options granted and fully accepted during the year ended 31 March 2008, the result of Black-Scholes option pricing model performed by an independent valuer, LCH (Asia-Pacific) Surveyors Limited, was used. In total, approximately HK$855,000 was recognised as share-based payment expenses in that year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

33. SHARE OPTIONS *(Continued)*

Notes

According to the Black-Scholes option pricing model, the fair value of the options was estimated at HK$855,000 as at 24 October 2007 (when the options were granted) with the following variables and assumptions:

— Risk Free Interest Rate:	3.27%, being the approximate yield of the 4-year Exchange Fund Note trade on 6 June 2006
— Expected Volatility:	104.08%, being the annualised standard deviation of the continuously compounded rates of return on the share prices of three other comparable listed Hong Kong companies with similar business operations
— Expected Life of the Options:	1 year from the date of granting
— Share Price at Grant Date:	HK$0.35
— Expected Dividends:	Nil

34. OPERATING LEASE COMMITMENTS

The Group leases its office property, under operating lease arrangements. Lease for property is negotiated for terms for one to eight years.

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows

	2009 *HK$'000*	2008 *HK$'000*
Within one year	2,749	1,458
In the second to fifth years, inclusive	6,563	939
After five years	407	504
	9,719	2,901

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

35. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2009 and 2008 not provided for in the financial statements were as follows:

	2009 *HK$'000*	2008 *HK$'000*
Contracted but not provided for		
— acquisition of plantation assets *(note i)*	90,841	100,031
— acquisition of property, plant and equipment and land use right	10,024	174,795
	100,865	274,826

Notes:

(i) As disclosed in Note 32 to the financial statements, the Group entered into the Binding Agreement for a consideration of not more than approximately HK$170,327,000, of which deposit of approximately HK$79,486,000 had been paid and the remaining balance of approximately HK$90,841,000 had not been provided for.

36. CONTINGENT LIABILITIES

The Group's operations are regulated by various laws and regulations in Guyana. Guyana laws and regulations for the protection of the environment and wild life have generally become more stringent in recent years and could become more stringent in future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at the balance sheet date and up to the date of this report. The directors are also not aware of any violation to existing conditions attached to the Group's timber concession rights, or subject to any significant costs, expenses, penalties and liabilities.

37. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Members of key management during the year comprised only of the directors whose remuneration is set out in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

38. PARTICULARS OF SUBSIDIARIES

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the company*/ subsidiaries %	Proportion of ownership interest: Attributable to the Group %	Principal activity
Allied National Ltd	British Virgin Islands/ Hong Kong	US$1 share	100*	100	Investment holding
Australian Service Cold Storage (N.S.W.) Pty Ltd	Australia	A$2,500,002 shares	100	100	Dormant
Seapower Resources Australia Pty Ltd	Australia	A$700,002 shares	100	100	Investment holding
Seapower Resources Gosford Pty Ltd	Australia	A$4,200,002 shares	100	100	Cold storage warehousing
Triumph Kind Investment Limited	Hong Kong	HK$1 share	100*	100	Investment in property
Wide Forest Limited	Hong Kong	HK$1 share	100*	100	Investment holding
Seapower Resources Investment Pty Ltd	Australia	A$2,000,002 shares	100	100	Investment holding
Seapower Investment (China) Limited	Hong Kong	HK$10,000 shares	100*	100	Investment holding
Jaling Forest Industries Inc.	Guyana	G$500,000 shares	95	95	Timber logging
Garner Forest Industries Inc.	Guyana	G$100,000 shares	100	100	Timber logging
W&J Forest Resources Development Limited	Hong Kong	HK$10,000 shares	95	90.25	Dormant

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest Held by the company*/ subsidiaries %	Proportion of ownership interest Attributable to the Group %	Principal activity
Glory Success Trading Limited	Hong Kong	HK$10 shares	100*	100	Timber log trading and manufacturing of furniture
Vastrich Corporation Limited	Hong Kong	HK$1 share	100*	100	Investment holding
Triumph Max Investment Limited	Hong Kong	HK$100 share	100*	100	Investment holding
Smart Fancy (China) Limited	Hong Kong	HK$1 share	100*	100	Investment holding
China Timber Maritime Limited	British Virgin Islands	HK$20,000,000	65	65	Construction of barges
樹人木業(深圳)有限公司	People's Republic of China	RMB39,381,524	100	100	Timber log trading, manufacturing and sale of furniture and handicrafts
廣州樹人裝修設計有限公司 (Formerly known as 廣州樹人木業有限公司)	People's Republic of China	RMB1,000,000	100	100	Dormant
樹人木業(大埔)有限公司	People's Republic of China	RMB102,175,000	100	100	Forest operation, timber logging and tree plantation
樹人苗木組培(大埔)有限公司	People's Republic of China	RMB4,721,500	100	100	Plantation and trading of seedlings
東莞樹人木業有限公司	People's Republic of China	RMB153,673,000	100	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the company*/ subsidiaries %	Proportion of ownership interest: Attributable to the Group %	Principal activity
Unisea Wood Development Inc.	Guyana	G$10,000	100	100	Dormant
中國國際資源控股集團有限公司 (Formerly known as Afforce Limited)	Hong Kong	HK$1 share	100*	100	Investment holding
興寧樹人木業有限公司	People's Republic of China	RMB30,000,000	100	100	Tree plantation
Bondwell International Group Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Best Idea International Investment Limited	British Virgin Islands	US$1 share	100*	100	Investment holding

39. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are currency risk, credit risk, liquidity risk, interest rate risk and nature risk. There risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(i) Currency risk

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(ii) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

39. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT *(Continued)*

(ii) Credit risk *(Continued)*

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial position of trade receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a significant concentration of credit risk as 93% (2008: Nil%) of the total trade receivables was due from the Group's three largest customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 24.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty,

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the available of funding through an adequate amount of committed credit facilities and the ability to close our market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Cash flow and fair value interest risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(v) Nature risk

The Group's revenue depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood in the concessions and the growth of the trees in the plantations may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and a timely manner.

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber from the timber concessions to the Group's manufacturing plants and customers. The Group has developed a strategy for utilising different transportation modes and stockpiling, but its daily operations may be unfavourably affected by interruption of transportation due to bad weather or other reasons.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

40. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratios at 31 March 2009 and 2008 were as follows:

	2009 ***HK$***	2008 *HK$*
Total liabilities	**38,521**	43,356
Total assets	**1,112,912**	1,193,081
Gearing ratio	**3.5%**	3.6%

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2009 and 2008 may be categorised as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Financial assets		
Fair value through profit or loss – held for trading	**882**	1,786
Loans and receivables (including cash and bank balances)	**142,779**	385,778
Financial liabilities		
Financial liabilities measured at amortised cost	**36,947**	41,698

42. SIGNIFICANT NON-ADJUSTING POST BALANCE SHEET EVENT

On 9 May 2009, the Group entered into an agreement to acquire entire equity interest of Yichang Xinshougang Property Development Company Limited, a company incorporated in the PRC with limited liability, for a total consideration of HK$986 million. Further details are disclosed in the announcement of the Company dated 21 May 2009.

43. COMPARATIVE FIGURES

Trade and other payables of HK$6,617,000 included in current liabilities at 31 March 2008 was reclassified to acreage fees payable included in non-current liabilities to conform with the current year presentation.

SUMMARY OF FINANCIAL INFORMATION

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group, were set out below:

	Year ended 31 March				
	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	**2009** ***HK$'000***
RESULTS					
Turnover	9,521	4,129	10,380	33,382	**17,841**
(Loss)/profit from operations	(7,521)	(13,171)	(13,975)	19,445	**(70,458)**
Finance costs	(476)	(406)	(426)	—	**(799)**
(Loss)/profit before taxation	(7,997)	(13,577)	(14,401)	19,445	**(71,257)**
Taxation (charge)/credit	185	—	(434)	346	**(185)**
(Loss)/profit for the year	(7,812)	(13,577)	(14,835)	19,791	**(71,442)**
Attributable to:					
Equity holders of the Company	(7,812)	(13,577)	(14,245)	21,211	**(67,436)**
Minority interests	—	—	(590)	(1,420)	**(4,006)**
	(7,812)	(13,577)	(14,835)	19,791	**(71,442)**
ASSETS AND LIABILITIES					
Total assets	28,722	67,550	330,438	1,193,081	**1,112,912**
Total liabilities	(8,655)	(7,133)	(105,215)	(43,356)	**(38,521)**
Minority interests	—	—	(128,926)	(26,839)	**(22,971)**
Shareholders' funds	20,067	60,417	96,297	1,122,886	**1,051,420**

PARTICULARS OF THE GROUP'S MAJOR PROPERTIES

1. PROPERTIES HELD FOR THE GROUP'S OWN USE

Leasehold buildings and prepaid lease payments

Location	Lease expiry	Approximate gross floor area *(sq. m)*	Attributable interest to the Group %
Level 7, Xinruike Building, Futian Trade Zone, Futian District, Shenzhen, The PRC	2,051	2,736.75	100

2. PROPERTY HELD FOR RENTAL PURPOSE

Cold storage warehouse – investment property

Location	Lease expiry	Approximate gross floor area *(sq. m)*	Attributable interest to the Group %
Central Coast Cold Storage Lots 120 Racecourse Road West Gosford, New South Wales, Australia	Freehold	10,520	100