



奇峰國際
Superb Summit International

**SUPERB SUMMIT INTERNATIONAL
TIMBER COMPANY LIMITED**
奇峰國際木業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 01228)

2010

INTERIM REPORT

CONTENTS

	pages
Corporate Information	02
Condensed Consolidated Income Statement	03
Condensed Consolidated Statement of Comprehensive Income	05
Condensed Consolidated Statement of Financial Position	06
Condensed Consolidated Statement of Changes in Equity	07
Condensed Consolidated Cash Flows Statement	08
Notes to the Condensed Consolidated Financial Statements	09
Management Discussion and Analysis	23
Disclosure of Additional Information	26

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

LEE Chi Kong (*Chairman*)
JING Bin (*Chief Executive Officer*)
CHENG Man For

Independent Non-executive Directors

CHEUNG Wai Tak
LI Xiangjun
ZHU Guang Qian

MEMBERS OF AUDIT COMMITTEE

CHEUNG Wai Tak
LI Xiangjun
ZHU Guang Qian

MEMBERS OF REMUNERATION COMMITTEE

CHEUNG Wai Tak
LI Xiangjun
ZHU Guang Qian

MEMBERS OF NOMINATION COMMITTEE

CHEUNG Wai Tak
LI Xiangjun
ZHU Guang Qian

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 3307-08, 33rd Floor
West Tower, Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

COMPANY SECRETARY

CHENG Man For

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial Bank Co. Ltd.
Bank of Beijing

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITORS

Lo and Kwong C.P.A. Company Limited

Solicitor

Cheung, Tong & Rosa Solicitors & Notaries

WEBSITE

www.ssitimber.com.hk

STOCK CODE

01228

The Board of Directors (the “Board” or “Directors”) of Superb Summit International Timber Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2009. The unaudited condensed consolidated interim results have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
Continuing operations			
Turnover	3	12,936	1,662
Cost of sales		(8,463)	(6,480)
Gross profit (loss)		4,473	(4,818)
Other income	5	4,212	93,159
Other gains and losses		—	330,793
Selling and distribution expenses		(1,831)	(4,072)
Administrative expenses		(23,559)	(20,816)
Other operating expenses		(550)	(48,382)
(Loss) profit from operations	6	(17,255)	345,864
Finance costs	7	(757)	(13,496)
(Loss) profit before tax		(18,012)	332,368
Income tax expenses	8	(13)	—
(Loss) profit for the period from continuing operations		(18,025)	332,368
Discontinued operations			
Loss for the period from discontinued operations	9	(7,091)	(8,672)
(Loss) profit for the period		(25,116)	323,696

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
Notes			
Attributable to:			
Owners of the Company			
—	Continuing operations	(18,025)	222,896
—	Discontinued operations	(7,091)	(8,672)
Non-controlling interests			
—	Continuing operations	—	109,472
—	Discontinued operations	—	—
		(25,116)	323,696
Dividend	10	—	—
(Loss) earnings per share from continuing operations attributable to owners of the Company for the period			
	11		
Basic:			
Current period/prior period as retrospectively restated		(HK0.61 cents)	HK9.11 cents
Diluted:		N/A	N/A
(Loss) earnings per share from continuing and discontinued operations attributable to owners of the Company for the period			
	11		
Basic:			
Current period/prior period as retrospectively restated		(HK0.85 cents)	HK8.76 cents
Diluted:		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
(Loss) profit for the period	(25,116)	323,696
Exchange differences arising on translating foreign operations	32,143	6,739
Total comprehensive income for the period	7,027	330,435
Total comprehensive income attributable to:		
Owners of the Company	7,027	215,031
Non-controlling interests	—	115,404
	7,027	330,435

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Owner-occupied leasehold interest in land		24,847	24,939
Property, plant and equipment	12	1,969	2,542
Biological assets	13	3,676,607	3,653,629
Total non-current assets		3,703,423	3,681,110
CURRENT ASSETS			
Owner-occupied leasehold interest in land		559	554
Trade receivables	14	962	—
Prepayments, deposits and other receivables		99,123	148,893
Cash and cash equivalents		78,699	73,583
		179,343	223,030
Assets of disposal group classified as held for sale		—	202,740
Total current assets		179,343	425,770
TOTAL ASSETS		3,882,766	4,106,880
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	15	209	207
Tax payables		2,546	2,573
Other payables and accruals		84,886	202,019
Convertible notes		910	153
		88,551	204,952
Liabilities of disposal group classified as held for sale		—	114,740
Total current liabilities		88,551	319,692
TOTAL LIABILITIES		88,551	319,692
TOTAL NET ASSETS		3,794,215	3,787,188
CAPITAL AND RESERVES			
Share capital	16	361,290	289,290
Reserves		3,432,925	3,497,898
TOTAL EQUITY		3,794,215	3,787,188

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to the owners of the Company											
	Share capital HK\$'000 (Note 16)	Share premium HK\$'000 (Note a)	Property revaluation reserve HK\$'000	Foreign exchange reserve HK\$'000	Share options reserve HK\$'000	Conversion		Statutory reserve fund HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
						Share equity reserve HK\$'000	notes equity reserve HK\$'000					
						General reserve HK\$'000	Reserve HK\$'000					
At 1 January 2010 (Audited)	289,290	1,327,691	1,354	269,236	190,462	334,151	-	5,088	1,369,916	3,787,188	-	3,787,188
Loss for the period	-	-	-	-	-	-	-	-	(25,116)	(25,116)	-	(25,116)
Exchange differences arising on translating foreign operations	-	-	-	32,143	-	-	-	-	-	32,143	-	32,143
Total comprehensive income for the period	-	-	-	32,143	-	-	-	-	(25,116)	7,027	-	7,027
Disposal of a subsidiary	-	(9)	(1,354)	(83,579)	-	-	-	-	(5,088)	90,030	-	-
Cancellation of share options	-	-	-	-	(3,764)	-	-	-	-	3,764	-	-
Arising upon conversion of convertible notes into new shares	72,000	84,465	-	-	-	(156,465)	-	-	-	-	-	-
At 30 June 2010 (Unaudited)	361,290	1,412,147*	-	217,800*	186,698*	177,686*	-	-	1,438,594*	3,794,215	-	3,794,215
At 1 January 2009 (Audited)	234,523	1,131,894	1,354	259,043	134,032	11,018	904	4,917	758,896	2,536,581	796,974	3,333,555
Profit for the period	-	-	-	-	-	-	-	-	214,224	214,224	109,472	323,696
Exchange differences arising on translating foreign operations	-	-	-	807	-	-	-	-	-	807	5,932	6,739
Total comprehensive income for the period	-	-	-	807	-	-	-	-	214,224	215,031	115,404	330,435
Cancellation of share options	-	-	-	-	(14,897)	-	-	-	-	14,897	-	-
Employee share option benefits	-	-	-	-	23,616	-	-	-	-	-	23,616	23,616
Arising upon conversion of convertible notes into new shares	6,667	53,333	-	-	-	(6,010)	-	-	-	53,990	-	53,990
Issue of placing shares	35,100	128,363	-	-	-	-	-	-	-	163,463	-	163,463
Transfer of retained profits	-	-	-	-	-	-	-	126	(126)	-	-	-
At 30 June 2009 (Unaudited)	276,290	1,313,590*	1,354*	259,850*	142,751*	5,008*	904*	5,043*	987,891*	2,992,681	912,378	3,905,059

* These reserve accounts comprise the consolidated reserves of HK\$3,432,925,000 (30 June 2009: HK\$2,716,391,000) in the condensed consolidated statement of financial position.

Notes:

- (a) The share premium of the Group includes the premium arising from the new issue of shares of the Company.
- (b) The subsidiaries are required to transfer 10% of their profit after tax calculated in accordance with the PRC accounting regulations to the statutory reserve fund until such reserve reaches 50% of the registered capital of the respective subsidiaries, upon which any further appropriation will be at the recommendation of the directors of the subsidiaries. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
Net cash (used in)/generated from operating activities	(36,143)	21,705
Net cash used in investment activities	(10,088)	(5,298)
Net cash (used in)/generated from financing activities	(757)	151,204
Net (decrease)/increase in cash and cash equivalents	(46,988)	167,611
Cash and cash equivalents at beginning of period	122,951	54,582
Effect of foreign exchange rate changes, net	2,736	(183)
Cash and cash equivalents at end of period	78,699	222,010



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial statements have been prepared under the historical cost basis except for leasehold land and buildings, biological assets and certain financial instruments, which are measured at revalued amount or fair values.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2009.

The principal accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 are consistent with those in preparing the Group’s annual financial statements for the year ended 31 December 2009 (the “2009 Financial Statements”), except for the impact of the adoption of the new standards, amendments and interpretations of Hong Kong Financial Reporting Standards (“New HKFRSs”) which are relevant to the Group’s operation and are become effective in this period as detail in note 2 of the 2009 Financial Statements. The adoption of such New HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated interim financial statements.

3. TURNOVER

Turnover represents the invoiced value of goods sold and services provided to customers, net of returns, discounts and sales related taxes.

4. SEGMENT INFORMATION

Management has determined the operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group’s chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance.

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

The principal activities of the Group for continuing and discontinued operations are (i) integrated timber business and (ii) the manufacture and sales of electronic products, which are managed according to the geographical location of ultimate customers.

Each of the Group’s geographical segments, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments.

4. SEGMENT INFORMATION *(Continued)*

The Group's geographical segments are as follows:

- (a) People's Republic of China;
- (b) Hong Kong;
- (c) India;
- (d) Elsewhere in Asia; and
- (e) Africa, Western Europe, the Middle East, North and South America, and Russia.

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

(a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

For the six months ended 30 June

	Continuing operations Timber business		Discontinued operations Electronic products business	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
Segment revenue:				
Sales to external customers	12,936	1,662	204,071	186,896
Segment results	(18,012)	332,368	(6,458)	(7,917)
(Loss) profit before tax	(18,012)	332,368	(6,458)	(7,917)
Income tax expenses	(13)	—	(633)	(755)
(Loss) profit for the period	(18,025)	332,368	(7,091)	(8,672)

As at 30 June 2010 (Unaudited)/31 December 2009 (Audited)

	Continuing operations Timber business		Discontinued operations Electronic products business	
	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000
Segment assets	3,882,766	3,904,140	—	202,740
Segment liabilities	88,551	204,952	—	114,740

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's annual financial statements for the year ended 31 December 2009. Segment results represent the gross profit (loss) generated from each segment net of selling and distribution expenses and administrative expenses directly attributable to each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Geographical segments based on the location of customers

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's geographical segments.

For the six months ended 30 June

	Continuing operations					
	People's Republic of China		Hong Kong		Consolidated	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
Segment revenue:						
Sales to external customers	12,936	1,662	—	—	12,936	1,662
Segment results	(11,095)	374,296	(9,835)	(29,302)	(20,930)	344,994
Unallocated income					4,212	1,275
Unallocated expenses					(537)	(405)
(Loss) profit from operations					(17,255)	345,864
Finance costs					(757)	(13,496)
(Loss) profit before tax					(18,012)	332,368
Income tax expenses					(13)	—
(Loss) profit for the period					(18,025)	332,368

4. SEGMENT INFORMATION (Continued)
(b) Geographical segments based on the location of customers (Continued)

As at 30 June 2010 (Unaudited)/31 December 2009 (Audited)

	Continuing operations					
	People's Republic of China		Hong Kong		Consolidated	
	2010	2009	2010	2009	2010	2009
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	3,744,654	3,828,105	1,413	2,452	3,746,067	3,830,557
Unallocated assets	—	—	—	—	136,699	73,583
Total assets	3,744,654	3,828,105	1,413	2,452	3,882,766	3,904,140
Segment liabilities	82,666	200,414	4,975	4,538	87,641	204,952
Unallocated liabilities	—	—	—	—	910	—
Total liabilities	82,666	200,414	4,975	4,538	88,551	204,952

For the six months ended 30 June

	Discontinued operations											
	People's Republic of China		Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	36,953	23,032	4,376	1,193	52,108	57,669	28,799	26,543	81,835	78,459	204,071	186,896
Segment results	(981)	(1,038)	(45)	(41)	(1,690)	(2,828)	(912)	(1,209)	(2,561)	(3,704)	(6,169)	(8,820)
Unallocated income											847	1,046
Unallocated expenses											(111)	(143)
Loss from operations											(5,433)	(7,917)
Finance costs											(1,025)	—
Loss before tax											(6,458)	(7,917)
Income tax expenses											(633)	(735)
Loss for the period											(7,091)	(8,672)

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments based on the location of customers (Continued)

As at 30 June 2010 (Unaudited)/31 December 2009 (Audited)

	Discontinued operations											
	People's Republic of China		Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Consolidated	
	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000
Segment assets	-	31,385	-	1,729	-	56,754	-	29,569	-	83,303	-	202,740
Segment liabilities	-	17,762	-	978	-	32,120	-	16,734	-	47,146	-	114,740

5. OTHER INCOME

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
Gain on disposal of property, plant and equipment	-	43
Gain on disposal of a subsidiary	4,198	-
Reversal of impairment loss of property, plant and equipment	-	88,935
Reversal of impairment loss in respect of other receivables	-	2,768
Rental income	-	131
Interest on bank deposits	14	8
Interest income received from a related party	-	1,274
	4,212	93,159

6. (LOSS) PROFIT FROM OPERATIONS

The Group's (loss) profit from operations is arrived at after charging:

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
Cost of inventories sold	8,463	6,480
Depreciation of property, plant and equipment	356	1,185
Amortisation of owner-occupied leasehold interest in land	289	288
Minimum lease payments under operating leases for leasehold land and buildings	2,046	2,719
Auditor's remuneration	300	980
Staff costs (excluding directors' emoluments)		
— Wages and salaries	2,789	7,558
— Retirement benefits scheme contributions (excluding directors' contributions)	104	368
Share-based payments expenses	—	23,616
Write-down of inventories to net realisable value	—	3,679
Impairment loss recognised in respect of trade receivables	—	14,512
Exchange loss, net	217	39
Deficit on revaluation of leasehold land and buildings	—	804
Loss on disposal of property, plant and equipment	537	—

7. FINANCE COSTS

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on:		
Bank loans	—	12,252
Convertible notes	757	1,244
	757	13,496

8. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (As restated)
Current taxation:		
Hong Kong	—	—
Other jurisdictions	13	—
	13	—

During the Period, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits from continuing operations in Hong Kong (2009: Nil).

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

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

9. DISPOSAL OF A SUBSIDIARY

On 23 June 2010, the Group had disposed all of its interests in E-Today Technology Limited, a wholly owned subsidiary of the Company, to a connected person of the Company in consideration of HKD88,000,000. The disposal represents the discontinuance of the Group's electronic products business.

The discontinued operations' results of electronic products business for the period were as follows:

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	204,071	186,896
Cost of sales	(187,873)	(169,214)
Other income	847	1,046
Selling and distribution expenses	(6,958)	(5,748)
Administrative expenses	(9,856)	(8,927)
Other operating expenses	(5,664)	(11,970)
Finance costs	(1,025)	—
Loss before tax	(6,458)	(7,917)
Income tax expense	(633)	(755)
Loss for the period from discontinued operations	(7,091)	(8,672)

9. DISPOSAL OF A SUBSIDIARY *(Continued)*

The assets and liabilities of E-Today Technology Limited and its subsidiaries as at the date of disposal are as follows:

	2010 (Unaudited) HK\$'000
Assets	
Owner-occupied leasehold interest in land	24,788
Property, plant and equipment	157,356
Inventories	72,960
Trade receivables	86,504
Prepayments, deposits and other receivables	39,067
Cash and cash equivalents	138,293
Total assets	518,968
Liabilities	
Trade payables	(59,004)
Other payables and accruals	(73,781)
Amount due to ultimate holding company	(90,170)
Tax payables	(34,096)
Interest-bearing bank loans	(45,714)
Total liabilities	(302,765)
Total net assets	216,203
Eliminated amount due from a subsidiary upon disposal	90,170
Provision for impairment brought forward	(222,571)
Gain on disposal of a subsidiary	4,198
	88,000
Satisfied by:	
Cash consideration	88,000

10. DIVIDEND

No interim dividend was paid or proposed for the six months ended 30 June 2010, nor has any dividend been proposed since the end of reporting period (2009: Nil).



11. (LOSS) EARNINGS PER SHARE

a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share from continuing operations and discontinued operations is based on the Group's loss from continuing and discontinued operations for the period attributable to the owners of the Company of approximately HK\$18,025,000 and HK\$7,091,000 respectively (2009: profit of HK\$222,896,000 and loss of HK\$8,672,000, as retrospectively restated respectively) and the weighted average of 2,964,056,802 (2009: 2,445,622,180 (as retrospectively restated), 24,456,221,801 as previously reported) ordinary shares in issue during the period.

Weighted average number of ordinary shares:

	For the six months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited) (Note) (As restated)
Issued ordinary shares at 1 January	2,892,896,581	2,345,229,915
Effect of issuance of placing shares	—	40,723,757
Effect of issuance of conversion shares	71,160,221	59,668,508
Weighted average number of ordinary shares at 30 June	2,964,056,802	2,445,622,180

Note: The weighted average number of ordinary shares for 30 June 2009 was adjusted for the effect of share consolidation on 23 October 2009.

b) Diluted (loss) earnings per share

As the share options, convertible notes and listed warrants outstanding during the six months ended 30 June 2010 and 2009 were anti-dilutive to the Group's (loss) earnings per share, diluted (loss) earnings per share were not adjusted in this respect for the six months ended 30 June 2010 and 2009.

12. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$0.3 million (2009 (restated): HK\$2.5 million).

At 30 June 2010, the Directors have considered the carrying amount of the Group's leasehold land and buildings carried at previously revalued amounts at 31 December 2009 and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the end of the reporting date. Consequently, no revaluation surplus or deficit has been recognised in the Period.

13. BIOLOGICAL ASSETS

	30 June 2010 (Unaudited) HK'000	31 December 2009 (Audited) HK'000
At 1 January	3,653,629	3,227,017
Direct sales	(6,215)	(2,067)
Exchange realignment	29,193	10,977
Gain arising from changes in fair value less estimated point-of-sale cost of biological assets	—	417,702
At the end of the period/year	3,676,607	3,653,629

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

	30 June 2010 (Unaudited) HK'000	31 December 2009 (Audited) HK'000
Hebei	31,399	33,041
Yunan	3,645,208	3,620,588
	3,676,607	3,653,629

At 30 June 2010, the Directors have considered the carrying amount of the Group's biological assets carried at previously revalued amounts at 31 December 2009 and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the end of the reporting date. Consequently, no revaluation surplus or deficit has been recognised in the Period.

14. TRADE RECEIVABLES

	30 June 2010 (Unaudited) HK'000	31 December 2009 (Audited) HK'000
Trade receivables	15,801	14,721
Less: allowance for doubtful debts	(14,839)	(14,721)
	962	—

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



14. **TRADE RECEIVABLES** *(Continued)*

An aging analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period, based on the date of recognition of the sale, is as follows:

	30 June 2010 (Unaudited) HK'000	31 December 2009 (Audited) HK'000
1-30 days	934	—
31-60 days	—	—
61-90 days	—	—
Over 90 days	28	—
	962	—

In the opinion of Directors, the Group has provided sufficient impairment on those trade receivables which are past due. The fair values of the Group's trade receivables at 30 June 2010 approximated to the corresponding carrying amounts.

15. **TRADE PAYABLES**

An aging analysis of trade payables at the end of the reporting period, based on the receipt of goods purchased is as follows:

	30 June 2010 (Unaudited) HK'000	31 December 2009 (Audited) HK'000
Over 180 days	209	207

The fair values of the Group's trade payables at 30 June 2010 approximated to the corresponding carrying amounts.

16. SHARE CAPITAL

Shares

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 January 2009	100,000,000,000	1,000,000
Decrease on share consolidation	(90,000,000,000)	—
Ordinary shares of HK\$0.10 each at 31 December 2009 and 30 June 2010	10,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 January 2009	23,452,299,150	234,523
Issue of placing shares	3,510,000,000	35,100
Issue of new shares upon conversion of convertible notes	666,666,666	6,667
Ordinary shares of HK\$0.01 each Adjustment for share consolidation	27,628,965,816 (24,866,069,235)	276,290 —
Ordinary shares of HK\$0.10 each Issue of placing shares	2,762,896,581 130,000,000	276,290 13,000
Ordinary shares of HK\$0.10 each at 31 December 2009	2,892,896,581	289,290
Issue of new shares upon conversion of convertible notes (Note)	720,000,000	72,000
Ordinary shares of HK\$0.10 each at 30 June 2010	3,612,896,581	361,290

Note: The movement in the ordinary share capital during the six months period ended 30 June 2010 being the convertible note holders had converted their convertible notes into 720,000,000 ordinary shares during the period.

17. SHARE OPTION SCHEME

The Company operates a share option scheme for eligible participants to subscribe for new shares of the Company. A summary of the terms of the share option scheme adopted by the Company was disclosed in the Company's 2009 Annual Report.

The following table discloses movements of the Company's share options outstanding during the period:

Name or category of participant	Number of share options					Date of grant of share options ²	Exercise period of share options	Exercise price of share options ³ HK\$
	At 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2010 ¹			
Directors								
Lee Chi Kong	20,000,000	–	–	–	20,000,000	10/2/2009	10/2/2009 to 13/9/2011	0.58
	2,000,000	–	–	–	2,000,000	24/7/2009	24/7/2009 to 13/9/2011	0.65
Lam Ping Kei	2,000,000	–	–	(2,000,000)	–	3/3/2008	3/3/2008 to 13/9/2011	1.59
Jing Bin	7,500,000	–	–	–	7,500,000	13/10/2007	15/10/2007 to 13/9/2011	1.94
	2,000,000	–	–	–	2,000,000	3/3/2008	3/3/2008 to 13/9/2011	1.59
	10,000,000	–	–	–	10,000,000	10/2/2009	10/2/2009 to 13/9/2011	0.58
	6,000,000	–	–	–	6,000,000	24/7/2009	24/7/2009 to 13/9/2011	0.65
Cheng Man For	5,000,000	–	–	–	5,000,000	13/10/2007	15/10/2007 to 13/9/2011	1.94
	2,000,000	–	–	–	2,000,000	3/3/2008	3/3/2008 to 13/9/2011	1.59
	10,000,000	–	–	–	10,000,000	10/2/2009	10/2/2009 to 13/9/2011	0.58
	10,000,000	–	–	–	10,000,000	24/7/2009	24/7/2009 to 13/9/2011	0.65
Consultants								
In aggregate	80,000,000	–	–	–	80,000,000	13/10/2007	15/10/2007 to 13/9/2011	1.94
	34,000,000	–	–	–	34,000,000	3/3/2008	3/3/2008 to 13/9/2011	1.59
	600,000	–	–	–	600,000	3/3/2008	3/3/2009 to 13/9/2011	1.59
	600,000	–	–	–	600,000	3/3/2008	3/3/2010 to 13/9/2011	1.59
	30,200,000	–	–	–	30,200,000	10/2/2009	10/2/2009 to 13/9/2011	0.58
	132,000,000	–	–	–	132,000,000	24/7/2009	24/7/2009 to 13/9/2011	0.65

17. SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options					Date of grant of share options ²	Exercise period of share options	Exercise price of share options ³ HK\$
	At 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2010 ¹			
Employees								
In aggregate	36,465	–	–	(36,465)	–	3/1/2005	24/1/2005 to 25/1/2010	0.5628
	54,697	–	–	(54,697)	–	3/1/2005	24/1/2006 to 25/1/2010	0.5628
	72,930	–	–	(72,930)	–	3/1/2005	24/1/2007 to 25/1/2010	0.5628
	102,638	–	–	(102,638)	–	3/1/2005	24/1/2008 to 25/1/2010	0.5628
	5,032,170	–	–	(5,032,170)	–	31/1/2005	24/1/2009 to 25/1/2010	0.5628
	1,660,000	–	–	–	1,660,000	3/3/2008	3/3/2008 to 13/9/2011	1.59
	5,070,000	–	–	–	5,070,000	3/3/2008	3/3/2009 to 13/9/2011	1.59
	5,070,000	–	–	–	5,070,000	3/3/2008	3/3/2010 to 13/9/2011	1.59
	29,800,000	–	–	–	29,800,000	10/2/2009	10/2/2009 to 13/9/2011	0.58
	90,000,000	–	–	–	90,000,000	24/7/2009	24/7/2009 to 13/9/2011	0.65
	490,798,900	–	–	(7,298,900)	483,500,000			

Notes:

- (1) At 30 June 2010, the Company had 483,500,000 share options outstanding. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 483,500,000 additional ordinary shares of HK\$0.10 each in the Company and proceeds, before relevant share issue expenses, of approximately HK\$474,540,000.
- (2) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (3) The exercise price of the share option is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2010 (31 December 2009: Nil).

19. COMMITMENTS

The Group did not have any significant commitment at 30 June 2010 (31 December 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in (i) exploitation and management of timber resources in the PRC; and (ii) distribution, marketing and sales of a wide range of timber products. The Company had disposed of all of the Group's electronic products business on 23 June 2010, this business was classified as discontinued operations.

During the Period, the Group recorded turnover of HK\$12.9 million, up 658.8% compared with HK\$1.7 million (as restated) in corresponding period last year. The increase in turnover was mainly attributable to the increase in marketing and selling activities of timber logging and trading during the period. The Group's loss attributable to shareholders was HK\$25.1 million in contrast to earnings of HK\$214.2 million in corresponding period last year. The Group has recorded a gain of HK\$4.2 million upon the disposal of the electronic products business. Due to prolonged effect of the worldwide economic downturn and the increase of production raw material cost, the timber and electronic products business segment had incurred segment loss of HK\$18.0 million and HK\$7.1 million respectively (2009 (restated): profit of HK\$332.4 million and loss of HK\$8.7 million respectively). The profit of the timber business in corresponding period of last year mainly due to a gain in fair value of HK\$330.8 million for biological assets was recognised.

The Group's gross profit during the Period recorded HK\$4.5 million (2009 (restated): gross loss HK\$4.8 million). Gross profit margin had improved to 34.9% (2009 (restated): gross loss margin 282.4%). This is the result of the change in product mix after the business reorganisation.

TIMBER BUSINESS

During the Period, timber logging and trading were the principal revenue generator of the timber business, recording turnover HK\$12.9 million, accounting for 100% of the Group's turnover of continuing operations (2009: HK\$1.7 million or 0.9% of the Group's total turnover). The gross profit for timber business during the period recorded HK\$4.5 million (2009: gross loss of HK\$4.8 million). Loss for the Period from timber business was HK\$18.0 million, in contrast to a profit of HK\$332.4 million (as restated) in corresponding period of last year, which mainly due to a gain in fair value of HK\$330.8 million for biological assets was recognised in corresponding period of last year.

Timber Logging And Trading

During the Period, timber logging and trading has recorded turnover HK\$12.9 million, accounting for 100% of the Group's turnover of continuing operations (2009: HK\$1.7 million or 0.9% of the Group's turnover from the sales of floor board products). In November 2009, the Group had finalised the acquisition of 100% control of its subsidiary, Green & Good Group Limited. Marketing and selling activities were resumed which gave rise to the obvious increase in the timber logging and trading compare with corresponding period in last year.

Electronic Timber Trading

During the Period, electronic timber trading business has not recorded any turnover (2009: Nil), the Timber Exchange did not contribute revenue and profit to the Group during the period.

ELECTRONIC PRODUCTS BUSINESS

The Company had disposed all of the Group's electronic products business on 23 June 2010, this business was classified as discontinued operations.

Electronic Calculators

During the Period, the sales of electronic calculators recorded HK\$110.1 million or 50.7% of the Group's total turnover. (2009: sales of HK\$105.7 million or 56.0% of the Group's total turnover). The slightly increase is mainly due to the appreciation of RMB and the product selling price.

Other Consumer Electronic Products

During the Period, the sales of multifunctional water resistance watches and household telephones recorded HK\$16.7 million and HK\$42.6 million respectively, contributing 7.7% and 19.6% of the Group's total turnover (2009: sales of multifunctional water resistance watches and household telephones were HK\$23.4 million and HK\$26.5 million respectively, contributing 12.4% and 14.1% of the Group's total turnover). The decrease in sales of multifunctional water resistance watches was mainly due to decline in demand whereas increase in household telephones was mainly due to launching more new models and adoption of competitive pricing strategy.

Liquid Crystal Display ("LCD")

During the Period, the sales of LCD recorded HK\$24.3 million or 11.2% of the Group's total turnover (2009: sales of HK\$18.9 million or 10.0% of the Group's total turnover). LCD sales increased mainly due to increase in market demand of its correlated digital consumer electronics.

CORPORATE DEVELOPMENT

The turnover and gross profit of the timber business during the Period were grown. Given that the Group during the second half of last year (i) consolidate the 100% control of Green & Good Group Limited which indirectly owns about 3.5 million cubic meter of timber resources covering forest land of about 316,000 Chinese mu in the PRC; (ii) dispose of the loss-making and loan-bearing operation of G&G Wood (《綠之嘉木制品制造有限公司》); (iii) discharge the counter-guarantee arrangements given by Leeka Wood Company Limited and (iv) settle the outstanding shortfall from profit guarantee receivable from Superview International Limited, the financial position and liquidity of the Group has been improved. In view of the potential demand in timber products driven by the PRC government investment in infrastructure, it is believed that there are ample business opportunities to be discovered in the PRC.

The Company had decided to dispose of the electronic products business by way of public tender in January 2010 and entered into a sale and purchase agreement in April 2010 to sell the electronic products business. On 23 June 2010, the disposal was completed and implied that the Group can focus its resources on the development of its timber related business.

On 20 December 2009, the Company has entered into a legally binding framework agreement, namely “The Cooperative Framework Agreement on The Project for the Logistic Base of the National Bonded Trading Processed Manufacturing Industry and the Construction of the PRC’s International Forestry Products Trading, Exhibition and Convention Centre” (《建設國家級保稅交易加工制造物流產業基地暨中國國際林產品博覽交易會展中心項目合作框架協議》) (the “Cooperative Agreement”), with two independent third parties (the “Independent Third Parties”) in relation to the initial proposed formation of a joint venture (the “Joint Venture”) in the PRC to establish a forestry products trading, exhibition and auxiliary services platform in Tianjin Binhai New Area, the PRC, so as to expand the Company’s forestry products trading business. The Company and the Independent Third Parties agreed on 19 June 2010 to further extend the entering into a legally binding joint venture agreement or prospectus to 20 September 2010.

EMPLOYEES AND REMUNERATION PACKAGE

As at 30 June 2010, the Group had approximately 60 employees (2009: approximately 3,500 employees). The decrease in employees was attributable to the disposal of the Group’s electronic products business. The remuneration package was based on their work performance, experience and the industry practice. The Group also participated in retirement benefits schemes for its staff in Hong Kong and the PRC.

CAPITAL EXPENDITURES

During the Period, the Group spent approximately HK\$0.3 million (2009 (restated): HK\$2.5 million) on acquisition of new production machineries, which was financed by internal cash resources.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2010 (31 December 2009: Nil).

FINANCIAL REVIEW

LIQUIDITY AND FINANCE RESOURCES

During the Period, the Group’s continuing operations generally financed its operations with internally generated resources. The Group’s discontinued operations generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. The banking facilities were secured by corporate guarantees of the discontinued operations. As at 30 June 2010, the Group do not have interest-bearing borrowings (31 December 2009: Nil). In addition, the Company was granted a loan facility of up to HK\$50 million from a licensed lender in October 2009. During the Period, the Company did not make any drawing under the facility.

The Group's sales and purchases were either denominated in Renminbi, Hong Kong or US dollars. Accordingly, the Directors consider the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates of Renminbi, Hong Kong and US dollars. During the Period, the Group did not use any financial instrument for hedging the foreign exchange risk or interest rate risk.

As at 30 June 2010, the Group had current assets of approximately HK\$179.3 million (31 December 2009: HK\$425.8 million) and current liabilities of approximately HK\$88.6 million (31 December 2009: 319.7 million). The Group's current ratio had increased from approximately 1.3 times as at 31 December 2009 to approximately 2.0 times as at 30 June 2010. The Group had total assets of approximately HK\$3,882.8 million (31 December 2009: HK\$4,106.9 million) and total liabilities of approximately HK\$88.6 million (31 December 2009: HK\$319.7 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 2.3% as at 30 June 2010 as compared with approximately 7.8% as at 31 December 2009.

OUTLOOK

During the Period, the Group had reorganised our business by discontinued a loss recurring business, so as to avoid suffering further operation loss in coming years and facilitate the group to focus its efforts on development of its timber related business. The financial position of the Group has been greatly improved and the focus of Group's business become more clear. The Group will strive to control its operating costs and implement appropriate marketing strategies for its business development. On the other hand, the Group will look for potential market opportunity to strengthen our timber related business.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND SHARE OPTIONS

As at 30 June 2010, the interests of the directors and chief executives of the Company in the shares and share options of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:



Long position

(a) *Ordinary shares of HK\$0.10 each of the Company*

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Mr. Lee Chi Kong	Held by controlled corporation (Note)	32,912,000	0.91%
	Beneficial owner	165,000	0.01%
		33,077,000	0.92%

Note:

These ordinary shares are owned by Huge Healthy Investment Development Limited ("Huge Healthy"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Huge Healthy is beneficially owned by Mr. Lee Chi Kong.

(b) *Share options*

Name of directors	Capacity	Number of options held	Number of underlying shares	Percentage of the issued share capital
Mr. Lee Chi Kong	Beneficial owner	22,000,000	22,000,000	0.61%
Mr. Jing Bin	Beneficial owner	25,500,000	25,500,000	0.70%
Mr. Cheng Man For	Beneficial owner	27,000,000	27,000,000	0.75%
		74,500,000	74,500,000	2.06%

Save as disclosed above, none of the other directors, chief executives and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2010.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executive, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Number of underlying shares (convertible notes or share options) held	Percentage of the issued share capital of the Company
Wider Success Holdings Limited (Note 1)	Beneficial owner	—	420,000,000	11.63%
Mr. Tse On Kin (Note 2)	Interest of controlled corporation	—	420,000,000	11.63%
Magic Stone Fund (China) (Note 3)	Beneficial owner	720,000,000	397,656,000	30.94%
Superview International Limited (Note 4)	Beneficial owner	721,000,000	457,656,000	32.62%
Mr. Yiu Yat On (Note 5)	Interest of controlled corporation	721,000,000	457,656,000	32.62%

Note:

1. These ordinary shares are owned by Wider Success Holdings Limited (“Wider Success”), a company incorporated in the British Virgin Islands (the “BVI”). The entire issued share capital of Wider Success is beneficially owned by Mr. Tse On Kin.
2. Mr. Tse On Kin owns 100% of Wider Success Holdings Limited. Accordingly, Mr. Tse On Kin was deemed to be interested in 420,000,000 underlying shares held by Wider Success Holdings Limited.
3. Magic Stone Fund (China) is a company incorporated in the Cayman Islands. It is 99.99% owned by Superview International Limited.
4. Superview International Limited is a company incorporated in the British Virgin Islands. It is 100% owned by Mr. Yiu Yat On. Superview International Limited owns 99.99% of Magic Stone Fund (China). Accordingly, Superview International Limited was deemed to be interested in 720,000,000 shares and 397,656,000 underlying shares held by Magic Stone Fund (China).
5. Mr. Yiu Yat On owns 100% of Superview International Limited. Accordingly, Mr. Yiu Yat On was deemed to be interested in 721,000,000 shares and 457,656,000 underlying shares held by Superview International Limited.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities for the six months ended 30 June 2010.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010, with deviations from code provisions A.4.1 of the Code in respect of term of office of non-executive directors.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiries by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2010.

AUDIT COMMITTEE REVIEW

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

The Audit Committee has reviewed with the management the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim results for the six months ended 30 June 2010.

By Order of the Board

Superb Summit International Timber Company Limited

Lee Chi Kong

Chairman

Hong Kong, 27 August 2010

