China Timber Resources Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 269








Interim Report
2010

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Cao Zhong *(Chairman)*
Mr. Fung Tsun Pong *(Vice Chairman)*
Mr. Tsang Kam Ching, David
(Finance Director)

Non-executive Director
Mr. Peng Ru Chuan

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

AUDITOR

BDO 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

HIGHLIGHTS

- Unaudited turnover of approximately HK$4,401,000 for the six months ended 30 September 2010, whereas an unaudited turnover of approximately HK$19,328,000 was recorded in the corresponding period of last year.

- Unaudited net loss attributable to owners of the Company for the six months ended 30 September 2010 amounted to approximately HK$200,097,000, representing an increase of approximately 829% as compared to that of the corresponding period in last year.

- The directors do not declare any dividend for the six months ended 30 September 2010.

INTERIM RESULTS

The board of directors (the "Board") of China Timber Resources Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 and the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

	Notes	**2010 HK$'000 (Unaudited)**	2009 HK$'000 (Unaudited)
Turnover	3	**4,401**	19,328
Cost of sales		**(2,675)**	(14,730)
Gross profit		**1,726**	4,598
Gain on change in fair value less costs to sell of biological assets		**511**	4,532
Change in fair value of derivative financial instruments		**(165,634)**	—
Other income and other gains and losses	5	**3,785**	6,027
Realised gain on financial assets at fair value through profit or loss		**—**	100
Loss on change in fair value of investment property		**—**	(4,659)
Selling and administrative expenses		**(33,216)**	(35,137)
Finance costs	6	**(8,653)**	—
Loss before taxation	7	**(201,481)**	(24,539)
Taxation credit	8	**—**	248
Loss for the period		**(201,481)**	(24,291)
Attributable to:			
Owners of the Company		**(200,097)**	(21,532)
Non-controlling interests		**(1,384)**	(2,759)
		(201,481)	(24,291)
Loss per share	10	***HK cents***	*HK cents*
— Basic and diluted		**(1.39)**	(0.21)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	**2010** ***HK$'000*** **(Unaudited)**	2009 *HK$'000* (Unaudited)
Loss for the period		**(201,481)**	(24,291)
Other comprehensive income:			
Exchange differences on translating foreign operations		**28,336**	9,194
Other comprehensive income for the period, net of tax		**28,336**	9,194
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(173,145)**	(15,097)
Total comprehensive income attributable to:			
Owners of the Company		**(171,051)**	(12,338)
Non-controlling interests		**(2,094)**	(2,759)
		(173,145)	(15,097)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
NON-CURRENT ASSETS			
Investment property		**46,528**	44,900
Property, plant and equipment	*11*	**129,424**	131,492
Property under development	*12*	**852,343**	—
Prepaid lease payments		**299,108**	1,082,288
Biological assets		**97,520**	94,014
Forest concession rights	*13*	**528,545**	528,545
Prepayments for acquisition of plantation assets and equipment		**50,801**	35,261
Derivative financial instrument	*14*	**245,864**	411,498
		2,250,133	2,327,998
CURRENT ASSETS			
Inventories		**131,229**	128,646
Trade and other receivables	*15*	**33,046**	29,078
Prepaid lease payments		**704**	704
Cash and bank balances		**54,494**	19,759
		219,473	178,187
CURRENT LIABILITIES			
Trade and other payables	*16*	**80,843**	50,778
Promissory note	*17*	**83,750**	59,930
Deferred government grant		**9,091**	8,915
Amount due to a director		**14,303**	2,000
Borrowings		**5,809**	5,696
		193,796	127,319
NET CURRENT ASSETS		**25,677**	50,868

	Notes	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,275,810**	2,378,866
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,574**	1,574
Deferred government grant		**113,046**	111,871
Deposit received	*12*	**58,085**	—
Convertible bond	*18*	**382,919**	361,205
Promissory note	*17*	**166,447**	177,332
Acreage fees payable		**11,083**	11,083
		733,154	663,065
NET ASSETS		**1,542,656**	1,715,801
CAPITAL AND RESERVES			
Share capital	*19*	**144,129**	144,129
Reserves		**1,380,737**	1,551,788
Equity attributable to owners of the Company		**1,524,866**	1,695,917
Non-controlling interests		**17,790**	19,884
TOTAL EQUITY		**1,542,656**	1,715,801

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to owners of the Company												
	Share capital	Share premium	Warrants reserve	Capital redemption reserve	Capital reserve	Assets revaluation reserve	Forest concession rights revaluation reserve	Convertible bond reserve	Translation reserve	Retained profits	Sub–total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009 (audited)	101,370	–	4,000	3,800	20,918	23,868	76,213	–	14,951	806,300	1,051,420	22,971	1,074,391
Release of reserve upon lapse of warrants	–	–	(4,000)	–	–	–	–	–	–	4,000	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	–	–	9,194	(21,532)	(12,338)	(2,759)	(15,097)
At 30 September 2009 (unaudited)	101,370	–	–	3,800	20,918	23,868	76,213	–	24,145	788,768	1,039,082	20,212	1,059,294
At 1 April 2010 (audited)	**144,129**	**229,482**	**–**	**3,800**	**20,918**	**23,868**	**76,213**	**435,064**	**17,366**	**745,077**	**1,695,917**	**19,884**	**1,715,801**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,046**	**(200,097)**	**(171,051)**	**(2,094)**	**(173,145)**
At 30 September 2010 (unaudited)	**144,129**	**229,482**	**–**	**3,800**	**20,918**	**23,868**	**76,213**	**435,064**	**46,412**	**544,980**	**1,524,866**	**17,790**	**1,542,656**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**47,800**	(19,632)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(25,432)**	(47,806)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**12,303**	(14,212)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**34,671**	(81,650)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**64**	(1,951)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**19,759**	132,736
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**54,494**	49,135
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	**54,494**	49,135

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2010 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements have been prepared under the historical cost convention modified by the revaluation of investment property, building, certain financial instruments and biological assets.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2010 (the "Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the "HKASs") and Interpretations) issued by the HKICPA as disclosed in Note 2 to these Interim Financial Statements. The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

2. Adoption of new and revised standards

In the current period, the Group has applied all of the new and revised HKFRSs, HKASs and Interpretations issued by the HKICPA that are relevant to its operations and effective for the current accounting period of the Group and the Company.

HKFRS 3 (Revised), "Business Combinations" (the "HKFRS 3R")

HKFRS 3R introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in HKFRS 3R are as follows:

- Acquisition-related costs of the combination are recorded as an expense in profit or loss. Previously, these costs would have been accounted for as part of the costs of the acquisition.

- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless HKFRS 3R provides an exception and provides specific measurement rules.

- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

HKFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (revised), "Consolidated and Separate Financial Statements" ("HKAS 27R")

HKAS 27R requires the effects of all transactions with non-controlling interest (previously minority interest) to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Furthermore, losses of non-wholly owned subsidiary are attributed to the owners of the Company and non-controlling interest even if that results in a deficit balances. Losses prior to 1 April 2010 were not re-allocated between owners of the Company and non-controlling interest. These amendments are applied prospectively for annual period beginning on or after 1 July 2009. The revised standard has had no impact on the current period.

HKAS17 (Amendment), "Leases"

As a result of the amendment to HKAS 17, Leases, as part of the "Improvements to HKFRSs (2009)", the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such lease as operating leases continues to be appropriate.

Early adoption of new or revised HKFRSs

The following new or revised HKFRSs that are potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs upon initial application and the directors so far concluded that the application of these new/revised HKFRSs will not have material impact on the Interim Financial Statements of the Group.

3. Turnover

Turnover represents the net invoiced value of goods sold and rental income earned by the Group. The amounts of each significant category of revenue recognised in turnover during the period are as follows:

	30 September 2010 ***HK$'000*** **(Unaudited)**	30 September 2009 *HK$'000* (Unaudited)
Income from timber logging and trading	**—**	17,441
Sale of goods	**1,822**	1,561
Sale of seedlings	**1,594**	—
Sale of tea-oil	**601**	—
Processing fee income	**25**	—
Rental income from cold storage warehouse	**359**	326
	4,401	19,328

4. Segment information

The Group has four reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Timber logging and trading — sales of timber logs from forest concession, tree plantation area and outside suppliers;

— Other timber operation — the manufacture and sale of furniture and handicrafts and sales of refined tea-oil;

— Property development and asset management; and

— Cold storage warehousing leasing.

Segment assets exclude derivative financial instrument and cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, promissory note and convertible bond and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There was no inter-segment sale or transfer during the current period (2009: HK$ Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' loss that is used by the chief operating decision makers for assessment of segment performance.

(a) Reportable Segment

The segment information for the reportable segment for the six months ended 30 September 2010 is as follows:

	Timber logging and trading *HK$'000* (Unaudited)	Other timber operation *HK$'000* (Unaudited)	Property development and asset management *HK$'000* (Unaudited)	Cold storage warehouse leasing *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
REVENUE					
Revenue from external customers	1,594	2,448	–	359	4,401
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	1,594	2,448	–	359	4,401
Reportable segment profit/(loss)	(5,735)	(8,361)	(5,034)	44	(19,086)
Other segment information					
Change in fair value of derivative financial instrument	–	–	–	–	(165,634)
Gain on change in fair value less costs to sell of biological assets	511	–	–	–	511
Interest income	12	–	–	–	12
Finance costs	167	–	–	–	167
Unallocated finance costs					8,486
Total finance costs					8,653
Depreciation and impairment loss	1,539	1,832	5	1	3,377
Unallocated depreciation					2,451
Total depreciation and impairment loss					5,828
Release of lease payments for land under operating lease	290	–	3,585	–	3,875
Unallocated release of lease payments for land under operating lease					41
Total release of lease payments for land under operating lease					3,916
Additions to non-current assets	61	17,853	44,262	–	62,176
Unallocated additions to non-current assets					6,208
Total additions to non-current assets					68,384

The segment information for reportable segment for the six months ended 30 September 2009 is as follows:

	Timber logging and trading HK$'000 (Unaudited)	Other timber operation HK$'000 (Unaudited)	Cold storage warehouse leasing HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
REVENUE				
Revenue from external customers	17,441	1,561	326	19,328
Inter-segment revenue	–	–	–	–
Reportable segment revenue	17,441	1,561	326	19,328
Reportable segment loss	(5,986)	(6,026)	(51)	(12,063)
Other segment information				
Interest income	48	36	1	85
Unallocated interest income				68
Total interest income				153
Depreciation and impairment loss	1,473	1,164	1	2,638
Unallocated depreciation				978
Total depreciation and impairment loss				3,616
Income tax credit	248	–	–	248
Amortisation of forest concession rights	1,525	–	–	1,525
Release of lease payments for land under operating lease	355	–	–	355
Additions to non-current assets	463	5,047	–	5,510
Unallocated additions to non-current assets				38,793
Total additions of non-current assets				44,303

An analysis of the Group's assets and liabilities as at 30 September 2010 by reportable segment is set out below:

	Timber logging and trading HK$'000 (Unaudited)	Other timber operation HK$'000 (Unaudited)	Property development and asset management HK$'000 (Unaudited)	Cold storage warehouse leasing HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Reportable segment assets	**726,684**	**195,310**	**1,116,382**	**46,528**	**2,084,904**
Reportable segment liabilities	**(39,508)**	**(22,502)**	**(199,085)**	**(215)**	**(261,310)**

An analysis of the Group's assets and liabilities as at 31 March 2010 by reportable segment is set out below:

	Timber logging and trading HK$'000 (Audited)	Other timber operation HK$'000 (Audited)	Property development and asset management HK$'000 (Audited)	Cold storage warehouse leasing HK$'000 (Audited)	Total HK$'000 (Audited)
Reportable segment assets	817,218	80,971	1,052,288	44,900	1,995,377
Reportable segment liabilities	(41,514)	(15,555)	(113,907)	(198)	(171,174)

(b) Reconciliation of reportable segment loss

	30 September 2010 *HK$'000* (Unaudited)	30 September 2009 *HK$'000* (Unaudited)
Loss before taxation		
Reportable segment loss	**(19,086)**	(12,063)
Loss on change in fair value of investment property	**—**	(4,659)
Gain on change in fair value less costs to sell of biological assets	**511**	4,532
Change in fair value of derivative financial instrument	**(165,634)**	—
Other income and other gains or losses	**2,753**	5,874
Unallocated corporate expenses	**(19,858)**	(18,223)
Finance costs	**(167)**	—
Consolidated loss before taxation	**(201,481)**	(24,539)

5. Other income and other gains and losses

Other income and other gains or losses comprises:

	30 September 2010 *HK$'000* (Unaudited)	30 September 2009 *HK$'000* (Unaudited)
Interest income	**12**	153
Exchange gain, net	**2,599**	5,866
Government grant	**1,020**	—
Other income	**154**	8
	3,785	6,027

6. Finance costs

	30 September 2010 *HK$'000* (Unaudited)	30 September 2009 *HK$'000* (Unaudited)
Interest on short term borrowings wholly repayable within five years	**167**	—
Interest expenses on convertible bond maturing within five years	**21,714**	—
Interest expenses on promissory note maturing within five years	**12,935**	—
Total finance costs	**34,816**	—
Less: Amount capitalised	**(26,163)**	—
	8,653	—

7. Loss before taxation

	30 September 2010 *HK$'000* (Unaudited)	30 September 2009 *HK$'000* (Unaudited)
Auditor's remuneration	**300**	—
Release of lease payments for land under operating lease	**3,916**	355
Amortisation of forest concession rights	**—**	1,525
Cost of inventories and timber harvested	**2,675**	14,730
Depreciation of property, plant and equipment	**5,828**	3,616
Staff cost (excluding directors' emoluments)		
— Salaries and allowances	**9,042**	6,873
— Contributions to retirement benefits schemes	**137**	193
	9,179	7,066

8. Taxation

There is no assessable profit arising in Hong Kong during the current period (2009: HK$Nil). Taxes on profits assessable elsewhere, if applicable, have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

For the six months ended 30 September 2010, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (six months ended 30 September 2009: 25%).

	30 September 2010 *HK$'000* (Unaudited)	30 September 2009 *HK$'000* (Unaudited)
Hong Kong profits tax		
PRC enterprises income tax	**—**	—
— Over provision, in respect of prior years	**—**	248
Total tax credit for the period	**—**	248

9. Dividend

No dividend has been paid or declared by the Company for the six months ended 30 September 2010 and 2009.

10. Loss per share

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss attributable to owners of the Company

	30 September 2010 *HK$'000* (Unaudited)	30 September 2009 *HK$'000* (Unaudited)
Loss for the purposes of basic loss per share	**(200,097)**	(21,532)
Interest on convertible bond	**—***	—
Fair value loss on the derivative component of convertible bond	**—***	—
Loss for the purposes of diluted loss per share	**(200,097)**	(21,532)

	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**14,412,927**	10,137,065

* The computation of diluted loss per share for the six months ended 30 September 2010 and 2009 does not assume the conversion of the Company's outstanding convertible bond as they had an anti-dilutive effect on the loss per share calculation.

11. Property, plant and equipment

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to HK$6,602,000 (2009: HK$8,014,000) and disposal of property, plant and equipment amounted to HK$887,000 (2009: HK$Nil).

12. Property under development

	HK$'000
At 1 April 2010	—
Transferred from prepaid lease payment	792,747
Additions	43,939
Exchange difference	15,657
At 30 September 2010	852,343

The land, situated in Meiziya Village, Yiling District, Yichang City, Hubei Province, the PRC, was acquired for the development of Yichang Three Gorges International Convention Centre, the Three Gorges State Guest House and the Three Gorges State Guest Garden Commercial Property. During the period ended 30 September 2010, the construction of the Three Gorges State Guest Garden Commercial Property (the "Commercial Property") has been commenced. Therefore, the land use rights attributed to the Commercial Property were reclassified to property under development.

On 16 August 2010, Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司)("Yichang Xinshougang"), an indirect wholly-owned subsidiary, entered into a joint development agreement with Hubei Province Dafang Properties Development Company (湖北省大方房地產綜合發展公司)("Dafang Properties") for the development of the above land. Details of the transaction was disclosed in the Company's announcement dated 16 August 2010. Under the joint development agreement, the Group received a deposit of HK$58,085,000 from Dafang Properties during the period.

13. 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 includes the acreage fees payable to Guyana Forestry Commission, costs of necessary exploration, geological, geophysical and other research studies incurred prior to obtaining the rights.

	30 September 2010 ***HK$'000*** **(Unaudited)**	31 March 2010 *HK$'000* (Audited)
Valuation:		
At 1 April 2010	**534,451**	534,475
Exchange difference	**—**	(24)
At 31 March 2010 and at 30 September 2010	**534,451**	534,451
Accumulated amortisation:		
At 1 April 2010	**5,906**	3,692
Amortisation for the period	**—**	2,214
At 31 March 2010 and at 30 September 2010	**5,906**	5,906
Net carrying amount:		
At 31 March 2010 and at 30 September 2010	**528,545**	528,545

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 (Block A) based on the natural surrounding and is bounded on the North by the Amakura River, on the South by the Baramita Amerindian Reserves and Whana River, on the East by the Whannamaparu and Whana River and on the West by the common border of Guyana and Venezuela. It lies within the Northwest border of Guyana, South America and another block (Block B) is bounded on the North by WCL 6/93, on the South by the Kaituma River, (TSA 04/91-BCL) and Sebai River, on the East by the Aruka River and Sebai Amerindian Reserves and on the West by Sand Creek and Waiamu River, being the concession boundary of BCL-TSA 04/91. 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.

The logging operation in Block B has been completed during the year ended 31 March 2010. There was no logging operation during the period and will shift the logging operation to Block A in near future.

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.

Amortisation charged represents the cost of logged timbers harvested. No logging activity has been taken place from the Garner Concession Rights and Jaling Concession Rights during the period.

14. Derivative financial instrument

Derivative financial instrument represents the fair value of the Company's option to early redeem in convertible bond issued by the Company on 9 February 2010. The fair value of the early redemption option is calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	At 30 September 2010 (Unaudited)	At 31 March 2010 (Audited)
Redemption price	**HK$0.56**	HK$0.56
Expected volatility *(note a)*	**72%**	88%
Expected life *(note b)*	**2.36 years**	2.87 years
Risk free rate *(note c)*	**0.562%**	1.182%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price cover the period same as the remaining life of convertible bond before date of valuation.

(b) Expected life was the expected remaining life of the respective options.

(c) The risk free rate is determined by reference to the HKMA Exchange Fund Notes rate at date of valuation.

During the period, HK$165,634,000 was recognised as a change in fair value of derivative financial instrument (Note 18).

15. Trade and other receivables

	30 September 2010 *HK$'000* **(Unaudited)**	31 March 2010 *HK$'000* (Audited)
Trade receivables	**2,750**	2,903
Other receivables	**11,107**	5,566
Deposits paid	**392**	2,285
Prepayments	**18,797**	18,324
	33,046	29,078

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 or more 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.

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

	30 September 2010 *HK$'000* **(Unaudited)**	31 March 2010 *HK$'000* (Audited)
Outstanding balances aged:		
0 — 30 days	**—**	2,015
31 — 60 days	**139**	451
61 — 180 days	**469**	52
Over 180 days	**2,142**	385
	2,750	2,903

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
Neither past due nor impaired	139	2,466
30 to 90 days past due	469	52
Over 90 days past due	2,142	385
	2,750	2,903

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

	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
Renminbi	695	85
United States dollars	2,055	2,818
	2,750	2,903

16. Trade and other payables

	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
Trade payables	6,127	2,256
Other payables and accruals	65,996	39,872
Deposit received from a customer	3,612	3,542
Purchase consideration payable	5,108	5,108
	80,843	50,778

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

	30 September 2010 ***HK$'000*** **(Unaudited)**	31 March 2010 *HK$'000* (Audited)
Outstanding balances aged:		
0 — 30 days	**—**	1,543
31 — 60 days	**—**	—
61 — 180 days	**711**	698
Over 180 days	**5,416**	15
	6,127	2,256

Trade and other payables were denominated in the following currencies:

	30 September 2010 ***HK$'000*** **(Unaudited)**	31 March 2010 *HK$'000* (Audited)
Hong Kong dollars	**28,542**	30,283
Renminbi	**50,072**	18,345
United states dollars	**2,013**	1,946
Australian dollars	**216**	204
	80,843	50,778

17. Promissory note

On 9 February 2010, the Company issued HK$280,000,000 promissory note in connection with the acquisition of the entire equity interest of Shoukong (Beijing) Management Consulting Company Limited ("Shoukong Management"). The promissory note is repayable by 14 quarterly instalments of HK$20,000,000 each with the interest accrued thereon payable on the last business day of every three months after the issue of the promissory note. The promissory note bears coupon interest at 1.5% per annum payable quarterly. The Company may, by giving prior written notice to the noteholder, repay in whole or in part the outstanding promissory note (in the multiples of HK$20,000,000) at any time and from time to time after the date of issue of the promissory note. The fair value of promissory note is HK$233,482,000, as at the issue date, based on the professional valuation performed by LCH (Asia-Pacific) Surveyors Limited. The effective interest rate of the promissory note is determined to be 11.82% per annum.

The movements on the promissory note during the period are as follows:

	HK$'000
Carrying value as at 31 March 2010	237,262
Interest expense *(Note 6)*	12,935
Carrying value as at 30 September 2010	250,197
Less: current portion (including interest payables)	(83,750)
Non-current portion	166,447

18. Convertible bond

On 9 February 2010, the Company issued redeemable convertible bond with a principal amount of HK$470,000,000 in connection with the acquisition of the entire equity interest of Shoukong Management. The bond carried coupon interest rate of 2.15% per annum, which shall be payable by the Company upon conversion or redemption of the bond.

The bond entitles the holders to convert to ordinary shares of the Company at an initial conversion price of HK$0.056 per conversion share (subject to normal adjustments in accordance with the terms of the convertible bond) at any time during the period commencing from the date of issue of convertible bond.

Unless previously redeemed or converted or purchased and cancelled by the Company, the Company shall redeem any outstanding convertible bond at the principal amount together with accrued interest on the maturity date which is the date falling three years after the issuing date.

The Company may at any time prior to the maturity date of the convertible bond to redeem the whole or any relevant part of the outstanding bond together with interest accrued by giving to the bondholders 10 days' notice of its intention to make such redemption .

The Company determined the fair value of the embedded early redemption option component and liability component based on the valuations preformed by LCH (Asia-Pacific) Surveyors Limited using discounted cash flow approach. The effective interest rate is 12.08%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible bond reserve of the Company and the Group.

The liability component is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The movement of different components of the convertible bond during the period is set out below:

	Liability component HK$'000	Early redemption option component HK$'000	Equity component HK$'000	Total HK$'000
At 31 March 2010	361,205	(411,498)	435,064	384,771
Interest expense *(Note 6)*	21,714	—	—	21,714
Change in the fair value *(Note 14)*	—	165,634	—	165,634
At 30 September 2010	382,919	(245,864)	435,064	572,119

19. Share capital

	No. of shares	Amount HK$'000
Authorised:		
At 31 March 2010 and at 30 September 2010 Ordinary shares of HK$0.01 each	30,000,000,000	300,000
Issued and fully paid:		
At 31 March 2010 and at 30 September 2010	14,412,926,754	144,129

20. Operating lease commitments

The Group leases its office properties and plantation sites under operating lease arrangement. Lease for properties is negotiated for terms for 1 to 8 years. Leases for plantation sites are negotiated for terms for 5 to 10 years.

At 30 September 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2010	31 March 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**4,633**	2,117
In the second to fifth years, inclusive	**13,402**	2,392
After five years	**12,934**	410
	30,969	4,919

21. Grant of the equity line of credit to the company and issue of warrants

On 5 January 2010, the Company entered into the Equity Line of Credit Agreement ("Agreement") with GEM Global Yield Fund Limited ("GEM Global") and GEM Investment Advisors, Inc. ("GEMIA"), pursuant to which the Company has been granted an option to require GEM Global to subscribe for up to HK$300 million worth of shares of the Company structured under the Equity Line of Credit during the commitment period (the "Option") and the 1,000 million warrants of the Company. On 19 January 2010, the Company, GEM Global and GEMIA further entered into the Amendment Deed. Further details are set out in the Company's circular dated on 22 January 2010.

The Option is exercisable by the Company during the commitment period commencing on (and including) the date of the Agreement and expiring upon the earlier of (i) the third anniversary of the date of the Agreement, and (ii) the date on which the Equity Line of Credit has been fully utilised by the Company by way of allotting and issuing shares (the "Option Shares")for total issue price equals to the total commitment amount (i.e. HK$300 million) upon exercising the Option in full.

The Company shall exercise any part of the Option by serving a drawdown notice and specifying the proposed number of the Option Shares thereunder. GEM Global shall respond to any drawdown notice by delivering a closing notice, which shall set out, inter alia, the final number of Option Shares to be subscribed by, and allotted and issued to, the GEM Global or any other subscribers procured by it on the closing date.

On 8 February 2010, the Company issued a total of 1,000 million warrants at nil consideration at an exercise price of HK$0.23 per warrant share (subject to adjustment pursuant to the conditions to GEM Global) pursuant to the Agreement.

The movement of the warrants during the period is set out below:

Date of grant	Exercise period	Subscription price	Balance as at 31 March 2010 '000	Granted during the period '000	Utilised during the period 000	Balance as at 30 September 2010 '000
8 February 2010	8 February 2010 to 8 February 2013	HK$0.23	1,000,000	–	–	1,000,000

During the period no warrants were utilised to subscribe for the shares of the Company.

The Company shall pay GEMIA a commitment fee of HK$6,000,000, which equal to 2% of the total commitment amount of HK$300 million and shall be payable by the Company (i) on or before the first anniversary of the date of the Agreement, or (ii) on the Company's receipt or deemed receipt of the proceeds resulting from the first closing notice to be issued by GEM Global to the Company, whichever is earlier. The commitment fee payable was recognised at 31 March 2010 as the Group considered that condition (i) was fulfilled. The commitment fee is capitalised in trade and other receivables and will be deducted from proceeds received from issuing equity instruments.

22. Capital commitments

Capital commitments outstanding as at 30 September 2010 and 31 March 2010 not provided for in the financial statements were as follows:

	30 September 2010 ***HK$'000*** **(Unaudited)**	31 March 2010 *HK$'000* (Audited)
Contracted but not provided for		
— acquisition of plantation assets *(note i)*	**105,924**	103,667
— acquisition of property, plant and equipment and land use right	**33,646**	29,948
	139,570	133,615

Note:

(i) The Group 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 for a consideration of not more than approximately HK$174,600,000, of which approximately of HK$68,676,000 had been paid and the remaining balance of approximately HK$105,924,000 had not been provided for.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2010, the Group was principally engaged in forest operation and management, timber logging and trading, timber processing, sale of timber products, plantation and trading of seedlings, property development and asset management.

This year, the Group has advanced to the property development market in the PRC and is in the process of developing a commercial and residential project in Hubei Province, the PRC, which upon completion, will be composed of a convention centre, a five-star hotel and various commercial and residential properties.

Financial and Liquidity Review

For the six months ended 30 September 2010, the Group recorded an unaudited turnover of approximately HK$4.4 million, representing a decrease of 77% over the last corresponding period (2009: HK$19.3 million), which was mainly due to decrease in demand and sales of timber and timber products. The four reportable segments engaged by the Group, namely timber logging and trading, other timber operation (manufacture and sale of furniture and handicrafts and sales of refined tea oil), property development and asset management, and cold storage warehouse leasing contributed approximately HK$1.6 million (36%), HK$2.4 million (56%), Nil (0%) and HK$0.4 million (8%) respectively to the Group's consolidated turnover. The Group's property development and asset management business is at a preliminary development stage and is unable to yield any return yet. Detailed segment turnover and contribution to loss before tax of the Group are shown in note 4 to the financial statements. In addition, the Group experienced a gross profit of approximately HK$1.7 million during the period (2009: HK$4.6 million).

The loss before taxation and net loss were approximately HK$201.48 million (2009: HK$24.54 million) and HK$201.48 million (2009: HK$24.29 million) respectively. The loss was mainly attributed by the change in fair value of the early redemption option component of the convertible bond of approximately HK$165.6 million (2009: Nil), and the effective interest expense of the convertible bond and promissory note amounted to HK$5.3 million (2009: Nil) and HK$3.2 million (2009: Nil) respectively. The loss attributable to shareholders for the period was approximately HK$200.1 million (2009: HK$21.53 million). The loss per share for the period was increased to HK$1.39 cents as compared with HK$0.21 cents for the last corresponding period.

As at 30 September 2010, the Group's net assets amounted to approximately HK$1,543 million compared with net assets value of approximately HK$1,716 million as at 31 March 2010, representing a decrease of 10.08%. Besides, the current assets of the Group were HK$219 million (31 March 2010: HK$178 million) which mainly includes inventories of approximately HK$131 million, prepaid lease payments of approximately HK$0.7 million, and cash and bank balances of approximately HK$54 million (31 March 2010: HK$20 million). The current liabilities increased from HK$127.32 million to HK$194 million during the period mainly due to HK$83.8 million by a promissory note, trade and other payables of HK$80.8 million, secured bank loan of HK$5.8 million, and deferred government grant of HK$9.1 million. The gearing ratio of the Group, measured as total debts to total assets, was 37.5%.

As at 30 September 2010, the Group had a promissory note with a principal amount of HK$280 million in connection with the acquisition of the entire equity interest of Shoukong (Beijing) Management Consulting Company Limited ("Shoukong Management") which was the immediate holding company of Yichang Xinshougang Property Development Company Limited（宜昌新首鋼房地產開發有限公司）("Yichang Xinshougang"), a property development company in the PRC. The promissory note bears interests at 1.5% per annum payable quarterly commencing from the date of the issue by 14 instalments of HK$20 million each with the interest accrued thereon.

Apart from the promissory note, the Group also issued a convertible bond of an aggregate principal amount of HK$470 million as part of the consideration for the acquisition of Shoukong Management and Yichang Xinshougang. The bond entitles the holders to convert into ordinary shares of the Company at a conversion price of HK$0.056 per share. If the bond shall not have been converted, it shall be redeemed on 8 February 2013 at the principal amount with accrual interest at 2.15% per annum.

As at 30 September 2010, the amount due to a director was HK$14.3 million (31 March 2010: HK$2 million) which is unsecured, interest free and repayable on demand.

As at 30 September 2010, the Group committed a bank loan of approximately HK$5.8 million, repayable within one year and secured by its subsidiary's prepaid lease payment with interest of 6.1065% 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 appreciation in Australian dollars has resulted in a net exchange gain. 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 the reporting period, the Company has not given any guarantee to any financial institution in respect of bank facilities utilised by any of its subsidiaries. As at 30 September 2010, certain prepaid lease payments with a net book value of approximately HK$2.84 million was pledged to secure the bank loan granted to the Group (31 March 2010: HK$2.79 million).

As at 30 September 2010, the Group had capital commitments of HK$139.6 million (31 March 2010: HK$133.6 million).

The Group did not use any financial instruments for hedging purposes and did not have foreign currency investments being hedged by foreign currency borrowings and other hedging instruments.

Material Event

On 16 August, 2010, our indirect wholly-owned subsidiary Yichang Xinshougang entered into a joint development agreement with Hubei Province Dafang Properties Development Company（湖北省大方房地產綜合開發公司）("Dafang Properties") for the development of the land held by Yichang Xinshougang located in Yiling District, Yichang City, Hubei Province, the PRC. The development of the land is capital intensive, thus Dafang Properties' contribution of all the necessary development and construction costs for the project would enable the Company to minimise its risk in securing sufficient financing at commercially reasonable and favourable terms. In addition, Dafang Properties possesses extensive experience in carrying out property development projects in the PRC especially in the Hubei Province, as such the Company would benefit from the experience and expertise of Dafang Properties in property development in the PRC.

The land is for a mixed development project which will be developed into three main parts including the Three Gorges State Guest Garden Commercial Property（三峽國賓花園商品房）, Yichang Three Gorges International Convention Centre（宜昌三峽國際會展中心）and the Three Gorges State Guest House（三峽國賓館）.

CAPITAL COMMITMENT

As at 30 September 2010, the Group had a capital commitment of approximately HK$139.6 million in relation to the acquisition of plantation assets, property, plant, equipment and land use rights.

CHARGES ON ASSETS

As at 30 September 2010, certain prepaid lease payment of the Group with a net book value of approximately HK$2.8 million was pledged to secure the bank loan granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2010, the Group did not have any material contingent liabilities.

EMPLOYEES

The Group has approximately 270 employees in Hong Kong, PRC, Guyana and Australia as at 30 September 2010. The Group ensures that the pay scales of its employees are rewarded on a performance rated basis within the general framework of the Group's remuneration policy.

SHARE OPTION 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.

As at 30 September 2010, no share option has been granted, exercised, cancelled or lapsed.

SALE AND PURCHASE OF SHARES

There was no purchase, sale or redemption of shares in the Company made by the Company or any of its subsidiaries during the six months ended 30 September 2010.

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

Save as disclosed below, as at 30 September 2010, according to the register of interest kept by the Company under Section 336 of the Securities and Futures 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 taken 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 (%) of issued
Name of Director	personal interests	corporate interests	personal interests	corporate interests	Total	share capital
Mr. Fung Tsun Pong *(note)*	1,061,362,449	1,055,500,000	Nil	Nil	2,116,862,449	14.69
Mr. Tsang Kam Ching, David	66,624,499	Nil	Nil	Nil	66,624,499	0.46

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 7.32% 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 30 September 2010.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2010, 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 Shareholder	Number of shares personal interests	Number of shares corporate interests	Number of underlying shares personal interests	Number of underlying shares corporate interests	Total number of shares and underlying shares held	Approximate percentage (%) of issued share capital
Ocean Gain Limited *(note a)*	1,055,500,000	NIL	NIL	NIL	1,055,500,000	7.32
Allkeen Investments Limited *(note b)*	1,016,000,000	NIL	NIL	NIL	1,016,000,000	7.05
中聚國際控股有限公司 (China Alliance International Holding Group Limited) *(note c)*	4,275,862,068	NIL	8,392,857,142	NIL	12,668,719,210	87.90

Notes:

a. Ocean Gain Limited is wholly owned by Mr. Fung Tsun Pong, an executive director of the Company whose interest in shares or underlying shares of the Company is set out in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares, and Debentures"

b. Allkeen Investments Limited is wholly owned by Ms. Xu Yueyue.

c. China Alliance International Holding Group Ltd. ("China Alliance") is wholly owned by Ms. Zhang Lei. China Alliance is interested in 4,275,862,068 shares and 8,392,857,142 convertible bonds of the Company representing 29.67% and 58.23% of the existing issued share capital of the Company respectively.

Save as disclosed above, as at 30 September 2010, no other persons had any interest or short position 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Save for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Company's 2010 Annual Report, none of the Directors are aware of any information that would reasonably indicate that the Company is not, or was not throughout the period, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code"). The Board will review the corporate governance practice of the Company regularly and effect changes if necessary.

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.

APPOINTMENT AND RE-DESIGNATION OF DIRECTORS

On 19 November 2010, Mr. Cao Zhong was appointed as the chairman of the Board, an executive director as well as the chief executive officer of the Company and Mr. Peng Ru Chuan was appointed as a non-executive Director of the Company. On the same date, Mr. Fung Tsun Pong, an executive director of the Company was re-designated to the post of vice-chairman of the Board.

AUDIT COMMITTEE

The Company has established its Audit Committee in accordance with the requirements of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited. The Audit Committee comprising all independent non-executive directors of the Company, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming, is responsible for reviewing the Group's accounting practices and policies, the external audit, internal controls and risk evaluation. The Audit Committee of the Company has reviewed and discussed with the management the internal control, financial reporting matters and the unaudited interim financial report for the six months ended 30 September 2010.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established with terms of reference in compliance with the CG code and is responsible for the formulation and review of the remuneration policy of the Company, determine the specific remuneration packages of all executive directors and senior management, and approve compensation and performance-based remuneration.

The remuneration committee comprises three independent non-executive directors, Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming and an executive director, Mr. Tsang Kam Ching, David.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the latest annual report of the Company or are considered not significant to the Group's operations, thus no additional disclosure has been made in this report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46 of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited and the Company's website (www.ctrg.com.hk) in due course.

As at the date of this report, the Board comprises three Executive Directors, namely Mr. Cao Zhong, Mr. Fung Tsun Pong and Mr. Tsang Kam Ching, David; a Non-Executive Director, Mr. Peng Ru Chuan; and three Independent Non-Executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming.