



**PNG Resources**

# **PNG Resources Holdings Limited** **PNG 資源控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 221)



## **2010** INTERIM REPORT



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Chan Chun Hong, Thomas  
(*Chairman & Managing Director*)

Mr. Cheung Wai Kai

Mr. Wong Yiu Hung, Gary

#### Independent Non-executive Directors

Mr. Sin Ka Man

Mr. Yuen Kam Ho, George, *FHKIoD*

Mr. Cheung Sau Wah, Joseph, *PMSM*

### AUDIT COMMITTEE

Mr. Sin Ka Man (*Chairman*)

Mr. Yuen Kam Ho, George, *FHKIoD*

Mr. Cheung Sau Wah, Joseph, *PMSM*

### REMUNERATION COMMITTEE

Mr. Cheung Sau Wah, Joseph, *PMSM*  
(*Chairman*)

Mr. Sin Ka Man

Mr. Yuen Kam Ho, George, *FHKIoD*

Mr. Chan Chun Hong, Thomas

Mr. Cheung Wai Kai

### NOMINATION COMMITTEE

Mr. Yuen Kam Ho, George, *FHKIoD*  
(*Chairman*)

Mr. Cheung Sau Wah, Joseph, *PMSM*

Mr. Sin Ka Man

Mr. Chan Chun Hong, Thomas

Mr. Cheung Wai Kai

### COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

### LEGAL ADVISERS

DLA Piper Hong Kong

Freshfields Bruckhaus Deringer

Morrison & Foerster

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., Wai Yuen Tong Medicine Building  
9 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

### AUDITORS

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

31/F., Gloucester Tower

The Landmark, 11 Pedder Street

Central

Hong Kong

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### PRINCIPAL BANKERS

China Construction Bank (Asia)

Corporation Limited

The Hongkong and Shanghai Banking

Corporation Limited

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

### HOMEPAGE

[www.pngresources.com](http://www.pngresources.com)

### STOCK CODE

221



## INTERIM DIVIDEND

The board of directors (the “**Board**” or “**Director(s)**”) of PNG Resources Holdings Limited (formerly known as LeRoi Holdings Limited) (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) does not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATION AND BUSINESS REVIEW

During the six months ended 30 September 2010 under review, the Group was principally engaged in the businesses of forestry and logging operations, property development and retailing of fresh pork meat and related produce in Hong Kong.

For the six months ended 30 September 2010, the Group recorded a turnover of approximately HK\$31.4 million (2009: approximately HK\$29.0 million), representing an increase of approximately 8.3% as compared to the corresponding period of last year.

The revenue growth was primarily attributable to the increased number of stalls operated by the Group’s fresh pork meat retailing business. Gross profit margin decreased from 43.3% to 34.2% mainly due to the increase in cost of goods sold of our fresh port meat and related produce.

The Group’s profit attributable to owners of the Company for the same period reached approximately HK\$11.3 million (2009: loss of approximately HK\$51.8 million). This is mainly due to the reversal of impairment loss in our prepaid lease payments over our property projects in the People’s Republic of China (the “**PRC**”) provided in prior year and the increase in fair value of our plantation assets in Papua New Guinea (“**PNG**”).

### *Natural Resources Business in PNG*

After the Group completed its acquisition of a forestry project in PNG in October 2009, the Group has started supplying timber for domestic consumption since June 2010. Total sales contributed by forestry and logging operations segment during the period under review amounted to approximately HK\$512,000. Although the contribution was insignificant in the initial phase, the management of the Group expects the contribution from this segment will surge once the relevant licenses are granted by the authorities.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### OPERATION AND BUSINESS REVIEW *(Continued)*

#### *Natural Resources Business in PNG (Continued)*

The Group's project is licensed to carry on business in timber logging, growing cereals and the plantation of oil palm and teak. The project covers a land area of approximately 238,000 hectares with an estimated saleable 5.9 million cubic metres of timber wood in Nuku district, PNG. With reference to the valuation report prepared by a renowned international professional expert in forestry consultant, PT Pöyry Forest Industry Pte, the project's site has over 75 tree species, including valuable spices, such as pometia pin, celtis, intsia, terminalia spp, canarium ind etc. and is valued at approximately HK\$449.9 million as at 30 September 2010. Whilst PNG is a major timber producing country, PNG-made furniture has also found appreciative markets in Western Europe, Australia and New Zealand etc. The price of timber together with an increasing demand for timber in Europe, the PRC and the Asia Pacific give confidence to the Group in the long-term potential of the logging business and the timber trading market.

There are ample of gold, copper, liquefied natural gas, petroleum and other natural resources in PNG. Apart from the forestry acquisition last year, the Group has been proactively looking for other strategic partners and other potential natural resources acquisition targets, in particularly in forestry and mining, in PNG. Leveraging on our experience and relationship with government authorities already gained in PNG, the management is confident that this segment will be the Group's key growth driver and will bring satisfactory results to the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### OPERATION AND BUSINESS REVIEW *(Continued)*

#### *Property Development*

As at 30 September 2010, the Group held over 3.09 million square feet of residential and commercial land reserves in two projects in the PRC. Construction permits were obtained and these projects are now in their construction stages. The details of the Group's two property development projects in the PRC are as follows:

<b>City/Province</b>	<b>Percentage ownership interest</b>	<b>Approximate site area (square feet)</b>	<b>Approximate first phase saleable area (square feet)</b>	<b>Development plan</b>
Fuzhou, Jiangxi Province	100%	2,400,000	520,000	Residential cum commercial complex
Dongguan, Guangdong Province	100%	690,000	900,000	Residential cum commercial complex
<b>Total</b>		<b>3,090,000</b>	<b>1,420,000</b>	

Pre-sale of the first phase of our Fuzhou project commenced in October 2010. The Group expects pre-sales of our Dongguan property will commence by mid of 2011.

#### *Retailing of Fresh Pork Meat and Related Produce*

The Group recorded 6.3% increase in revenue from retailing of fresh pork meat and related produce. This is mainly due to the increased number of stalls operated by the Group to 21 as of 30 September 2010, compared to 17 as of 30 September 2009. The sale of fresh pork meat and related produce in Hong Kong continued to generate steady income and cash flow for the Group during the period under review.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### OPERATION AND BUSINESS REVIEW *(Continued)*

#### *Prospects*

Looking ahead into the second half of financial year ending 31 March 2011, the expected momentum of growth in the PRC economy will be maintained and Consumer Pricing Index (“CPI”) will be kept on rising. Despite the PRC government throw a curve ball in our direction in the form of new and ever strongest tightening macro policies in cooling down the overwhelming residential property sector by the end of September 2010, the management still considers that the flood of liquidity in the PRC market and the expectation of increase in CPI will maintain the dynamic of robust demand in the PRC property market. The Board continues to look for potential projects to replenish our land reserves in the PRC to increase the growth momentum for the Group.

The stable economic environment of the forestry industry in PNG will help invigorate our business. To maintain our momentum of growth, the management is studying re-plantation of crops, including but not limited to oil palm, Jathropa, cocoa, rubber and teak, on our forestry land that we will harvest off timbers in order to maximise the utilisation of this land. The management is keeping eyes open on other forestry and mineral projects in PNG to increase our forestry reserve and expand our portfolio in natural resources, through acquisitions.

#### *Liquidity and Financial Resources*

As at 30 September 2010, the Group’s total assets were approximately HK\$1,343.1 million (31 March 2010: HK\$1,207.8 million) which were financed by total liabilities and total equity of approximately HK\$621.5 million (31 March 2010: approximately HK\$496.2 million) and approximately HK\$721.6 million (31 March 2010: approximately HK\$711.6 million) respectively. The current ratio as at 30 September 2010 was approximately 1.19 times (31 March 2010: approximately 1.87 times).

As at 30 September 2010, the Group’s total bank borrowings amounted to approximately HK\$94.9 million (31 March 2010: Nil). During the period under review, the Group was granted further loans of HK\$15 million from an immediate holding company.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### OPERATION AND BUSINESS REVIEW *(Continued)*

#### *Exposure to Fluctuation in Exchange Rates*

The revenue and bank deposits of the Group are mainly denominated in Renminbi (“**RMB**”), Hong Kong dollars and PNG Kina (“**Kina**”). The operating costs also are mainly denominated in Hong Kong dollars, RMB and Kina. The Group has exposure to the risk of exchange rate fluctuations for RMB on account of its property investment in mainland China and for Kina on account of its cost of forestry operations, but the impact of such fluctuations is not expected to be material to the Group. The Group has not employed any hedging instruments or derivative products. In order to minimise the exchange rate risk of RMB, the Group makes use of local bank borrowings in RMB to finance the construction projects and will utilise the proceeds from the sales of residential and commercial projects to repay the RMB bank borrowings. In order to minimise the exchange rate risk of Kina, the Group utilises the proceeds from sale revenue of timbers denominated in Kina to partially reduce the impact of expenses incurred in PNG.

### CONTINGENT LIABILITIES AND CHARGE ON ASSETS

As at 30 September 2010, the Group had no significant contingent liabilities (31 March 2010: Nil) and the PRC land reserves with a carrying value of approximately HK\$560.0 million were pledged to secure the Group’s banking facilities (31 March 2010: Nil).

### CAPITAL COMMITMENT

The Group’s capital commitment as at 30 September 2010 amounted to approximately HK\$240.5 million (31 March 2010: approximately HK\$313.6 million).

### EMPLOYEES

As at 30 September 2010, the Group had 88 employees (31 March 2010: 69). The Group’s remuneration policy is reviewed periodically by the remuneration committee and the Board and remuneration is determined by reference to market terms, company performance and individual qualifications and performance. The Group operates a Mandatory Provident Fund Scheme for those employees in Hong Kong who are eligible to participate.





## DISCLOSURE OF INTERESTS

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2010, none of the Directors, chief executive of the Company, nor their respective 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 Securities and Futures Ordinance (the "**SFO**")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period for the six months ended 30 September 2010 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 or chief executive of the Company to acquire such rights in any other body corporate.



## DISCLOSURE OF INTERESTS *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2010, to the best knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company:

Name of shareholder	Number of shares	Approximate percentage of the Company's total issued share capital <i>(Note 2)</i> %
Gain Better Investments Limited ("Gain Better") <i>(Note 1)</i>	3,768,835,000	49.0
Wai Yuen Tong Medicine Holdings Limited ("WYT") <i>(Note 1)</i>	3,768,835,000	49.0

Notes:

- (1) Gain Better is an indirect wholly-owned subsidiary of WYT.
- (2) The percentage represented the number of shares over the total issued share capital of the Company as at 30 September 2010 of 7,691,500,000 shares.

Save as disclosed above, as at 30 September 2010, there were no other persons (other than the Directors or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.



## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Directors (including the independent non-executive Directors), other employees of the Group, suppliers of goods or services to the Group, and the customers of the Group. The Scheme became effective on 8 October 2002 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

During the six months ended 30 September 2010, the Board did not grant any share option under the Scheme to the Directors or eligible employees of the Group to subscribe for shares in the Company and as at 30 September 2010, there was no outstanding share option(s) under the Scheme.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2010 except for the following deviation:

#### *Code provision A.2.1*

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

*(Continued)*

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

*(Continued)*

#### *Code provision A.2.1 (Continued)*

Mr. Chan Chun Hong, Thomas currently takes up the roles of chairman and managing Director of the Company and is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group. Mr. Chan has extensive experience in the industry which is of great value to overall development of the Company. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being as the Board considers that the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals with a balance of skills and experience appropriate for the requirements of the Group. The current structure also allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing competitive environment.

The Group will continue to review and recommend such proposals, as appropriate, in aspect of such non-compliance or other aspects in order to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

### UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Since 5 July 2010, being the date of the 2010 Annual Report of the Company, Mr. Chan Chun Hong, Thomas also assumed the role of the chief executive officer of China Agri-Products Exchange Limited with effect from 2 August 2010.

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

*(Continued)*

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2010.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code adopted by the Company throughout the period under review.

### **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises the three independent non-executive Directors, namely Messrs. Sin Ka Man, Yuen Kam Ho, George and Cheung Sau Wah, Joseph, and is chaired by Mr. Sin Ka Man. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2010.

By Order of the Board  
**Chan Chun Hong, Thomas**  
*Chairman and Managing Director*

Hong Kong, 17 November 2010



## INTERIM RESULTS

The Directors are pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2010, together with the comparative figures for the corresponding period in 2009. The condensed consolidated financial statements have not been audited, but have been reviewed by the Audit Committee.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		For the six months ended 30 September	
	Notes	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	4	31,356	29,028
Cost of sales		(20,644)	(16,447)
Gross profit		10,712	12,581
Other revenue	4	1,987	1,106
Selling and distribution expenses		(11,142)	(9,024)
Administrative expenses		(21,602)	(11,685)
Change in fair value of plantation assets	10	32,908	—
Reverse of impairment of prepaid lease payments	9	52,105	45,351
Amortisation of concession right		(131)	—
Fair value changes on financial assets			
at fair value through profit or loss		(4,351)	5,054
Impairment of available-for-sale financial assets		(17,375)	—
Loss on deemed disposal of interest in an associate		—	(39,631)
Fair value changes on derivative financial instruments		—	(500)
Operating profit	5	43,111	3,252
Finance costs	6	(12,966)	(6,822)
Share of loss of an associate		—	(48,087)
Profit/(loss) before taxation		30,145	(51,657)
Taxation	7	(9,925)	(128)



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2010

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Notes		
<b>Profit/(loss) for the period</b>	<b>20,220</b>	(51,785)
Fair value changes on available-for-sale investments	<b>(22,644)</b>	20,002
Exchange differences arising on translation of financial statements of overseas subsidiaries	<b>12,450</b>	551
<b>Other comprehensive (expense)/income for the period</b>	<b>(10,194)</b>	20,553
<b>Total comprehensive income/(expense) for the period</b>	<b>10,026</b>	(31,232)
<b>Profit/(loss) for the period attributable to:</b>		
— Owners of the Company	<b>11,306</b>	(51,785)
— Non-controlling interests	<b>8,914</b>	—
	<b>20,220</b>	(51,785)
<b>Total comprehensive income/(expense) attributable to:</b>		
— Owners of the Company	<b>1,173</b>	(31,232)
— Non-controlling interests	<b>8,853</b>	—
	<b>10,026</b>	(31,232)
<b>Earnings/(loss) per share</b>		
— Basic and diluted	<b>HK0.26 cents</b>	(HK0.67 cents)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2010

	Notes	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,684	2,677
Property under development		141,759	56,418
Prepaid lease payments	9	551,744	492,215
Plantation assets	10	449,880	416,972
Concession rights		12,809	12,940
Available-for-sale financial assets		51,167	91,186
		1,210,043	1,072,408
<b>Current assets</b>			
Inventories	11	189	179
Trade receivables	12	16	46
Prepayments, deposits and other receivables		29,496	29,069
Financial assets at fair value through profit or loss		15,549	23,477
Time deposits		24,886	48,381
Cash and bank balances		62,921	34,255
		133,057	135,407
<b>Less: Current liabilities</b>			
Trade payables	13	348	291
Accruals and other payables		33,579	29,305
Amounts due to related companies		3,369	2,310
Tax payable		384	331
Interest-bearing loans from a related company	14	60,000	40,000
Interest-bearing loans from a shareholder	15	10,000	—
Interest-bearing bank loans		3,946	—
		111,626	72,237
<b>Net current assets</b>		21,431	63,170
<b>Total assets less current liabilities</b>		1,231,474	1,135,578





## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 September 2010

	Notes	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000
<b>Less: Non-current liabilities</b>			
Interest-bearing loans from a related company	14	75,000	95,000
Interest-bearing loans from a shareholder	15	205,000	200,000
Interest-bearing bank loans		90,997	—
Deferred taxation		<u>138,883</u>	<u>129,010</u>
		<u>509,880</u>	<u>424,010</u>
<b>Net assets</b>		<u><b>721,594</b></u>	<u>711,568</u>
<b>Capital and reserves</b>			
Share capital	16	76,915	76,915
Reserves		<u>489,987</u>	<u>488,814</u>
Equity attributable to owners of the Company		<b>566,902</b>	565,729
Non-controlling interests		<u>154,692</u>	<u>145,839</u>
<b>Net equity</b>		<u><b>721,594</b></u>	<u>711,568</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000 (Note)	Exchange fluctuation reserve HK\$'000	Available-for-sale investments revaluation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the company HK\$000	Non-controlling interest HK\$000	Total equity HK\$000
At 1 April 2009 (audited)	76,915	647,146	17,623	—	26,222	(281,071)	486,835	—	486,835
Available-for-sale financial assets	—	—	—	20,002	—	—	20,002	—	20,002
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	551	—	—	—	551	—	551
Net gain recognized directly in equity	—	—	551	20,002	—	—	20,553	—	20,553
Net loss for the period	—	—	—	—	—	(51,785)	(51,785)	—	(51,785)
Total comprehensive income/(expense) for the period	—	—	551	20,002	—	(51,785)	(31,232)	—	(31,232)
At 30 September 2009 (unaudited)	76,915	647,146	18,174	20,002	26,222	(332,856)	455,603	—	455,603
At 31 March 2010 (audited)	76,915	647,146	21,627	55,855	—	(235,814)	565,729	145,839	711,568
Available-for-sale financial assets	—	—	—	(22,644)	—	—	(22,644)	—	(22,644)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	12,511	—	—	—	12,511	(61)	12,450
Net gain recognised directly in equity	—	—	12,511	(22,644)	—	—	(10,133)	(61)	(10,194)
Net profit for the period	—	—	—	—	—	11,306	11,306	8,914	20,220
Total comprehensive income/(expense) for the period	—	—	12,511	(22,644)	—	11,306	1,173	8,853	10,026
<b>At 30 September 2010 (unaudited)</b>	<b>76,915</b>	<b>647,146</b>	<b>34,138</b>	<b>33,211</b>	<b>—</b>	<b>(224,508)</b>	<b>566,902</b>	<b>154,692</b>	<b>721,594</b>
Reserves retained by: Company and subsidiaries	—	647,146	34,138	33,211	—	(224,508)	—	—	489,987
<b>At 30 September 2010 (unaudited)</b>	<b>—</b>	<b>647,146</b>	<b>34,138</b>	<b>33,211</b>	<b>—</b>	<b>(224,508)</b>	<b>—</b>	<b>—</b>	<b>489,987</b>
Reserves retained by: Company and subsidiaries	—	647,146	18,174	20,002	26,222	(299,511)	—	—	412,033
Associate	—	—	—	—	—	(33,345)	—	—	(33,345)
At 30 September 2009 (unaudited)	—	647,146	18,174	20,002	26,222	(332,856)	—	—	378,688

Note: The share premium account of the Group includes share issued at premium.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net cash used in operating activities	(19,029)	(18,710)
Net cash used in investing activities	(78,411)	(11,753)
Net cash generated from financing activities	102,444	27,176
Net increase/(decrease) in cash and cash equivalents	5,004	(3,287)
Cash and cash equivalents at the beginning of the period	82,636	78,749
Effects of exchange rate changes on the balance of cash held in foreign currencies	167	550
Cash and cash equivalents at the end of the period	87,807	76,012
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	62,921	16,603
Time deposits	24,886	59,409
	87,807	76,012



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (“**HKSA**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners

The adoption of the new and revised HKFRSs had no material effect on the results and financial position for the current or prior accounting period. Accordingly, no prior adjustment has been required.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosure <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters <sup>2</sup>
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) <sup>4</sup>
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might not affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and contribution to operating results by operating segments for the six months ended 30 September 2010 and 2009, respectively:

2010

	Forestry and logging operation (Unaudited) HK\$'000	Sales of fresh pork meat and related produce (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>				
External revenue	512	30,844	—	31,356
<b>Segment results:</b>	27,664	427	42,810	70,901
Interest income and other unallocated gains				220
Corporate and other unallocated expenses				(28,010)
Operating profit				43,111
Finance costs				(12,966)
Profit before taxation				30,145
Taxation				(9,925)
Profit for the period				20,220



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 3. SEGMENT INFORMATION *(Continued)*

2009

	Sales of fresh pork meat and related produce (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue:</b>			
External revenue	29,028	—	29,028
<b>Segment results:</b>	3,024	41,226	44,250
Interest income and other unallocated gains			1,106
Corporate and other unallocated expenses			(2,473)
Operating profit			42,883
Finance costs			(6,822)
Loss on deemed disposal of interest in an associate			(39,631)
Share of loss of an associate			(48,087)
Loss before taxation			(51,657)
Taxation			(128)
Loss for the period			(51,785)







## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 5. OPERATING PROFIT

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Operating profit is stated after charging/(crediting):</b>		
Cost of inventories sold	<b>20,078</b>	16,447
Depreciation of property, plant and equipment	<b>482</b>	414
Minimum lease payments under operating leases for land and buildings	<b>4,618</b>	3,164
Exchange (gain)/loss	<b>(110)</b>	17
Amortisation of concession right	<b>131</b>	—
Impairment of available-for-sale financial assets	<b>17,375</b>	—
Fair value changes on financial assets at fair value through profit or loss	<b>4,351</b>	(5,054)



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 6. FINANCE COSTS

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Effective interest on convertible notes wholly repayable within five years	—	5,107
Effective interest on interest-bearing term loans from a related company wholly repayable within five years	<b>4,712</b>	1,555
Effective interest on interest-bearing term loans from a shareholder wholly repayable within five years	<b>8,190</b>	160
Effective interest on interest-bearing term loans from banks wholly repayable within five years	<b>541</b>	—
Total interest expense on financial liabilities not at fair value through profit or loss	<b>13,443</b>	6,822
Less: Interest capitalised	<b>(477)</b>	—
	<b>12,966</b>	6,822



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 7. TAXATION

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
The Group:		
Current taxation — Hong Kong	<b>52</b>	128
Deferred taxation — PNG	<b>9,873</b>	—
	<hr/> <b>9,925</b> <hr/>	<hr/> 128 <hr/>
Total tax charge for the period		

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for mainland China enterprise income tax and PNG profit tax has been made during the period as the subsidiaries operated in mainland China and PNG had no assessable profit for the period.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 8. EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE COMPANY FOR THE PERIOD

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
<b>Profit/(Loss)</b>		
Profit/(loss) for the purpose of basic earnings/(loss) per share (Profit/(loss) for the period attributable to owners of the Company)	<b>20,220</b>	(51,785)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>7,691,500</b>	7,691,500

Diluted earnings/(loss) per share for the periods ended 30 September 2010 and 2009 were the same as the basic earnings/(loss) per share.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 9. PREPAID LEASE PAYMENTS

	<b>The Group</b> HK\$'000
<b>Cost</b>	
At 31 March 2010 and 1 April 2010	<b>601,461</b>
Addition	<b>1,023</b>
Exchange realignment	<b>12,511</b>
	<hr/>
At 30 September 2010	<b>614,995</b>
	<hr/>
<b>Accumulated amortisation and impairment</b>	
At 31 March 2010 and 1 April 2010	<b>101,846</b>
Charge for the period	<b>3,701</b>
Exchange realignment	<b>1,513</b>
Reverse of impairment of prepaid lease payments	<b>(52,105)</b>
	<hr/>
At 30 September 2010	<b>54,955</b>
	<hr/>
<b>Net book value</b>	
<b>At 30 September 2010 (Unaudited)</b>	<b>560,040</b>
	<hr/> <hr/>
At 31 March 2010 (Audited)	499,615
	<hr/> <hr/>

The prepaid lease payments comprise of leasehold lands situated in the PRC held under long-term leases.

Amortisation expense on prepaid lease payments of HK\$3,701,000 (31 March 2010: HK\$7,315,000) has been capitalised to properties under development for the period.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 9. PREPAID LEASE PAYMENTS *(Continued)*

Impairment of approximately HK\$52,105,000 (31 March 2010: impairment of approximately HK\$45,327,000 was reversed) in respect of prepaid lease payments was reversed during the period ended 30 September 2010 by reference to the valuation report issued by Savills Valuation and Professional Services Limited, an independent qualified professional valuers, at 30 September 2010 which valued the properties on market value basis.

Analysed for reporting purposes as:

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
Current assets (included in prepayments, deposits and other receivables)	<b>8,296</b>	7,400
Non-current assets	<b>551,744</b>	492,215
	<b>560,040</b>	499,615



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 10. PLANTATION ASSETS

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
At the beginning of the period	<b>416,972</b>	—
Additions through acquisition of subsidiaries	—	392,012
Changes in fair value less costs to sell	<b>32,908</b>	24,960
	<b>449,880</b>	416,972

### 11. INVENTORIES

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
Finished goods	<b>189</b>	179



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days (31 March 2010: 30 days) for sales of fresh pork meat and related produce segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. No trade receivable is past due as at 30 September 2010. The Group does not hold any collateral over these balances.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
Within 30 days	<b>16</b>	46

### 13. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of reporting period, based on invoice date, is as follows:

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
Within 90 days	<b>348</b>	291





## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 14. INTEREST-BEARING LOANS FROM A RELATED COMPANY

The loans are unsecured, carry interest at 6%–8% per annum and are repayable on 28 January 2011, 15 June 2011, 3 November 2011 and 14 January 2013 respectively. The loans obtained from a related company, Fully Finance Limited.

### 15. INTEREST-BEARING LOANS FROM A SHAREHOLDER

During the period, the Group obtained a new interest-bearing loan from a shareholder, Gain Better, amounting to HK\$15 million. The loan is unsecured, carries interest at 8% per annum and is repayable on 11 August 2013.

The loans obtained from Gain Better in the year ended 31 March 2010 are unsecured, carry interest at 8% per annum and are repayable on 19 July 2011 and 12 November 2013 respectively.

### 16. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 31 March 2010 and 1 April 2010 ordinary shares of HK\$0.01 each (Audited)	20,000,000	200,000
At 30 September 2010, ordinary shares of HK\$0.01 each (Unaudited)	20,000,000	200,000
Issued and fully paid:		
At 31 March 2010 and 1 April 2010 ordinary shares of HK\$0.01 each (Audited)	7,691,500	76,915
At 30 September 2010, ordinary shares of HK\$0.01 each (Unaudited)	7,691,500	76,915



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 16. SHARE CAPITAL *(Continued)*

#### *Share option*

Details of the Company's share option scheme are set out in the section "Share Option Scheme" on page 10 of the interim report.

### 17. OPERATING LEASE ARRANGEMENTS

#### *As lessee*

The Group leases certain of its office premises and pork stalls under operating lease arrangements which are negotiated for lease terms of from one to three years.

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

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
Within one year	<b>7,810</b>	6,625
In the second to fifth years, inclusive	<b>8,928</b>	8,462
	<b>16,738</b>	15,087



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 18. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group had entered into the following transactions with related parties which, in the opinion of the Directors, were carried out in the ordinary course of the Group's business.

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Rental paid by the Group to Wang On Group Limited ("WOG") and its subsidiaries	<b>4,138</b>	2,860
Interest on convertible notes paid by the Group to WYT and its subsidiaries	—	2,858
Rental paid by the Group to WYT and its subsidiaries	<b>238</b>	238
Interest on related company's loan paid by the Group to WOG and its subsidiaries	<b>4,712</b>	1,555
Interest on shareholder's loan paid by the Group to WYT and its subsidiaries	<b>8,190</b>	160



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 18. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

#### *Key management personnel compensation*

Remuneration for key management personnel, including amounts paid to the Directors during the period is as follows:

	<b>For the six months ended 30 September</b>	
	<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	<b>2,452</b>	1,979
Employer contribution to pension scheme	<b>27</b>	24
	<b>2,479</b>	2,003

### 19. CAPITAL COMMITMENT

At 30 September 2010, the Group had the following capital commitment:

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
Contracted but not provided for:		
Additions of property under development	<b>240,536</b>	313,563



## **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)*

### **20. CONTINGENT LIABILITIES**

The Group and the Company have no material contingent liabilities as at 30 September 2010 and 31 March 2010.

### **21. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT**

The unaudited condensed consolidated financial statements were approved by the Board on 17 November 2010.

