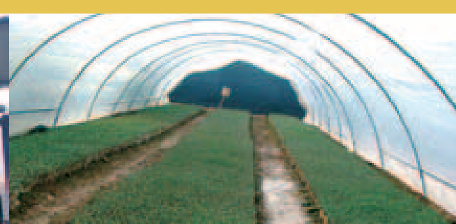
China Timber Resources Group Limited

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

Annual Report **2011**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Zhong *(Chairman)*
(appointed on 19 November 2010)
Mr. Fung Tsun Pong *(Vice-chairman)*
Mr. Tsang Kam Ching, David *(Finance Director)*

Non-executive Directors

Mr. Peng Ru Chuan *(appointed on 19 November 2010 and resigned on 17 December 2010)*
Mr. Neil Bush *(appointed on 7 December 2010)*

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

COMPANY SECRETARY

Miss Ngan Wai Kam, Sharon

AUDITOR

BDO Limited

LEGAL ADVISOR

Sidley Austin
Louis K.Y. Pau & Company

PRINCIPAL BANKERS

The Bank of China
The Bank of East Asia Limited
The Hong Kong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Room 1801-07, 18/F.
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

269

CONTACT DETAILS

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

COMPANY WEBSITE

http://www.ctrg.com.hk

STATEMENT OF CHAIRMAN

To all shareholders,

On behalf of the board of directors (the "Board") of China Timber Resources Group Limited (the "Company"), I am delighted to present the Annual Report 2011 and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2011.

BUSINESS REVIEW

For the year ended 31 March 2011, the Group has started to gradually shift its focus to transportation and expressway operation from forest operation and management, timber logging and trading, timber processing, sale of timber products, plantation and trading of seedlings, property development and asset management.

The financial year ended 31 March 2011 was a turning point for the Group as it has witnessed our expedition into a new frontier of transportation and expressway operation. Despite a continual challenging market environment, the Group persistently looking for investment opportunities to build up the breadth and depth of our operation which the Group foresees will bear fruits in the near future.

Further, the Group's property development operation in Yichang city of Hubei Province was in steady progress. On 16 August 2010, the Group's property development arm Yichang Xinshougang Property Development Company Limited (宜昌新首鋼房地產開發有限公司) ("Yichang Xinshougang") entered into a joint development agreement with an independent third party Dafang Properties Development Co. Ltd, (湖北省大方房地產綜合開發公司) ("Dafang Properties") for the development of several complex commercial and residential properties, including Yichang Three Gorges International Convention Centre (宜昌三峽國際會展中心), the Three Gorges State Guest House (三峽國賓館) and the Three Gorges State Guest Garden Commercial Property (三峽國賓花園商品房) (collectively the "Yichang Project"). Yichang Xinshougang has contributed a parcel of land while Dafang Properties has provided funding for all necessary development and construction costs for the Yichang Project. Pre-sale of residential properties commenced in mid-June 2011 and distributable profit from sales is to be shared by the Group and Dafang Properties on a 60: 40 basis.

FINANCIAL REVIEW

For the year ended 31 March 2011, turnover of the Group recorded a substantial decrease of 37% to approximately HK$13.33 million (2010: HK$21.17 million) which is mainly attributable to a significant decrease of income generated from timber logging and trading (including sales of seedlings) which was HK$3.22 million (2010: HK$14.38 million) resulting from a significant cut down in timber logging, an adjustment made due to market uncertainty. The turnover comprised four business segments, namely income from timber logging and trading, other timber operation, property development and asset management, and cold storage warehouse leasing which respectively contributed approximately HK$3.22 million, HK$9.35 million, HK$0 million, and HK$0.76 million (2010: HK$14.38 million, HK$6.11 million, HK$0 million and HK$0.68 million) to the Group's consolidated income.

STATEMENT OF CHAIRMAN

Detailed segment turnover and contribution to loss before income tax expense of the Group are shown in note 6 of the Notes to the Financial Statements of this Annual Report (the "Financial Statements"). Cost of sales for the year was approximately HK$16.49 million (2010: HK$19.53 million). As a result, the Group recorded a gross loss of approximately HK$3.15 million which was contrary to a gross profit of approximately HK$1.64 million in last financial year.

Net loss for the year was approximately HK$157.53 million (2010 (Restated): HK$36.67 million) and loss per share attributable to shareholders of the Company ("Shareholders") was HK1.026 cents per basic share (2010 (Restated): HK0.31 cents) and HK1.026 cents per diluted share (2010 (Restated): HK0.49 cents).

The loss was mainly attributable to the losses recorded on a change in fair value less costs to sell of biological assets in the People's Republic of China ("PRC") which was approximately HK$22.46 million (2010: gain of HK$4.87 million) and a change in fair value of the derivative financial instrument which was approximately HK$67.73 million (2010: gain of HK$29.82 million) i.e. a total of approximately HK$90.19 million loss in book value. The selling and administrative expenses was HK$71.21 million, slightly decreased from that of previous year (2010 (Restated): HK$71.48 million).

The Board considers that the changes in fair value of the derivative financial instrument and the biological assets in the PRC are non-cash items which do not have any impact on the operating cash flows of the Group.

Further, the Group's cash and cash equivalents stood at approximately HK$591.58 million as at 31 March 2011 (2010: HK$19.76 million). The increase in cash and cash equivalents was due to the completion of placing of 1,800,000,000 new shares of the Company at a placing price of HK$0.30 per ordinary share, raising approximately HK$534 million net proceeds in January 2011.

As at 31 March 2011, gearing ratio of the Group was 27.6% (2010 (Restated): 31.1%).

The Board did not recommend any final dividend for the year ended 31 March 2011 (2010: Nil).

LIQUIDITY REVIEW

As at 31 March 2011, the Group's total assets less current liabilities amounted to approximately HK$2,643 million compared to approximately HK$2,411 million (Restated) as at 31 March 2010, representing an increase of about 9.6%. Total assets were approximately HK$3,107 million (2010 (Restated): HK$2,538 million) which comprised total non-current assets of approximately HK$1,250 million (2010 (Restated): HK$1,448 million) and total current assets of approximately HK$1,857 million (2010 (Restated): HK$1,089 million). The current assets of the Company include properties under development for sale which were valued at approximately HK$1,077 million (2010 (Restated): HK$912 million).

STATEMENT OF CHAIRMAN

The Group's current liabilities increased from HK$127.32 million in 2010 to HK$464.68 million in 2011, mainly attributable by a promissory note of approximately HK$284.80 million, trade and other payables of approximately HK$92.72 million, amount due to a joint venture partner of approximately HK$59.27 million and an amount due to a director of approximately HK$12.45 million. The said director's loan is unsecured, interest free and repayable on demand.

The said promissory note with a principal amount of HK$280 million was issued to China Alliance International Holding Group Limited, a substantial shareholder of the Company, in connection with the acquisition of Yichang Xinshougang, details of which was disclosed in an announcement dated 21 May 2009 by the Company. As per the default clause of the promissory note, if the Group failed to repay as per repayment schedule, the note holder is entitled to demand immediate payment of principal and accrued interest. No payment for principal and accrued interest was made by the Group since 8 May 2010, the first repayment date. As a result, a total of approximately HK$284.80 million was recorded under current liabilities as at 31 March 2011 (2010: HK$59.93 million). Details of the information can be found in note 30 of the Notes to the Financial Statements.

The Group's capital commitments outstanding as at 31 March 2011 was approximately HK$188.80 million, of which HK$184.72 million, representing almost 98%, was for the development of the Yichang Project.

As at 31 March 2011, the Group had an outstanding borrowing of HK$6.16 million (2010: HK$5.70 million).

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 is minimal. The management will review from time to time the potential foreign exchange exposure and will take appropriate actions to minimise any potential foreign exchange exposure risk to be arisen in the future.

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

Details of the Group's financial risk management are set out in note 45 of the Notes to the Financial Statements.

STATEMENT OF CHAIRMAN

CAPITAL RAISING AND EXPENDITURE

On 21 January 2011, the Company allotted and issued 1,800,000,000 new ordinary shares of HK$0.01 each of the Company (the "Shares") to not less than six placees who are third parties independent from the Company through placing agent Guotai Junan Securities (Hong Kong) Limited at a placing price of HK$0.30 per Share, raising approximately HK$534 million net proceeds, of which approximately HK$450 million was injected into Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited ("內蒙古准興重載高速公路有限責任公司") ("Zhunxing") as registered capital. The placing Shares were allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting held on 30 August 2010.

For the year ended 31 March 2011, the Company issued 287,141,477 new Shares at HK$0.23 per Share due to exercise of warrants issued by the Company on 8 February 2010 and 3,342,857,141 new Shares upon conversion of convertible bonds issued by the Company on 9 February 2010 at the conversion price of HK$0.056 per share.

MATERIAL EVENTS AND PROSPECT

Joint development of Yichang Project

On 16 August 2010, Yichang Xinshougang entered into a joint development agreement with Dafang Properties in respect of the Yichang Project. Pursuant to the agreement, Dafang Properties shall provide Yichang Xinshougang the funds to meet all necessary development and construction costs of the Yichang Project (estimated ranging from RMB800 million to RMB1,000 million (approximately HK$916 million to HK$1,145 million)) in exchange for an entitlement to share 35-40% of the economic benefit of the Yichang Project.

The development of the Yichang Project is capital intensive. The Directors considered that joint development with Dafang Properties allowed the Group to minimise its risk in securing sufficient financing at commercially viable and favourable terms while still holding the majority economic benefit from the Yichang Project.

The Yichang Project is in steady progress and pre-sale of residential properties has been started in mid-June 2011 and thus will contribute to the turnover of the Group in the coming financial year.

Transforming into transportation and expressway operation

Commencing from January 2011, the Group embarked on a new business in toll road and expressway operation in Inner Mongolia by investing into Zhunxing which has an exclusive right to build and operate the first heavy-duty toll expressway designed for coal transportation in the Inner Mongolia Autonomous Region for 30 years (excluding the construction period). The toll road will run from the Jungar Banner（准格爾旗）which is a major coal production area located south of Hohhot（呼和浩特）in the Ordos（鄂爾多斯）, toward the north east for 265 km to Xinghe County（興和縣）which is a major logistic hub for coal distribution in northern PRC.

STATEMENT OF CHAIRMAN

The expressway, currently under construction and expected to open for traffic in January 2013, is designed to sustain 100-ton trucks whereas most other expressways in the PRC can only allow 50-ton trucks.

In a nutshell, on 21 April 2011, the Company, through its subsidiary, entered into the first capital injection agreement with Zhunxing for the acquisition of its 11% equity interest at the consideration of RMB500 million (approximately HK$602 million) (the "First Capital Injection Agreement"). The said acquisition was completed on 9 May 2011 and Zhunxing has been transformed into a Sino-foreign joint venture. On 26 May 2011, the Company, through its subsidiary, further entered into a second capital injection agreement with Zhunxing for the acquisition of its 40% equity interest at the consideration of RMB1,818 million (approximately HK$2,190 million). Upon completion of the second capital injection agreement, the Group will be in control of 51% equity interest in Zhunxing and Zhunxing will become a subsidiary of the Company. Details of the transaction were disclosed in the announcements of the Company dated 21 April and 26 May 2011.

In addition, the Group has been granted an option but not obliged to acquire a total of 66% equity interest in Zhunxing under the First Capital Injection Agreement. In order to capture the economic benefits of the expressway operation, the Group may further invest in Zhunxing in the future and will keep the Shareholders informed of the progress.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 235 employees in Hong Kong, the PRC, Australia and Guyana as at 31 March 2011. The Group implements remuneration policy, bonus and share options schemes to ensure that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy.

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

ACKNOWLEDGEMENTS

I wish to take this opportunity to extend my appreciation and gratitude to all Shareholders for their continual support and to thank my fellow Directors and colleagues for their tremendous energy, dedication and hard work in the past year.

Mr. Cao Zhong
Chairman

Hong Kong, 28 June 2011

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

During the year under review, the Company is principally engaged in investment holding.

The activities of the Company's subsidiaries as at 31 March 2011 are set out in note 44 of the Financial Statements. During the year under review, the Group was principally engaged in forest operation and management, timber logging and trading, timber processing, sale of timber products, plantation and trading of seedling, and property development and asset management.

SEGMENT INFORMATION

Details of the segment information are set out in note 6 of the Financial Statements.

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated income statement on page 27 of this Annual Report and in the accompanying notes of the Financial Statements.

The Directors do not recommend any payment of final dividend for the year ended 31 March 2011 (2010: Nil).

SHARE PREMIUM AND RESERVES

Movements in the share premium and reserves of the Group and the Company during the year are set out on pages 32 and 33 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 17 of the Financial Statements.

PROPERTIES

Particulars of properties of the Group as at 31 March 2011 are set out on page 113 of this Annual Report.

SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 March 2011 are set out in note 44 of the Financial Statements.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 March 2011 are set out in note 42 of the Financial Statements.

BORROWINGS

Details of borrowings as at 31 March 2011 are set out in note 34 of the Financial Statements.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in note 37 of the Financial Statements.

Placement of shares

On 21 January 2011, the Company allotted and issued 1,800,000,000 new Shares to not less than six placees independent from the Company through placing agent Guotai Junan Securities (Hong Kong) Limited at a placing price of HK$0.30 per Share, raising approximately HK$534 million net proceeds. The placing Shares were allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting held on 30 August 2010.

Convertible bond

For the year ended 31 March 2011, 3,342,857,141 Shares were issued upon divers conversions of the convertible bond issued by the Company on 9 February 2010 at the conversion price of HK$0.056 per share (the "Conversion Price"). As at 31 March 2011, HK$282.8 million convertible bond remained outstanding and are convertible into 5,050,000,000 Shares at the Conversion Price on or before 8 February 2013. Further details of the Conversion are shown in note 36 of the Financial Statements.

Warrants

During the period under review, the Company has issued 287,141,477 Shares pursuant to various exercises of warrants issued by the Company on 8 February 2010 at the exercise price of HK$0.23 per Share. As at 31 March 2011, there are 712,858,523 outstanding warrants which are exercisable at the price of HK$0.23 per Share on or before 7 February 2013. Details of warrants of the Group are shown in note 40 of the Financial Statements.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2011, the aggregate turnover and purchases attributable to the five largest customers of the Group respectively represented 65% and 45% of the total turnover and purchases of the Group.

RELATED PARTY TRANSACTIONS

The related party transactions in note 43 of the Financial Statements have been disclosed in accordance with the Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the Hong Kong institute of Certified Public Accountants ("HKICPA") and did not constitute connected transactions nor continuing connected transactions under the definition of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 112 herein. The summary does not form part of the Financial Statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Cao Zhong	*(appointed on 19 November 2010)*
Mr. Fung Tsun Pong	
Mr. Tsang Kam Ching, David	

Non-executive Directors:

Mr. Peng Ru Chuan	*(appointed on 19 November 2010 and resigned on 17 December 2010)*
Mr. Neil Bush	*(appointed on 7 December 2010)*

Independent Non-executive Directors:

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

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

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

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cao Zhong, aged 51, has been appointed as an executive Director, the chairman of the Board and the chief executive officer of the Company since 19 November 2010. Mr. Cao was graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences, the PRC with a bachelor degree in engineering and a master degree in economics respectively. Since 1988, Mr. Cao has served various institutions such as the National Development and Reform Commission of China, Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China. Mr. Cao remains as a non-executive director and the vice chairman of the board of Shougang Concord International Enterprises Company Limited ("**Shougang Concord**") (Stock Code: 697). He is also a director of Mount Gibson Iron Limited (Stock Code: NGX), a company listed on the Australian Securities Exchange.

Mr. Cao has also held various managerial positions in companies including: the deputy chairman and general manager of Shougang Holding (Hong Kong) Limited ("**Shougang Holding**"); a director of Grand Invest International Limited ("**Grand Invest**") and China Gate Investments Limited ("**China Gate**") — Shougang Holding, Grand Invest and China Gate are substantial shareholders of Shougang Concord; an executive director and the general manager of Shougang Concord, vice chairman and general manager of Shougang Concord Grand (Group) Limited ("**Shougang Grand**") (Stock Code: 730), an executive director and general manager of Shougang Fushan Resources Group Limited (Stock Code: 639); and the chairman of the board of directors of Shougang Concord Century Holdings Limited (Stock Code: 103), Shougang Concord Technology Holdings Limited (Stock Code: 521) and Global Digital Creations Holdings Limited (Stock Code: 8271) which is a subsidiary of Shougang Grand. Mr. Cao resigned from those positions on 10 May 2010. In addition, he was an executive director of APAC Resources Limited (Stock Code: 1104) from April 2007 as well as a chairman from May 2007 to October 2009.

Mr. Fung Tsun Pong, aged 51, has been appointed as an executive Director since 22 September 2004. Mr. Fung has over 20-year experience in property development, logistics, investment banking and company management. Mr. Fung has held senior management positions in various companies incorporated in Hong Kong, British Virgin Islands and Samoa.

Mr. Tsang Kam Ching, David, aged 54, has been appointed as an executive Director since 17 February 2004. Mr Tsang has extensive financial management experience over the past 20 years which covers merchant banking, stock broking and corporate finance business. Mr Tsang is also a fellow member of the Chartered Association of Certified Accountants in the United Kingdom and a member of the HKICPA.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Non-executive Director

Mr. Neil Bush, aged 56, has been appointed as a non-executive Director since 7 December 2010. Mr. Bush was graduated from Tulane University with a Bachelor's degree in International Economics and the Tulane University Freeman School of Business with a Master's degree in Business Administration. In 1980, Mr. Bush worked with Amoco Production Company in Denver, Colorado the United States. In the 1980s, Mr. Bush formed two independent oil companies which explored oil resources in various states including Wyoming, Colorado, California, and Michigan of the United States and in Argentina. In the 1990s, Mr. Bush diversified in the oil industry by becoming a part owner of Ultrafloat Corporation, a Houston based company that supplies conservation equipment to oil field storage facilities. For the past fifteen years he has founded a cutting edge education technology company and engaged in various international business development activities with a focus on Asia and the Middle East. Mr. Bush re-entered the oil and gas business by forming Nexus Energy Corporation in December 2008, which has actively developed international projects in Africa and Asia. In addition, Mr. Bush is the Chairman of TX Oil and the President of ATX Oil and through these entities he is involved in upstream oil and gas development in the United States and Turkmenistan. Mr. Bush also serves as the Chairman of the Points of Light Institute, a national charitable organization formed by President George H.W. Bush in 1989 that promotes citizen service through volunteerism in communities all across America and increasingly overseas.

Independent non-executive Directors

Mr. Yip Tak On, aged 64, has been appointed as an INED since 22 September 2004. Mr. Yip is a fellow member of the Association of Chartered Certified Accountants, HKICPA, Taxation Institute of Hong Kong, and a full member of the Hong Kong Securities Institute. Mr. Yip has founded his own Certified Public Accountants firm for more than 20 years and he is the managing director of T. O. Yip & Co., Limited. Mr. Yip is also the vice-chairman of Kwun Tong District Civic Education Committee, and the chairman of charitable institution, the Neighborhood Advice-Action Council. Mr. Yip has not held other directorships in listed company in the last three years.

Mr. Jing Baoli, aged 45, has been appointed as an INED since 28 February 2006. Mr. Jing was graduated from Beijing University Law School with a Bachelor's degree in Laws in 1987 and acquired a Master's degree in Laws from Lanzhou University in 1997. After graduation from Beijing University, he was assigned to the High Court of Gansu Province and worked in various positions till 1997. In 1997, Mr. Jing joined Gansu Tianhe Law Firm as a partner and in 1999, he joined Beijing Shuang Cheng Law Firm as an attorney-at-laws. In August 2007, Mr. Jing joined China Commercial Law Company, Guangdong.

Mr. Bao Liang Ming, aged 55, has been appointed as an INED since 1 February 2007. Mr. Bao has vast executive and management experience. He has held various directorships in state-owned enterprises in Tianjin and Beijing of the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Continued)*

Senior Management

Madam Feng Jin Mei is stationed in Guyana as the chief executive officer of Jaling Forest Industries Inc., a non-wholly owned subsidiary of the Company. She served as chief executive officer and chief financial officer of large-scale corporations and has over 19 years' management experience.

DIRECTORS' SERVICE CONTRACTS

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

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

Details of the Directors' emolument and of the five highest paid employees in the Group are set out in notes 11 and 12 of the Financial Statements. The Group ensures that pay scales of its employees are rewarded on performance-related basis within the general framework of the Group's remuneration strategy. The Directors' remuneration is determined by the Company with reference to their responsibilities to undertake the Company's performance and profitability, remuneration benchmark, prevailing market conditions and recommendation of the Remuneration Committee of the Company.

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

Save as disclosed below, as at 31 March 2011, 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 the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Long positions in shares and underlying shares of the Company

Name of Director	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
Mr. Cao Zhong *(note 1)*	NIL	2,000,000,000	NIL	NIL	2,000,000,000	10.07
Mr. Fung Tsun Pong *(note 2)*	1,061,362,449	1,055,500,000	NIL	NIL	2,116,862,449	10.66
Mr. Tsang Kam Ching, David	51,624,499	NIL	NIL	NIL	51,624,499	0.26

Note:

1. Champion Rise International Limited ("CRIL") being wholly owned by Mr. Cao Zhong was interested in 2,000,000,000 Shares, representing approximately 10.07% in the issued share capital of the Company. CRIL is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".

2. Ocean Gain Limited ("OGL") being wholly owned by Mr. Fung Tsun Pong was interested in 1,055,500,000 Shares, representing approximately 5.31% in the issued share capital 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 Stock Exchange pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein as at 31 March 2011.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 March 2011, 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

Name of Shareholder	Number of Shares		Number of underlying Shares		Total number of Shares and underlying Shares held	Approximate percentage (%) of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
中聚國際控股有限公司 (China Alliance International Holding Group Limited) *(note a)*	NIL	4,275,862,068	NIL	NIL	4,275,862,068	21.54
Champion Rise International Limited *(note b)*	NIL	2,000,000,000	NIL	NIL	2,000,000,000	10.07
Ocean Gain Limited *(note c)*	NIL	1,055,500,000	NIL	NIL	1,055,500,000	5.31
Allkeen Investments Limited *(note d)*	NIL	1,016,000,000	NIL	NIL	1,016,000,000	5.12
Vivid Beyond Securities Limited *(note e)*	NIL	NIL	NIL	2,500,000,000	2,500,000,000	12.59
Fresh Generation Development Limited *(note f)*	NIL	NIL	NIL	1,350,000,000	1,350,000,000	6.80
Power Sky Investments Limited *(note g)*	NIL	NIL	NIL	1,200,000,000	1,200,000,000	6.04

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long Position in Shares *(Continued)*

Notes:

a. China Alliance International Holding Group Ltd. ("China Alliance") is wholly owned by Ms. Zhang Lei.

b. Champion Rise International Limited ("CRIL") is wholly owned by Mr. Cao Zhong, the Chairman and an executive Director whose interest in shares or underlying shares of the Company is set out in the above section headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures". On 8 November 2010, China Alliance transferred HK$112,000,000 convertible bonds to CRIL which were converted into 2,000,000,000 ordinary Shares at HK$0.056 per Share on 24 March 2011.

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

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

e. Vivid Beyond Securities Limited, wholly owned by Hu Wei, was interested in HK$140,000,000 convertible bonds issued by the Company which are convertible into 2,500,000,000 Shares at HK$0.056 per Share.

f. Fresh Generation Development Limited, wholly owned by Hu Bing Zhuo, was interested in HK$75,600,000 convertible bonds issued by the Company which are convertible into 1,350,000,000 Shares at HK$0.056 per Share.

g. Power Sky Investments Limited, wholly owned by Xu Weidong, was interested in HK$67,200,000 convertible bonds issued by the Company which are convertible into 1,200,000,000 Shares at HK$0.056 per Share.

Save as disclosed above, as at 31 March 2011, no other persons had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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. Particulars of the Share Option Scheme are set out in note 38 of the Financial Statements.

No share option has been granted, exercised, cancelled or lapsed during the year ended 31 March 2011.

PUBLIC FLOAT OF THE LISTED SECURITIES

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

DIRECTORS' REPORT

MANAGEMENT CONTRACT

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

THE MODEL CODE

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

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee, comprising all independent non-executive Directors, namely Mr. Yip Tak On, Mr. Jing Baoli and Mr. Bao Liang Ming, is responsible for reviewing the Group's accounting practice and policies, the external audit, internal control and risk evaluation.

The Group's annual results for the year ended 31 March 2011 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

Detailed information related to the remuneration committee is set out in the Corporate Governance Report on page 22 herein.

AUDITORS

The financial statements have been audited by BDO Limited which shall retire and a resolution for its reappointment will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Cao Zhong
Chairman
Hong Kong, 28 June 2011

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance practices throughout this financial year with emphasis on enhancing accountability and transparency of the management of the Company for the sake of safeguarding the interest of the Shareholders as a whole. Save as disclosed herein below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules for the year ended 31 March 2011.

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

THE BOARD

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

Board Composition

As at 31 March 2011, there were seven Directors, of which three were executive Directors, namely Messrs Cao Zhong (the Chairman), Fung Tsun Pong (the Vice-chairman) and Tsang Kam Ching, David (the Finance Director), a non-executive Director, namely Mr. Neil Bush and three independent non-executive Directors namely, Messrs Yip Tak On, Bao Liang Ming and Jing Baoli. Details of the Directors are given on pages 11 and 12 herein. An induction regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group has been provided to all Directors shortly upon their appointment.

The Roles of the Chairman and the Board

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

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

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

THE BOARD *(Continued)*

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

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

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

The Roles of the Chief Executive Officer and its Management Team

On the other hand, the day-to-day management, administration and operation of the Company have been delegated to the chief executive officer ("CEO"), Mr. Cao Zhong since 19 November 2010. Between 1 April 2010 and 18 November 2010, the CEO role was assumed by Mr. Fung Tsun Pong. Mr. Cao heads the management team and implements decisions of the Board. The delegated functions and tasks were supervised and periodically reviewed by the Board to ensure efficiency of management.

The Board noted that the Company is expected under the CG Code to keep the roles of the chairman and chief executive officer separated and performed by different individual to ensure a balance of power and authority. However, the Company has chosen to deviate from the CG Code in view of the size of the business operation of the Group and the cost and difficulty of employing a person with suitable caliber for the post of CEO.

The non-executive Director

The Board brings in non-executive Director ("NED") with an objective to bring judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at the Board meetings as well as to take the lead on potential conflicts of interests. In light of the above, the Board brought in a NED during the year under review to scrutinise the company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance

The independent non-executive Directors

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

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

THE BOARD *(Continued)*

Board Meetings

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

	Name of Directors	Attended/ Eligible to Attend
Executive Directors	Cao Zhong	3/3
	Fung Tsun Pong	8/8
	Tsang Kam Ching, David	8/8
Non-executive Directors	Peng Ru Chuan	0/2
	Neil Bush	0/1
Independent non-executive Directors	Yip Tak On	7/8
	Jing Baoli	7/8
	Bao Liang Ming	7/8

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

Amongst the Board meetings held during the financial year, 2 were also regular Board meetings with written notice of the meeting despatched to all Directors at least 14 days before the meeting and an agenda with all supporting documents no less than 3 days prior to the meeting. The regular Board meetings have achieved active participation of the Directors. The Directors note that the CG Code requires the Board to hold at least 4 regular meetings a year at approximately quarterly intervals. However, in view of the size and activities of the Group during the year, the Directors considered 4 regular meetings to be unnecessary and indeed all the executive Directors and independent non-executive Directors have very high attendance rate in relation to all Board meetings convened during the year.

THE BOARD *(Continued)*

Board Meetings *(Continued)*

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

Save as disclosed above, the Company has complied with the code provisions set out in the CG Code for this financial year.

Board Committees

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

AUDIT COMMITTEE

The terms of reference of the Audit Committee was amended on 26 September 2005 to bring them in line with the CG Code. The Audit Committee is accountable to the Board and consists of all the three INEDs namely of Messrs Yip Tak On, Jing Baoli and Bao Liang Ming.

The Committee reviewed the completeness and accuracy of the Company's financial statements, annual reports and accounts and half-year reports and provided assurance to the Board that these documents comply with the respective accounting policies, the standards and practices, the Stock Exchange and legal requirements. The Committee also reviewed the adequacy and effectiveness of the financial controls, internal control and risk management systems. It also made recommendation to the Board on the appointment and removal of external auditors and their terms of engagement as well as monitor the external auditors' independence and effectiveness and recommended appropriate actions required.

The Audit Committee held 2 meetings during the financial year, the attendances of which were as follows: Mr. Yip Tak On (2/2), Mr. Jing Baoli (2/2) and Mr. Bao Liang Ming (2/2).

AUDIT COMMITTEE *(Continued)*

A summary of the work performed by the Audit Committee for the financial year ended 31 March 2011 is set out below:

(a) approve the remuneration and terms of engagement of the external auditors;

(b) review the external auditors' independence and the effectiveness of the audit process;

(c) make recommendation to the Board on the re-appointment of external auditors;

(d) review with the Finance Director and/or the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements before submission to the Board;

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

(f) review the effectiveness of the financial control, internal control and risk management systems of the Group; and

(g) review with the external auditors the impact of the amendments to the accounting principles and standards to the Group and the development of corporate governance.

REMUNERATION COMMITTEE

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

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

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

REMUNERATION COMMITTEE *(Continued)*

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

The Remuneration Committee held 1 meeting during this financial year, the attendance of which were as follows: Mr. Tsang Kam Ching, David (1/1), Mr. Yip Tak On (1/1), Mr. Jing Baoli (1/1) and Mr. Bao Liang Ming (1/1).

INTERNAL CONTROL

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

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

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

SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the securities transactions by directors (the "Securities Code") on terms no less than the required standard set out in the Model Code. A copy of the Securities Code has been sent to each Director first on his appointment and thereafter reminders were sent to the Directors twice annually, namely two month before the date of the Board meeting to respectively approve the Company's interim and annual results, with a notice that the Directors cannot deal in the securities and derivatives of the Company until after the results announcement has been published.

Under the Securities Code, Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in any securities of the Company and, in the case of the Chairman himself, he must notify the Board at a Board meeting or alternatively, another executive Director and receive a dated written acknowledgement before any dealing. The Company has made specific enquiries on Directors' dealings in the securities of the Company and all Directors have confirmed that they have complied with the required standard set out in the Securities Code throughout the year. Directors' interests as at 31 March 2011 in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out on pages 13 and 14 of this Annual Report.

EXTERNAL AUDITORS

The external auditors are primarily responsible for auditing and reporting on the annual financial statements. In this financial year, the total remuneration paid to the external auditors was approximately HK$1,463,000, of which HK$1,230,000 and HK$233,000 were respectively paid for audit service and advice, and other non-audit services.

INVESTOR RELATIONS

The Company continues to enhance relationships and communication with its investors. Extensive information about the Company's performance and activities provided in this Annual Report and the Interim Report which has been sent to the Shareholders.

All Shareholders are encouraged to attend the annual general meeting to discuss matters relating to the Company. Any inquiries from the Shareholders can be addressed to the Board.

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

If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CHINA TIMBER RESOURCES GROUP LIMITED
（中國木業資源集團有限公司）
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Timber Resources Group Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 27 to 111, which comprise the consolidated and company statements of financial position as at 31 March 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Choi Man On
Practising Certificate no.: P02410

Hong Kong, 28 June 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Turnover	5	**13,332**	21,171
Cost of sales		**(16,485)**	(19,528)
Gross (loss)/profit		**(3,153)**	1,643
Gain on change in fair value of investment property	16	**1,157**	148
(Loss)/gain on change in fair value less costs to sell of biological assets	20	**(22,458)**	4,869
Change in fair value of derivative financial instrument	24	**(67,726)**	29,820
Other income and other gains or losses	7	**6,054**	6,983
Realised gain on financial assets at fair value through profit or loss		**—**	729
Selling and administrative expenses		**(71,208)**	(71,478)
Finance costs	8	**(184)**	(9,633)
Loss before income tax expense	9	**(157,518)**	(36,919)
Income tax expense	10	**(12)**	248
Loss for the year		**(157,530)**	(36,671)
Loss attributable to:			
Owners of the Company	13	**(153,670)**	(33,119)
Non-controlling interests		**(3,860)**	(3,552)
		(157,530)	(36,671)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	15		
— Basic		**(1.026)**	(0.31)
— Diluted		**(1.026)**	(0.49)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Loss for the year	**(157,530)**	(36,671)
Other comprehensive income:		
Exchange differences on translation of financial statements of foreign operations	**49,245**	3,164
Other comprehensive income for the year, net of tax	**49,245**	3,164
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(108,285)**	(33,507)
Total comprehensive income attributable to		
Owners of the Company	**(103,599)**	(30,645)
Non-controlling interests	**(4,686)**	(2,862)
	(108,285)	(33,507)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Non-current assets			
Investment property	16	**49,800**	44,900
Property, plant and equipment	17	**134,260**	131,492
Other properties under development	18	**194,341**	170,680
Prepaid lease payments	19	**32,977**	32,211
Biological assets	20	**95,781**	94,014
Forest concession rights	21	**521,643**	528,545
Long term prepayments	22	**9,004**	35,261
Derivative financial instrument	24	**213,094**	411,498
Total non-current assets		**1,250,900**	1,448,601
Current assets			
Properties under development for sale	25	**1,077,653**	911,560
Inventories	26	**135,232**	128,646
Trade and other receivables	27	**51,908**	29,078
Prepaid lease payments	19	**657**	704
Cash and cash equivalents	28	**591,575**	19,759
Total current assets		**1,857,025**	1,089,747
Total assets		**3,107,925**	2,538,348
Current liabilities			
Trade and other payables	29	**92,722**	50,778
Promissory note	30	**284,797**	59,930
Deferred government grant	31	**9,277**	8,915
Amount due to a joint venture partner	32	**59,270**	—
Amount due to a director	33	**12,446**	2,000
Borrowings	34	**6,164**	5,696
Total current liabilities		**464,676**	127,319
Net current assets		**1,392,349**	962,428
Total assets less current liabilities		**2,643,249**	2,411,029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Non-current liabilities			
Deferred tax liabilities	35	**1,574**	1,574
Deferred government grant	31	**116,407**	111,871
Convertible bond	36	**263,112**	361,205
Promissory note	30	**—**	177,332
Acreage fees payable		**11,020**	11,083
Total non-current liabilities		**392,113**	663,065
Total liabilities		**856,789**	790,384
Net assets		**2,251,136**	1,747,964
Capital and reserves attributable to owners of the Company			
Share capital	37	**198,429**	144,129
Reserves		**2,037,509**	1,583,951
Equity attributable to owners of the Company		**2,235,938**	1,728,080
Non-controlling interests		**15,198**	19,884
Total equity		**2,251,136**	1,747,964

On behalf of the Board

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	17	**213**	137
Interests in subsidiaries	23	**1,842,925**	1,823,765
Derivative financial instrument	24	**213,094**	411,498
Total non-current assets		**2,056,232**	2,235,400
Current assets			
Trade and other receivables	27	**12,284**	7,263
Cash and cash equivalents	28	**559,582**	801
Total current assets		**571,866**	8,064
Current liabilities			
Trade and other payables	29	**7,985**	14,955
Promissory note	30	**284,797**	59,930
Amount due to a director	33	**12,446**	2,000
Total current liabilities		**305,228**	76,885
Net current asset/(liabilities)		**266,638**	(68,821)
Total assets less current liabilities		**2,322,870**	2,166,579
Non-current liabilities			
Convertible bond	36	**263,112**	361,205
Promissory note	30	**—**	177,332
Total non-current liabilities		**263,112**	538,537
Total net assets		**2,059,758**	1,628,042
Capital and reserves			
Share capital	37	**198,429**	144,129
Reserves		**1,861,329**	1,483,913
Total equity		**2,059,758**	1,628,042

On behalf of the Board

Mr. Cao Zhong
Director

Mr. Tsang Kam Ching, David
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

THE GROUP

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000 (Note (i))	Capital redemption reserve HK$'000	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Forest rights revaluation reserve HK$'000	Convertible bond reserve HK$'000 (Note (ii))	Translation reserve HK$'000 (Note (iii))	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2009	101,370	–	4,000	3,800	20,918	23,868	76,213	–	14,951	806,300	1,051,420	22,971	1,074,391
Loss for the year	–	–	–	–	–	–	–	–	–	(65,223)	(65,223)	(3,552)	(68,775)
Other comprehensive income for the year	–	–	–	–	–	–	–	–	2,415	–	2,415	690	3,105
Total comprehensive income for the year	–	–	–	–	–	–	–	–	2,415	(65,223)	(62,808)	(2,862)	(65,670)
Effect of change in accounting policy on prepaid lease payments	–	–	–	–	–	–	–	–	59	32,104	32,163	–	32,163
Total comprehensive income for the year as restated	–	–	–	–	–	–	–	–	2,474	(33,119)	(30,645)	(2,862)	(33,507)
Disposal of equity interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(225)	(225)
Issue of shares for the acquisition of subsidiaries	42,759	229,482	–	–	–	–	–	–	–	–	272,241	–	272,241
Issue of convertible bond *(Note 36)*	–	–	–	–	–	–	–	435,064	–	–	435,064	–	435,064
Release of reserve upon lapse of warrants	–	–	(4,000)	–	–	–	–	–	–	4,000	–	–	–
At 31 March 2010, as restated	144,129	229,482	–	3,800	20,918	23,868	76,213	435,064	17,425	777,181	1,728,080	19,884	1,747,964
Loss for the year	–	–	–	–	–	–	–	–	–	(153,670)	(153,670)	(3,860)	(157,530)
Other comprehensive income	–	–	–	–	–	–	–	–	50,071	–	50,071	(826)	49,245
Total comprehensive income for the year	–	–	–	–	–	–	–	–	50,071	(153,670)	(103,599)	(4,686)	(108,285)
Placement of shares, less placement expense	18,000	516,556	–	–	–	–	–	–	–	–	534,556	–	534,556
Issue of shares on conversion of convertible bond *(Note 36)*	33,429	150,715	–	–	–	–	–	(173,285)	–	–	10,859	–	10,859
Issue of shares on exercise of warrants *(Note 40)*	2,871	63,171	–	–	–	–	–	–	–	–	66,042	–	66,042
At 31 March 2011	198,429	959,924	–	3,800	20,918	23,868	76,213	261,779	67,496	623,511	2,235,938	15,198	2,251,136

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000 (Note (i))	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note (iv))	Convertible bond reserve HK$'000 (Note (iii))	Retained profits HK$'000	Total HK$'000
At 1 April 2009	101,370	–	4,000	3,800	64,314	–	741,016	914,500
Total comprehensive income for the year	–	–	–	–	–	–	6,237	6,237
Issue of shares for the acquisition of subsidiaries	42,759	229,482	–	–	–	–	–	272,241
Issue of convertible bond *(Note 36)*	–	–	–	–	–	435,064	–	435,064
Release of reserve upon lapse of warrants	–	–	(4,000)	–	–	–	4,000	–
At 31 March 2010	144,129	229,482	–	3,800	64,314	435,064	751,253	1,628,042
Total comprehensive income for the year	–	–	–	–	–	–	(179,741)	(179,741)
Placement of shares, less placement expense	18,000	516,556	–	–	–	–	–	534,556
Issue of shares on conversion of convertible bonds *(Note 36)*	33,429	150,715	–	–	–	(173,285)	–	10,859
Issue of shares on exercise of warrants *(Note 40)*	2,871	63,171	–	–	–	–	–	66,042
At 31 March 2011	198,429	959,924	–	3,800	64,314	261,779	571,512	2,059,758

Notes:

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

On 14 July 2006, the Company issued 960,000,000 un-listed warrants at an issue price of HK$4,000,000 by private placement. Each warrant entitles the holder to subscribe for one ordinary share at an initial subscription price of HK$0.09 per Subscription Share during the three years period from the date of allocation and issue of the warrants. All warrants lapsed upon expiry on 31 July 2009.

(ii) The convertible bond reserve represents the equity component of outstanding convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond in Note 3(r)(iii).

(iii) Translation reserve represents all exchange differences arising from the translation of the financial statements of foreign operations.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 **HK$'000**	2010 HK$'000 (Restated)
Cash flows from operating activities		
Loss before income tax expense	**(157,518)**	(36,919)
Adjustments for:		
Interest income	**(161)**	(163)
Interest on promissory note	**—**	3,780
Interest on convertible bond	**—**	5,853
Depreciation of property, plant and equipment	**11,269**	10,411
Change in fair value of derivative financial instrument	**67,726**	(29,820)
Gain on change in fair value of investment property	**(1,157)**	(148)
Loss/(gain) on change in fair value less costs to sell of biological assets	**22,458**	(4,869)
Realised gain on financial assets at fair value through profit or loss	**—**	(729)
Release of deferred government grant	**—**	(338)
Release of prepaid lease payments	**657**	704
Amortisation of forest concession rights	**6,896**	2,214
Loss/(gain) on deregistration of a subsidiary	**27**	(225)
(Gain)/loss on disposal of property, plant and equipment, net	**(163)**	53
Interest expense	**184**	—
Write down of inventories, net	**5,293**	1,059
Operating loss before changes in working capital	**(44,489)**	(49,137)
Increase in inventories	**(13,055)**	(8,429)
Increase in trade and other receivables	**(11,666)**	(592)
Increase in trade and other payables	**42,973**	31,276
Decrease in acreage fees payable	**(63)**	(285)
Increase of biological assets due to plantation expenditure incurred	**(11,022)**	(18,647)
Decrease of biological assets due to direct sales	**1,409**	1,568
Effect of foreign exchange difference	**(331)**	(6,176)
Cash used in operations	**(36,244)**	(50,422)
Interest received	**161**	163
Interest paid	**(4,579)**	—
Overseas tax (paid)/refund	**(12)**	248
Net cash used in operating activities	**(40,674)**	(50,011)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000 (Restated)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(12,759)**	(30,637)
Additions of properties under development for sale	**(48,792)**	–
Additions of other properties under development	**(1,699)**	–
Net decrease in long term prepayments	**1,746**	13,266
Net cash outflow arising on acquisition of subsidiaries	**–**	(47,888)
Receipts of deferred government grant	**–**	6,886
Proceeds from disposal of property, plant and equipment	**2,547**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	1,611
Net cash used in investing activities	**(58,957)**	(56,762)
Cash flows from financing activities		
Repayment of borrowings	**(5,696)**	(14,212)
Proceeds from placement of share, net of placement expenses	**534,556**	–
Proceeds from share issued upon exercise of warrants	**66,042**	–
Proceeds from a joint venture partner	**59,270**	–
Proceeds from borrowings	**6,164**	5,696
Advance from a director	**10,446**	2,000
Net cash generated from/(used in) financing activities	**670,782**	(6,516)
Net increase/(decrease) in cash and cash equivalents	**571,151**	(113,289)
Effect of foreign exchange rate changes on cash and cash equivalents	**665**	312
Cash and cash equivalents at beginning of year	**19,759**	132,736
Cash and cash equivalents at end of year representing cash and bank balances	**591,575**	19,759

1. CORPORATE INFORMATION

The Company is an exempted Company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). The address of the registered office is the office of Caledonian Bank & Trust Limited, Caledonian House, George Town, Grand Cayman, Cayman Islands. Its principal place of business is located at Room 1801-07, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Group are forest operation and management, timber logging and trading, timber processing, sale of timber products, plantation and trading of seedlings, cold storage warehouse rental, property development and asset management.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs — effective 1 April 2010 *(Continued)*

HKFRS 3 (Revised) — Business Combinations and HKAS 27 (Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are described in note 3 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendments) — Leases

HKAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "prepaid lease payments", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 April 2010 on the basis of information existing at the inception of those leases, and considered the leasehold land in the People's Republic of China (the "PRC") remained as operating lease. As a result of the reassessment, the Group has not reclassified any leasehold land from operating lease to finance lease.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs — effective 1 April 2010 *(Continued)*

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 — Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

The adoption of the requirements of HK Interpretation 5 has no impact to the financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[3]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[4]
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sales. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

A summary of significant accounting policies adopted by the Group is set out below.

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under historical cost basis except for investment property, buildings included in property, plant and equipment, derivative financial instruments, and biological assets, which are measured at revalued amounts, fair values or fair value less costs to sell as explained in the accounting policies set out below.

(c) Changes in accounting policies

During the year, the Group changed its accounting policy for land use rights which is held for development and subsequent sale or use in production of goods or services or for administrative purposes.

Land use rights which are held for development and subsequent sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land under HKAS 17 "Leases". Previously, land use rights held for development and subsequent sale were classified as prepaid leases payments and were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land during the development phase was capitalised as part of the construction costs of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in profit or loss. Subsequent to the change in accounting policy, land use rights which is held for development and subsequent sale are classified as inventories and included in "properties under development for sale" in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Also, the directors considered that payments for land use rights constitute an element of costs for self-constructed or jointly-constructed property, plant and equipment. Subsequent to the change in accounting policy, land use rights held for development and subsequent use in production of goods or services or administrative purposes are included in "other properties under development" in accordance with HKAS 16 and measured at cost less any accumulated impairment losses, if any. No provision for amortisation is made on other properties under development until such time as the relevant assets are completed and are available for intended use.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Management believes that the new classification of land use rights results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects management's intention regarding the use of the land use rights and results in a presentation consistent with the industry practices.

The change in accounting policy has been accounted for retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the consolidated financial statements have been restated by reversing the amortisation charged in prior years. The effect on the consolidated financial statements is as follows:

	As at 31 March	
	2011	2010
	HK$'000	*HK$'000*
Increase in other properties under development — non-current	**194,341**	170,680
Increase in properties under development for sale — current	**—**	911,560
Decrease in prepaid lease payment — non-current	**174,665**	1,050,077
Increase in retained profits	**19,188**	32,104
Increase in translation reserve	**488**	59

	For the year ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
Decrease in selling and administrative expenses	**19,188**	32,104
Decrease in loss attributable to owners of the Company	**19,188**	32,104
Decrease in loss per share (basic and diluted)	**0.13 cents**	0.3 cents

The 2010 comparatives have been restated in these financial statements to effect the above adjustments. Under HKAS 1 "Presentation of Financial Statements", this restatement would ordinarily require the presentation of a consolidated statement of financial position as at 1 April 2009. However, as the restatement would have no effect on the previously published consolidated statement of financial position as at that date, the directors do not consider that this would provide any additional information and, in consequence, have not presented it in these financial statements.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Group accounting

(i) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Business combination from 1 April 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Group accounting *(Continued)*

(i) ***Business combination and basis of consolidation*** (Continued)

Business combination from 1 April 2010 (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 April 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised in profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Group accounting *(Continued)*

(ii) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(f) Foreign currency

Transactions and balances

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

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

On consolidation

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

(i) assets and liabilities of foreign operations are translated at the closing rate at the end of the reporting period;

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Foreign currency *(Continued)*

On consolidation *(Continued)*

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

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve on consolidation. When a foreign operation is sold, such exchange differences are reclassified to the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in translation reserve.

(g) Property, plant and equipment

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

Building is stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve per consolidated statement of changes in equity. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the asset revaluation reserve.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the asset revaluation reserve to retained profits.

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

Buildings	4%
Leasehold improvements	20%
Furniture, machinery and equipment	20%
Motor vehicles	20%
Vessels	10%

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

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

(h) Prepaid lease payment

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the lands are classified as properties under development for sale (Note 3(n)) or other properties under development (Note 3(o)).

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

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

(j) Forest concession rights

Forest concession licenses acquired by the Group are stated at cost, being the fair value at the date of acquisition in a business combination less accumulated amortisation and any accumulated impairment losses. These licenses give the Group the rights to harvest trees in the allocated concession forests in designated area in Guyana.

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

During the year, the Group revised the amortisation method of forest concession rights from the units of production method based on volume to straight-line method over the remaining useful life.

The details and effect of such change is set out in Note 21. The useful lives are as follows:

Forest concession rights	Over the remaining license period of the Forest concession rights

(k) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

(l) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets, agricultural produce and seedlings, are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Biological assets *(Continued)*

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

(m) Jointly controlled operations

Assets that the Group controls and liabilities that it incurs in relation to jointly controlled operations are recognised in the Group's consolidated statement of financial position on an accrual basis and classified according to the nature of the item. The Group's share of income that it earns from jointly controlled operations together with the expenses that it incurs are included in profit or loss when it is probable that economic benefits associated with the transaction will flow to/from the Group.

(n) Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business under prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development for sale are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operation cycle.

(o) Other properties under development

Other properties under development are stated at cost less accumulated impairment losses, if any. Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to property, plant and equipment. No provision for depreciation is made on other properties under development until such time as the relevant assets are completed and are available for intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Inventories

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

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

The cost of timber harvested from biological assets is its fair value less costs to sell at the date of harvest, determined in accordance with the accounting policy for biological assets. (Note 3(l)). Any change in value through the date of harvest is recognised in profit or loss.

(q) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. Financial assets are subsequently accounted for as follows, depending on their classification:

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

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Financial assets *(Continued)*

(ii) Loans and receivables

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

(iii) Impairment loss on financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the debtor or counterparty; or
- a breach of contract, such as default or delinquency in interest or principal payments; or
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Financial assets *(Continued)*

(iv) Effective interest method

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

(v) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

(r) Financial liabilities and equity instruments issued by the Group

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

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

(i) Equity instruments

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

(ii) Financial liabilities

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(iii) Convertible bond

Convertible bond issued by the Company that contain liability component, redemption option and equity component are classified separately into respective items on initial recognition. The redemption option represents the Company's option to early redeem before maturity date. At the date of issue, both the liability component and redemption option are recognised at fair value. The fair value of the liability and redemption option are determined using the prevailing market interest rate of similar non-convertible instruments. The equity component is determined by deducting the amount of the liability component and redemption option from the fair value of the compound instrument as a whole. This is recognised and included in equity as convertible bond reserve, net of income tax effects, and is not subsequently remeasured.

In subsequent reporting periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The redemption option is measured at fair value with change in fair value recognised in profit or loss. The equity component represented by the option to convert the liability component into ordinary shares of the Company will remain in the convertible bond reserve until the conversion option is exercised, in which case, the convertible bond reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible bond reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

(iv) Effective interest method

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

(v) Derecognition of financial liabilities

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Cash and cash equivalents

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

(t) Borrowings

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

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

(u) Taxation

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(v) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits schemes

The Company's PRC subsidiaries participate in defined contribution retirement schemes organised by the local government authorities in the PRC. All of the PRC employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC subsidiaries are required to contribute certain percentage ranged from 17% to 20% of the basic salaries of their PRC employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to profit or loss of the Group as they become payable in accordance with the rules of scheme.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits *(Continued)*

(iii) Share-based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is recognised in profit or loss over the vesting period with a corresponding increase in the employee share based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

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

(w) Provision and contingent liabilities

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Provision and contingent liabilities *(Continued)*

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

(x) Revenue recognition

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

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

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

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

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

(y) Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Leases *(Continued)*

The Group as lessor *(Continued)*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

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

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

(z) Borrowing costs

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(aa) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Income tax

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

(c) Fair value estimation

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

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

(d) Fair value of biological assets

Management estimates the current market prices less costs to sell of biological assets at the end of each reporting period with reference to market prices and professional valuations. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(e) Net realisable value of inventories

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

(f) Estimated net realisable value on properties under development for sale and other properties under development

In determining whether allowances should be made for the Group's properties under development for sale and other properties under development, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development for sale and other properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount for the properties under development for sale is HK$1,077,653,000 (2010: HK$911,560,000) and the carrying amount for the other properties under development is HK$194,341,000 (2010: HK$170,680,000).

5. TURNOVER

Turnover, which is also the revenue, represents the net invoiced value of goods sold and rental income earned by the Group. The amounts of each significant category of revenue recognised during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Income from timber logging and trading	**607**	11,855
Sales of seedlings	**2,617**	2,528
Sales of furniture and handicrafts	**7,552**	5,125
Sales of tea oil	**1,797**	981
Gross rental income from cold storage warehouse (before direct outgoings of HK$98,000 (2010: HK$49,000))	**759**	682
	13,332	21,171

6. 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, and sales of seedlings

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

— Property development and asset management

— Cold storage warehouse leasing

Segment assets exclude derivative financial instrument and cash and cash equivalents 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.

(a) Reportable Segment

There was no inter-segment sale or transfer during the year (2010: 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.

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2011

	Timber logging and trading HK$'000	Other timber operation HK$'000	Property development and asset management HK$'000	Cold storage warehouse leasing HK$'000	Total HK$'000
REVENUE					
Revenue from external customers	3,224	9,349	–	759	13,332
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	3,224	9,349	–	759	13,332
Reportable segment (loss)/profit	(15,506)	(26,221)	(1,911)	15	(43,623)
Reportable segment assets	582,035	307,811	1,259,518	68,734	2,218,098
Reportable segment liabilities	(12,042)	(61,726)	(211,091)	(230)	(285,089)
Other segment information					
Additions of property, plant and equipment	–	5,620	365	–	5,985
Unallocated additions of property, plant and equipment					6,774
Total additions of property, plant and equipment					12,759
Additions of other properties under development	–	–	16,739	–	16,739
Additions of biological assets	21,269	1,757	–	–	23,026
Depreciation and impairment loss of property, plant and equipment	2,532	3,817	54	–	6,403
Unallocated depreciation and impairment loss of property, plant and equipment					4,866
Total depreciation and impairment loss of property, plant and equipment					11,269
Amortisation of prepaid lease payments	–	577	–	–	577
Unallocated amortisation of prepaid lease payments					80
Total amortisation of prepaid lease payments					657

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2011 *(Continued)*

	Timber logging and trading *HK$'000*	Other timber operation *HK$'000*	Property development and asset management *HK$'000*	Cold storage warehouse leasing *HK$'000*	Total *HK$'000*
Amortisation of forest concession rights	6,896	–	–	–	6,896
Gain on change in fair value of investment property	–	–	–	1,157	1,157
Loss on change in fair value less costs to sell of biological assets	(20,338)	(2,120)	–	–	(22,458)
Write down of inventories, net	–	(5,293)	–	–	(5,293)
Interest income	1	34	123	–	158
Unallocated interest income					3
Total interest income					161
Interest on short term borrowing	184	–	–	–	184
Income tax expense	–	12	–	–	12

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2010

	Timber logging and trading HK$'000	Other timber operation HK$'000	Property development and asset management HK$'000 (Restated)	Cold storage warehouse leasing HK$'000	Total HK$'000 (Restated)
REVENUE					
Revenue from external customers	14,383	6,106	–	682	21,171
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	14,383	6,106	–	682	21,171
Reportable segment loss	(17,370)	(18,859)	–	(59)	(36,288)
Reportable segment assets	817,218	80,971	1,084,392	44,900	2,027,481
Reportable segment liabilities	(41,514)	(15,555)	(113,907)	(198)	(171,174)
Other segment information					
Additions of property, plant and Equipment	1,005	29,132	–	–	30,137
Unallocated additions of property, plant and equipment					14,275
Total additions of property, plant and equipment					44,412
Additions to other properties under development	–	–	170,785	–	170,785
Additions of biological assets	6,724	11,923	–	–	18,647
Depreciation and impairment loss of property, plant and equipment	3,869	2,263	1	1	6,134
Unallocated depreciation and impairment loss of property, plant and equipment					4,277
Total depreciation and impairment loss of property, plant and equipment					10,411
Amortisation of prepaid lease payments	623	–	–	–	623
Unallocated amortisation of prepaid lease payments					81
Total amortisation of prepaid lease payments					704

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable Segment *(Continued)*

For the year ended 31 March 2010 *(Continued)*

	Timber logging and trading *HK$'000*	Other timber operation *HK$'000*	Property development and asset management *HK$'000*	Cold storage warehouse leasing *HK$'000*	Total *HK$'000*
Amortisation of forest concession rights	2,214	–	–	–	2,214
Gain on change in fair value of investment property	–	–	–	148	148
Gain on change in fair value less costs to sell of biological assets	4,869	–	–	–	4,869
Write down of inventories, net	–	(1,059)	–	–	(1,059)
Interest income	59	85	–	–	144
Unallocated interest income					19
Total interest income					163
Over provision of income tax expense	(248)	–	–	–	(248)

6. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment loss, assets and liabilities

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Reportable segment loss before income tax expense	**(43,623)**	(36,288)
Gain on change in fair value of investment property	**1,157**	148
(Loss)/gain on change in fair value less costs to sell of biological assets	**(22,458)**	4,869
Change in fair value of derivative financial instrument	**(67,726)**	29,820
Other income and other gains or losses	**5,511**	6,592
Realised gain on financial assets at fair value through profit or loss	**—**	729
Unallocated corporate expenses	**(30,195)**	(33,156)
Finance costs	**(184)**	(9,633)
Consolidated loss before income tax expense	**(157,518)**	(36,919)

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Assets:		
Reportable segment assets	**2,218,098**	2,027,481
Derivative financial instrument	**213,094**	411,498
Cash and cash equivalents	**591,575**	19,759
Unallocated corporate assets	**85,158**	79,610
Consolidated total assets	**3,107,925**	2,538,348
Liabilities:		
Reportable segment liabilities	**285,089**	171,174
Deferred tax liabilities	**1,574**	1,574
Promissory note	**284,797**	237,262
Convertible bond	**263,112**	361,205
Unallocated corporate liabilities	**22,217**	19,169
Consolidated total liabilities	**856,789**	790,384

6. SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The Group operates in four principal geographical areas — the People's Republic of China (excluding Hong Kong) (the "PRC"), Hong Kong, Australia and Guyana.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

	Revenue from external customers		**Specified non-current assets**	
	2011 *HK$'000*	2010 *HK$'000*	**2011 *HK$'000***	2010 *HK$'000* (Restated)
PRC	**11,966**	8,355	**435,510**	430,136
Hong Kong	**—**	3,191	**13,369**	14,016
Australia	**759**	682	**49,800**	44,900
Guyana	**607**	8,943	**539,127**	548,051
	13,332	21,171	**1,037,806**	1,037,103

(d) Information about major customers

The Group's customer base is not diversified and there were four (2010: two) customers with whom transactions have exceeded 10% of the Group's revenues. Revenues from one (2010: one) customer in the timber logging and trading segment was approximately HK$1,702,000 (2010: HK$5,536,000) and revenues from three (2010: one) customers from other timber operation segment was approximately HK$6,193,000 (2010: HK$4,134,000).

7. OTHER INCOME AND OTHER GAINS OR LOSSES

Other income and other gains or losses comprises:

	2011 *HK$'000*	2010 *HK$'000*
Interest income	**161**	163
Exchange gain, net	**5,041**	6,453
(Loss)/gain on deregistration of a subsidiary	**(27)**	225
Gain on disposal of property, plant and equipment	**163**	—
Others	**716**	142
	6,054	6,983

8. FINANCE COSTS

	2011 *HK$'000*	2010 *HK$'000*
Interest on short term borrowings wholly repayable within five years	**184**	–
Interest expenses on convertible bond maturing within five years	**47,839**	5,853
Interest expenses on promissory note maturing within five years *(note i)*	**47,535**	3,780
Total borrowing cost	**95,558**	9,633
Less: Amount capitalised *(note ii)*	**(95,374)**	–
	184	9,633

Notes:

i. During the year, the Group defaulted on payment of the principal and interest of the promissory note (Note 30). Interest expense for the current year comprised of imputed interest up to the date of default, coupon interest thereafter and early recognition of remaining imputed interest to maturity date resulting from default of payment.

ii. Borrowing costs capitalised during the year arose on specific borrowings to expenditure on qualifying assets.

9. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is stated after charging:

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Auditor's remuneration	**1,230**	1,200
Depreciation of property, plant and equipment *(note i)*	**11,269**	10,411
Amortisation of forest concession rights included in selling and administrative expenses	**6,896**	2,214
Amortisation of prepaid lease payments *(note ii)*	**657**	704
Cost of inventories and timber harvested:		
– Upon sales	**11,192**	18,469
– Write down of inventories	**5,293**	1,059
Staff costs (excluding director's remuneration):		
– Salaries and allowances *(note iii)*	**15,648**	25,437
– Defined contribution pension cost	**286**	357

9. LOSS BEFORE INCOME TAX EXPENSE *(Continued)*

Note (i): An analysis of the Group's depreciation of property, plant and equipment is as follows:

	2011 **HK$'000**	2010 HK$'000
Amounts included in biological assets	**180**	157
Amounts included in cost of sales	**506**	291
Amounts included in selling and administrative expenses	**10,583**	9,963
	11,269	10,411

Note (ii): An analysis of the Group's amortisation of prepaid lease payments is as follows:

	2011 **HK$'000**	2010 HK$'000 (Restated)
Amounts included in biological assets	**536**	582
Amounts included in selling and administrative expenses	**121**	122
	657	704

Note (iii): Salaries and allowances of HK$1,032,000 (2010: HK$2,025,000) has been included in the cost of sales on the face of the consolidated income statement.

10. INCOME TAX EXPENSE

The income tax expense comprises:

	2011 **HK$'000**	2010 HK$'000
PRC enterprise income tax		
— current year	**12**	—
— over provision, in respect of prior years	**—**	(248)
Income tax expense	**12**	(248)

10. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the loss per the consolidated income statement as follows:

	2011 ***HK$'000***	2010 *HK$'000* (Restated)
Loss before income tax expense	**(157,518)**	(36,919)
Tax calculated at 16.5%	**(25,990)**	(6,092)
Over provision in prior years	**—**	(248)
Net effect of non-taxable/deductible items	**21,085**	(4,510)
Net effect of tax losses and temporary differences not recognised	**8,165**	14,086
Tax effect on tax exemption granted by PRC tax authority	**(260)**	(369)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,988)**	(3,115)
Income tax expense	**12**	(248)

The statutory tax rate for Hong Kong profits tax is 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the years ended 31 March 2011 and 2010.

The subsidiaries in Guyana are liable to Guyana income tax at a rate of 45% (2010: 45%). No provision for Guyana income tax has been made as the subsidiaries in Guyana sustained losses for taxation purposes for the years ended 31 March 2011 and 2010.

The subsidiaries in Australia are liable to Australian income tax at a rate of 30% (2010: 30%). No provision for Australian income tax has been made as the subsidiaries in Australian sustained losses for taxation purposes for the years ended 31 March 2011 and 2010.

The State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "Implementation Rules"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from PRC enterprise income tax commencing from 1 January 2008. Two subsidiaries of the Group, namely 樹人木業(大埔)有限公司 and 樹人苗木組培(大埔)有限公司 are qualified as forestry operation enterprise by the local tax authorities and so they are fully exempted from PRC enterprise income tax.

For the year ended 31 March 2011, the statutory corporate income tax rates applicable to the subsidiaries established and operating in the PRC is 25% (2010: 25%).

11. DIRECTORS' REMUNERATION

Details of remuneration of each director are shown below:

Year ended 31 March 2011

Name of director	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Cao Zhong *(i)*	—	1,320	5	1,325
Fung Tsun Pong	—	3,380	12	3,392
Tsang Kam Ching, David	—	2,300	12	2,312
Non-executive directors				
Peng Ru Chuan *(ii)*	—	—	—	—
Neil Bush *(iii)*	—	—	—	—
Independent non-executive directors				
Yip Tak On	120	—	—	120
Jing Baoli	120	—	—	120
Bao Liang Ming	120	—	—	120
	360	7,000	29	7,389

Year ended 31 March 2010

Name of director	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Fung Tsun Pong	—	3,600	12	3,612
Lau Sing Hung, Stephen *(iv)*	—	3,000	10	3,010
Tsang Kam Ching, David	—	1,800	12	1,812
Chow Ki Shui, Louie *(v)*	—	1,650	11	1,661
Independent non-executive directors				
Yip Tak On	120	—	—	120
Jing Baoli	120	—	—	120
Bao Liang Ming	120	—	—	120
	360	10,050	45	10,455

11. DIRECTORS' REMUNERATION *(Continued)*

Note:

(i) appointed on 19 November 2010

(ii) appointed on 19 November 2010 and resigned on 17 December 2010

(iii) appointed on 7 December 2010

(iv) resigned on 29 January 2010

(v) resigned on 28 February 2010

During the years ended 31 March 2011 and 2010, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included three (2010: four) directors, details of whose emoluments are set out in Note 11 to the financial statements. The aggregate of the emoluments paid or payable to the remaining two (2010: one) individuals is as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Salaries and other benefits	**1,415**	507
Retirement benefit scheme contributions	**—**	—
	1,415	507

The emoluments of the employees are within the following band:

	Number of employees	
	2011	2010
Nil — HK$1,000,000	**2**	1

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2011 includes a loss of approximately HK$179,741,000 (2010: profit of HK$6,237,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 March 2011 (2010: HK$Nil).

15. LOSS PER SHARE

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

Loss attributable to owners of the Company

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Loss for the purposes of basic loss per share	**(153,670)**	(33,119)
Interest on convertible bond	**—**	5,853
Fair value loss/(gain) on the derivative financial instrument	**67,726**	(29,820)
Loss for the purposes of diluted loss per share	**(85,944)**	(57,086)
Number of shares	*'000*	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**14,971,055**	10,734,514
Adjustment for convertible bond	**8,281,781**	839,285
Weighted average number of ordinary shares for the purposes of diluted loss per share	**23,252,836**	11,573,799
	HK cents	*HK cents* (Restated)
Loss per share attributable to owners of the Company		
— Basic	**(1.026)**	(0.31)
— Diluted (exclude anti-dilutive)	**(1.026)**	(0.49)

For the years ended 31 March 2011 and 2010, the computation of diluted loss per share does not assume the exercise of the Company's outstanding warrants as the exercise price of those warrants is higher than the average market price for shares for 2011 and 2010.

16. INVESTMENT PROPERTY

	2011	2010
	HK$'000	*HK$'000*
Valuation:		
At 1 April	**44,900**	37,000
Fair value gain	**1,157**	148
Exchange difference	**3,743**	7,752
At 31 March	**49,800**	44,900

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

The Group's investment property was revalued at 31 March 2011 by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited. Due to the lack of an established market upon which to base on comparable transactions of actual sales of comparable properties, the investment property has been valued on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as "an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties". The gain from the change in fair value estimated by the valuer on 31 March 2011 amounted to HK$1,157,000 (2010: HK$148,000) has been recognised in profit or loss for the year ended 31 March 2011.

17. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, machinery and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2009	13,000	1,568	45,825	6,875	–	40,309	107,577
Additions	–	–	1,216	860	–	42,336	44,412
Acquisition of subsidiaries	–	–	15	–	–	1,583	1,598
Disposal/write off	–	(40)	–	–	–	–	(40)
Deregistration of a subsidiary	–	–	(31)	–	–	–	(31)
Transfer in/(out)	841	–	5,170	–	25,216	(31,227)	–
Exchange difference	–	5	50	19	–	128	202
At 31 March 2010	13,841	1,533	52,245	7,754	25,216	53,129	153,718
Additions	–	2,652	420	859	277	8,551	12,759
Disposal/write off	–	–	(4,119)	–	–	–	(4,119)
Transfer in/(out)	–	–	351	–	33,781	(34,132)	–
Exchange difference	–	62	969	251	1,023	2,055	4,360
At 31 March 2011	13,841	4,247	49,866	8,864	60,297	29,603	166,718
Analysis of cost or valuation							
At 31 March 2011							
At cost	841	4,247	49,866	8,864	60,297	29,603	153,718
At valuation	13,000	–	–	–	–	–	13,000
	13,841	**4,247**	**49,866**	**8,864**	**60,297**	**29,603**	**166,718**
At 31 March 2010							
At cost	841	1,533	52,245	7,754	25,216	53,129	140,718
At valuation	13,000	–	–	–	–	–	13,000
	13,841	**1,533**	**52,245**	**7,754**	**25,216**	**53,129**	**153,718**
Accumulated depreciation and impairment:							
At 1 April 2009	–	214	9,008	2,581	–	–	11,803
Charge for the year	520	300	6,442	1,261	1,888	–	10,411
Deregistration of a subsidiary	–	–	(18)	–	–	–	(18)
Exchange difference	–	1	18	7	4	–	30
At 31 March 2010	520	515	15,450	3,849	1,892	–	22,226
Charge for the year	555	198	6,549	1,437	2,530	–	11,269
Disposal/write off	–	–	(1,735)	–	–	–	(1,735)
Exchange difference	(6)	30	320	165	189	–	698
At 31 March 2011	**1,069**	**743**	**20,584**	**5,451**	**4,611**	**–**	**32,458**
Net carrying amount:							
At 31 March 2011	**12,772**	**3,504**	**29,282**	**3,413**	**55,686**	**29,603**	**134,260**
At 31 March 2010	13,321	1,018	36,795	3,905	23,324	53,129	131,492

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

The Group's properties was revalued at their open market value of HK$13,000,000 as at 31 March 2009 based on net rental income allowing for reversionary income potential. The valuation was carried out by an independent firm of chartered surveyors, LCH (Asia-Pacific) Surveyors Limited.

Had this building been carried at cost less accumulated depreciation and accumulated impairment losses, its carrying amount would have been HK$3,045,000 (2010: HK$3,114,000) as at 31 March 2011.

The Company	**Furniture, machinery and equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost:			
At 1 April 2009	185	150	335
Additions	8	—	8
As 31 March 2010	193	150	343
Additions	152	—	152
As 31 March 2011	345	150	495
Accumulated depreciation:			
At 1 April 2009	65	73	138
Charge for the year	38	30	68
At 31 March 2010	103	103	206
Charge for the year	46	30	76
As 31 March 2011	149	133	282
Net book value:			
At 31 March 2011	196	17	213
At 31 March 2010	90	47	137

18. OTHER PROPERTIES UNDER DEVELOPMENT

	2011	2010
	HK$'000	*HK$'000*
Amounts comprise:		
Prepaid lease payments	**170,785**	—
Additions	**1,699**	170,785
Interest capitalised	**15,040**	—
Exchange difference	**6,817**	(105)
	194,341	170,680

The development site is located in Meiziya Village, Yilling District, Yichang City, Hubei Province, the PRC and the parcel of land are held on lease of between 40 to 70 years (the "Land").

The Land is owned by a subsidiary, Yichang Xinshougang Property Development Company Limited ("Yichang Xinshougang) and is planned for the development of the Yichang Three Gorges International Convention Centre, the Three Gorges State Guest House and the Three Gorges State Guest Garden Commercial Property (collectively the "Yichang Project"). The Group conducted the ceremony for commencement of construction works on 27 May 2008 which was broadly reported by the press. On 30 November 2009, the Group had obtained the permission to commence the phase 1 site formation works for the property development project from The Committee of New Developing Area of Yiling District of Yichang City (宜昌市夷陵區發展新區指揮部).

Pursuant to Yichang Urban Planning Bureau (宜昌市規劃局) planning meeting held on 30 June 2010, Yichang Urban Planning Bureau approved the development design plan and alterations thereon. Pursuant to Yichang Urban Planning Bureau of Yiling District (宜昌市夷陵區規劃局) planning meeting held on 8 July 2010, the detailed overall development plan and the development design plan of the property development project have also been approved.

During the year ended 31 March 2010, the Group commenced construction of Three Gorges State Guest Garden Commercial Property and allocated the attributable prepaid lease payments to properties under development for sale (Note 25). The remaining portion was included as other properties under development.

During the year ended 31 March 2011, Yichang Xinshougang has signed a joint development agreement with Hubei Province DaFang Properties Development Company ("Dafang Properties"), for the development of the Yichang Project. Details of arrangement are disclosed in Note 32 to the financial statements.

19. PREPAID LEASE PAYMENTS

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Cost:		
At 1 April	**32,915**	33,521
Reallocated from long term prepayments	**202**	—
Exchange difference	**1,174**	98
Amortisation for the year	**(657)**	(704)
At 31 March	**33,634**	32,915
Classified as current portion	**657**	704
Classified as non-current portion	**32,977**	32,211

At 31 March 2010, certain prepaid lease payment of the Group with a net book value of approximately HK$2,786,000 was pledged to secure the bank loan granted to the Group (Note 34). The bank loan was paid and the pledge was released in current year.

20. BIOLOGICAL ASSETS

	Seedlings *HK$'000*	Camellia trees *HK$'000*	Standing trees *HK$'000*	Total *HK$'000*
At 1 April 2009	15,969	—	55,981	71,950
Plantation expenditure incurred	17,947	—	700	18,647
Reclassification	296	—	(296)	—
Direct sales	(1,426)	—	(142)	(1,568)
Change in fair value less costs to sell	—	—	4,869	4,869
Exchange difference	52	—	64	116
At 31 March 2010	32,838	—	61,176	94,014
Plantation expenditure incurred	1,223	1,757	20,046	23,026
Reclassification	(15,027)	14,435	592	—
Direct sales	(1,409)	—	—	(1,409)
Change in fair value less costs to sell	—	(2,120)	(20,338)	(22,458)
Exchange difference	713	663	1,232	2,608
At 31 March 2011	18,338	14,735	62,708	95,781

The Group's biological assets are located in the People's Republic of China. Standing trees are planted on leasehold land of approximately 94,500 (2010: 94,500) Chinese Mu with 50 years term, expiring in 2057. The Group has entered into a binding agreement with the People's Government of Da Bu County for acquisition of not less than 500,000 Chinese Mu of forest land and its biological assets. Details of the transaction are disclosed in Note 22 to the financial statements.

During the year ended 31 March 2011, the Group did not harvest or sell any round logs (2010: Nil).

The Group's standing trees were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer"). The Valuer has adopted the market value approach for the valuation of standing trees. The method uses the current market price per unit cubic meter ("cu.m") of round logs and the total merchantable volume of timber in the forest at 31 March 2011 as the basis for estimating the fair value less costs to sell of the Group. The principal assumptions adopted are as follows:

— the Group is to produce round logs and;

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

Seedlings are carried at cost as the directors of the Company considered that little biological transformation has taken place since initial cost incurrence. The cost of these seedlings is therefore not materially different from their fair values as at 31 March 2011 and 2010 as determined by the directors of the Company.

Camellia trees or tea trees represented seedlings for refined tea oil held by 興寧樹人木業有限公司 which were planted in previous years and had already gone through certain biological transformation. They were independently valued by the Valuer. The Valuer has adopted the replacement cost basis since the trees are still young and will only be ready for harvest about three to four years later. Under replacement cost basis, the Valuer accumulated the costs associated with site preparation, sapling and planting costs, land rental, fertiliser cost, tending and silviculture costs and other associated management expenses.

21. 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 Right 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.

	Group	
	2011	2010
	HK$'000	*HK$'000*
Cost:		
At 1 April	**534,451**	534,475
Exchange difference	**(6)**	(24)
At 31 March	**534,445**	534,451
Accumulated amortisation:		
At 1 April	**5,906**	3,692
Amortisation for the year	**6,896**	2,214
At 31 March	**12,802**	5,906
Net carrying amount:		
At 31 March	**521,643**	528,545

21. FORREST CONCESSION RIGHTS *(Continued)*

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

On 22 August 2003, Jaling Forest Industries Inc. ("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 year and the Group 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 Forest Industries Inc. ("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.

21. FOREST CONCESSION RIGHTS *(Continued)*

For the purpose of impairment testing, the forest concession rights were independently valued by LCH (Asia-Pacific) Surveyors Limited (the "Valuer") using the market value approach for the valuation of standing trees. The method uses the current market price per unit cu.m of round logs and the total merchantable volume of timber in the forest at 31 March 2011 as the basis for estimating the fair value less costs to sell of the standing trees. The principal assumptions adopted are as follows:

— the Group is to produce round logs;

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

— the total volume of logs for Jaling Concession Rights and Garner Concession Rights were 2.93 million cu.m (2010: 2.78 million cu.m) and 2.03 million cu.m (2010: 1.94 million cu.m) respectively as at 31 March 2011;

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

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

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

Based on the valuation reports, as at 31 March 2011, no impairment was required.

Management reviews the estimated useful lives of forest concession rights annually and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the estimate is changed to reflect the changed pattern. The amortisation expense for future period is adjusted if there are significant changes from previous estimates. Management determines the useful life of the Group's forest concession rights based on its historical experience with similar assets and expected pattern of consumption of the assets. Estimates and assumptions used in setting amortisable lives require both judgment and estimation.

During the second half of the year ended 31 March 2011, taking into consideration of the current condition and expected production from the Jaling Concession Rights and Garner Concession Rights, the management of the Company reassessed the amortisation method and considered that amortisation using the unit of production method based on the proven and probable timber resources is no longer the appropriate method to reflect the expected pattern of consumption of the future economic benefits embodied in the forest concession rights.

Accordingly, the Group revised the amortisation method from units of production method to straight line method over the remaining terms of the rights.

The change in accounting estimate is accounted for prospectively from 1 January 2011. As a result of such change, amortisation expense increased by HK$6,877,000 for the year ended 31 March 2011.

22. LONG TERM PREPAYMENTS

	2011 **HK$'000**	2010 HK$'000
Prepayment for acquisition of plantation assets	**–**	33,313
Other prepayments	**9,004**	1,948
	9,004	35,261

Details of the cost for acquisition of plantation assets, i.e. the biological assets and land use rights attributable from the prepayments were illustrated as follows:

	2011 **HK$'000**	2010 HK$'000
Acquisition of land use rights (equivalent to RMB23,534,000)	**27,897**	26,810
Acquisition of biological assets (equivalent to RMB6,925,000 and RMB6,224,000 for the year ended 31 March 2011 and 2010 respectively)	**8,168**	7,090
	36,065	33,900
Cash paid (equivalent to RMB59,000,000)	**69,078**	67,213
Prepayment for acquisition of plantation assets	**33,013**	33,313
Classified as other prepayments	**(21,009)**	–
Reallocated to biological assets	**(12,004)**	–
	–	33,313

On 15 October 2007, 樹人木業(大埔)有限公司, a wholly owned subsidiary of the Company, entered into a legally binding agreement ("Binding Agreement") with the People's Government of Da Bu Country ("PGDB"), an independent third party of the Company, engaging it to arrange and procure the acquisition of the Leasehold Interest in not less than 500,000 Chinese Mu of forest land and its biological assets. The total consideration was expected to be not more than RMB150 million (2010: RMB150 million) (equivalent to approximately HK$170,880,000 (2010: HK$170,880,000). The terms were to be prescribed in the formally signed sale and purchase agreement to be entered into with leaseholders by the Company. Under the Binding Agreement, the Company was also required to pay a one-off arrangement fee of RMB2,500,000 (equivalent to approximately HK$2,779,000) to PGDB. The Group's commitment as at 31 March 2010 were disclosed in Note 41 to the financial statements.

As at 31 March 2009, the Group paid RMB70 million (equivalent to HK$79.5 million) to PGDB. During the year ended 31 March 2010, the Group received a refund of RMB11 million (equivalent to HK$12.5 million) from PGDB because of the failure in granting forest land over the last two years. In aggregate, the Group paid RMB59 million (equivalent to HK$67.2 million) as at 31 March 2010.

22. LONG TERM PREPAYMENTS *(Continued)*

As at 31 March 2010, the Group was only granted with forestry ownership for an area of approximately 94,500 Chinese Mu. The attributed cost of acquisition of biological assets and land use rights of HK$33.9 million in total was recognised and the remaining balance was included in prepayments under non-current assets.

During the year ended 31 March 2011, PGDB was not able to grant the remaining forestry area. (i.e. 405,500 Chinese Mu) within the agreed period. However, no refund was made by PGDB. Instead, PGDB agreed to provide plantation services to the Group for the period from April 2010 to December 2012. An amount of approximately HK$12,004,000 was transferred to biological assets as plantation expenditure. The remaining balance of prepayment for the acquisition of plantation assets was reclassified to other prepayments.

23. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**10**	10
Due from subsidiaries	**1,870,015**	1,850,855
	1,870,025	1,850,865
Less: Impairment losses	**(27,100)**	(27,100)
	1,842,925	1,823,765

Particulars of the Company's subsidiaries as at 31 March 2011 are set out in Note 44 to the financial statements.

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

An accumulated allowance for amounts due from subsidiaries of HK$27,100,000 (2010: HK$27,100,000) was recognised as at 31 March 2011 because the balances due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amount of the related investment costs and amounts due from the respective subsidiaries is reduced to their recoverable amounts.

24. 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 based on the valuations preformed by LCH (Asia-Pacific) Surveyors Limited use a combination of the Binomial Option Pricing Model, tree model and Black Scholes model. The major inputs into the model were as follows:

	At 31 March 2011	**At 31 March 2010**	**At issue date**
Conversion price	HK$0.056	HK$0.056	HK$0.056
Target redemption price *(note a)*	HK$0.56	N/A	N/A
Expected volatility *(note b)*	62.7%	80%	88%
Expected life *(note c)*	1.87 years	2.87 years	3 years
Risk free rate *(note d)*	0.59%	1.182%	0.93%

Notes:

(a) Target redemption price is ten times the conversion price which is determined by the management of the Group for the redemption of the convertible bond.

(b) 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.

(c) Expected life was the expected remaining life of the early redemption option.

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

During the year, loss of HK$67,726,000 (2010: gain of HK$29,820,000) was recognised as a change in fair value of derivative financial instrument (Note 36).

25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2011 ***HK$'000***	2010 *HK$'000*
Amounts comprise:		
Construction cost	**48,792**	—
Prepaid lease payments	**912,120**	912,120
Interest capitalised	**80,334**	—
Exchange difference	**36,407**	(560)
	1,077,653	911,560

25. PROPERTIES UNDER DEVELOPMENT FOR SALE *(Continued)*

The properties under development for sale are located in the PRC (Note 18).

Properties under development for sale were not scheduled for completion within twelve months from the reporting date.

26. INVENTORIES

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Raw materials	**72,940**	68,099	**–**	–
Work in progress	**45,576**	45,713	**–**	–
Finished goods	**14,990**	12,937	**–**	–
Timber logs and products	**1,726**	1,897	**–**	–
	135,232	128,646	**–**	–

Included in raw materials are precious woods of HK$59,578,000 (2010: HK$57,594,000) which are ready for trading.

27. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Trade receivables	**2,796**	2,903	**–**	–
Other receivables	**18,378**	5,566	**–**	–
Deposits paid	**6,568**	2,285	**4,999**	388
Prepayments	**24,166**	18,324	**7,285**	6,875
	51,908	29,078	**12,284**	7,263

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.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Outstanding balances aged:				
0 to 30 days	**794**	2,015	**–**	–
31 to 60 days	**14**	451	**–**	–
61 to 180 days	**659**	52	**–**	–
Over 180 days	**1,329**	385	**–**	–
	2,796	2,903	**–**	–

At 31 March 2011 and 2010, all of the Group's trade receivables were neither past due nor impaired which related to customers for whom there was no recent history of default. Consequently, no allowance for doubtful debts was recognised at the end of reporting period.

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi ("RMB")	**1,550**	85	**–**	–
United States Dollars ("USD")	**1,246**	2,818	**–**	–
	2,796	2,903	**–**	–

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**591,575**	19,759	**559,582**	801

Cash and bank balances were denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**570,865**	2,826	**559,547**	790
RMB	**20,240**	15,861	**24**	—
USD	**166**	885	**11**	11
Australian Dollars ("AUD")	**215**	176	**—**	—
Guyana Dollars	**—**	11	**—**	—
Euro dollars	**89**	—	**—**	—
	591,575	19,759	**559,582**	801

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

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

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**3,402**	2,256	**—**	—
Other payables and accruals	**75,505**	39,872	**2,877**	9,847
Deposit received from customers	**8,707**	3,542	**—**	—
Purchase consideration payable	**5,108**	5,108	**5,108**	5,108
	92,722	50,778	**7,985**	14,955

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Outstanding balances aged:				
0 to 30 days	**302**	1,543	**—**	—
31 to 60 days	**450**	—	**—**	—
61 to 180 days	**507**	698	**—**	—
Over 180 days	**2,143**	15	**—**	—
	3,402	2,256	**—**	—

Trade and other payables were denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HKD	**23,411**	30,283	**7,985**	14,955
RMB	**67,003**	18,345	**—**	—
USD	**2,079**	1,946	**—**	—
AUD	**229**	204	**—**	—
	92,722	50,778	**7,985**	14,955

30. PROMISSORY NOTE

On 9 February 2010, the Company issued HK$280,000,000 promissory note in connection with the acquisition of subsidiaries. The promissory note is repayable by 14 quarterly instalments of HK$20,000,000 each with the interest accrued thereon payable on the last day of every three months after the issue of the promissory note. The promissory note bears coupon interests 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 notes 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 movement on the promissory note is as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Carrying value as at 1 April	**237,262**	–
Issue of promissory note during the year	**–**	233,482
Interest expense *(Note 8)*	**47,535**	3,780
Carrying value as at 31 March	**284,797**	237,262
Less: current portion	**(284,797)**	(59,930)
Non-current portion	**–**	177,332

During the year, the Group defaulted on repayment of the principal and interest. Pursuant to the agreement, the promissory note holders are entitled to demand immediate repayment of any outstanding principal and accrued interest.

As a result, the promissory note is carried at its face value of HK$285 million and classified under current liabilities. The difference between the carrying amount of promissory note at the date of default and its face value of HK$40.7 million represented the accelerated imputed interest charge.

31. DEFERRED GOVERNMENT GRANT

	2011 **HK$'000**	2010 HK$'000
At 1 April	**120,786**	–
Additions	**–**	6,886
Acquisition of subsidiaries	**–**	114,308
Amount released to profit or loss	**–**	(338)
Exchange difference	**4,898**	(70)
At 31 March	**125,684**	120,786
Analysed for reporting purposes as:		
Current liabilities	**9,277**	8,915
Non-current liabilities	**116,407**	111,871
	125,684	120,786

(i) Yichang Xinshougang, a subsidiary acquired during the year ended 31 March 2010, received a government grant of approximately RMB105,326,000 (equivalent to HK$119,987,000) in 2007 in the form of a foregivable payable on the partial land premium in respect of a piece of land situated in Yichang City, Hubei, the PRC.

Pursuant to the Land Use Rights Contract and the supplemental contract, Yichang Xinshougang had committed to invest approximately RMB650 million (equivalent to HK$740 million) to develop this piece of land during 2007. As Yichang Xinshougang obtained the legal title of the land in March 2007, the government grant was recorded since that date.

The government grant would be recognised in profit or loss in the period when the Group recognises the cost of the relevant land use rights as an expense.

(ii) During the year ended 31 March 2010, the Company's subsidiary received a government grant of approximately RMB6,045,000 (equivalent to HK$6,886,000) for the development of tea-oil production located in Xing Ning, the PRC.

The government grant is to be amortised on a systematic basis according to the volume of production when the production of tea-oil begins and income is generated. No amortisation was recognised for the year ended 31 March 2010 and 2011 as production had not been commenced at the end of the reporting period.

32. AMOUNT DUE TO A JOINT VENTURE PARTNER

As described in Note 18, during the year, Yichang Xinshougang signed a joint development agreement with an independent third party, Dafang Properties, for the development of several complex commercial and residential properties, including Yichang Three Gorges International Convention Centre ("Convention Centre"), the Three Gorges State Guest House ("Guest House") and the Three Gorges State Guest Garden Commercial Property. According to the agreement, the Group will provide a parcel of land located at Meiziya Village, Yiling District, Yichang City, Hubei Province and Dafang Properties will provide funding for all necessary development and construction costs for the property project except for borrowing costs for Convention Centre and Guest House which will be shared by the Group and Dafang Properties on 65:35 basis. During the year, Yichang Xinshougang has contributed a parcel of land while Dafang Properties has provided funding for all necessary development and construction costs for the Yichang Project.

Yichang Xinshougang and Dafang Properties agreed to share the after tax distributable profit attributable to the Three Gorges State Guest Garden Commercial Property on a 60:40 basis, and share the economic benefit attributable to the Yichang Three Gorges International Convention Centre and the Three Georges State Guest House on a 65:35 basis.

During the year, no profit and loss was recognised in respect of the Group's interests in the jointly controlled operations.

The amount due to a joint venture partner was unsecured, interest-free and with no fixed term of repayment.

33. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest free and repayable on demand.

34. BORROWINGS

	Group	
	2011 **HK$'000**	2010 *HK$'000*
Secured *(i)*	**—**	5,696
Unsecured *(ii)*	**6,164**	—
	6,164	5,696

Total borrowings were repayable as follows:

	Group	
	2011 **HK$'000**	2010 *HK$'000*
On demand or within one year included in current liabilities	**6,164**	5,696

(i) The bank loan was secured by the Group' prepaid lease payment (Note 19), interest bearing at 6.1065% per annum and repayable within one year.

(ii) The loan is unsecured, interest free and repayable within one year.

35. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities recognised on revaluation of properties at end of the reporting period were as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 31 March	**1,574**	1,574

Deferred income tax assets were recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$104,393,000 (2010: HK$114,578,000) to be carried forward for offset against future taxable income which included tax losses of HK$67,160,000 (2010: HK$39,755,000) may be carried forward against future taxable income for a period of five years in accordance with the PRC tax law. The remaining tax losses may be carried forward indefinitely.

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

Unless previously redeemed, 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 the bondholders 10 days' notice of its intention to make such redemption.

At issuing date, the Company determined the fair value of the embedded early redemption option component and liability component based on the valuations performed 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 held by bondholders and was included in the convertible bond reserve of the Company and the Group.

36. CONVERTIBLE BOND *(Continued)*

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

	Liability component *HK$'000*	Early redemption option component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
Issue of convertible bonds during the year ended 31 March 2010	355,352	(381,678)	435,064	408,738
Interest expense *(Note 8)*	5,853	—	—	5,853
Change in the fair value *(Note 24)*	—	(29,820)	—	(29,820)
At 31 March and 1 April 2010	361,205	(411,498)	435,064	384,771
Interest expense *(Note 8)*	47,839	—	—	47,839
Interest paid	(4,395)	—	—	(4,395)
Conversion of convertible bond into ordinary shares *(i)*				
— Transfer to share capital	(33,429)	—	—	(33,429)
— Transfer to share premium	(108,108)	130,678	(173,285)	(150,715)
Change in the fair value *(Note 24)*	—	67,726	—	67,726
At 31 March 2011	263,112	(213,094)	261,779	311,797

(i) Summary of conversion of convertible bond during the year is as follows:

Date	Amount	Number of ordinary shares converted
22 February 2011	HK$36,000,000	642,857,142
2 March 2011	HK$20,000,000	357,142,857
24 March 2011	HK$112,000,000	2,000,000,000
29 March 2011	HK$19,200,000	342,857,142

37. SHARE CAPITAL

	Note	**2011** Number of shares *'000*	**2011** Amount *HK$'000*	2010 Number of shares *'000*	2010 Amount *HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each					
At 1 April		**30,000,000**	**300,000**	20,000,000	200,000
Increase during the year	*(a)*	**—**	**—**	10,000,000	100,000
At 31 March		**30,000,000**	**300,000**	30,000,000	300,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each		**14,412,927**	**144,129**	10,137,065	101,370
At 1 April					
Issue of shares for acquisition of subsidiaries	*(b)*	**—**	**—**	4,275,862	42,759
Placement of shares	*(c)*	**1,800,000**	**18,000**	—	—
Shares issued upon conversion of convertible bond	*(d)*	**3,342,857**	**33,429**	—	—
Shares issued upon exercise of warrants	*(e)*	**287,141**	**2,871**	—	—
At 31 March		**19,842,925**	**198,429**	14,412,927	144,129

Note:

(a) Increase in authorised share capital

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 August 2009, the authorised ordinary share capital of the Company was increased from HK$200,000,000 divided into 20,000,000,000 shares of a par value of HK$0.01 each to HK$300,000,000 divided into 30,000,000,000 shares of a par value of HK$0.01 each by the creation of an additional 10,000,000,000 shares of a par value of HK$0.01 each.

(b) Acquisition of subsidiaries

On 9 February 2010, 4,275,862,068 shares of HK$0.01 each were issued at HK$0.0637 per share as settlement of part of the consideration for the acquisition of subsidiaries in the PRC. Details were disclosed in the circular of the Company dated 23 December 2009.

37. SHARE CAPITAL *(Continued)*

Note: (Continued)

(c) Placement of shares

Pursuant to a placing agreement dated 12 January 2011, 1,800,000,000 shares of HK$0.01 each were allotted and issued at a placing price of HK$0.30 per placing share for a total cash consideration, before any issuance expenses, of HK$540,000,000, for the purpose of paying a refundable deposit under a letter of intent dated 12 January 2011 relating to the subscription for an equity interest in Inner Mongolia Zhunxing Heavy Haul Expressway Company Limited, a company established under the laws of the PRC and providing additional working capital to the Company. Details were disclosed in the announcement of the Company dated 13 January 2011.

(d) Conversion of convertible bond

During the year ended 31 March 2011, convertible bond of the Company with an aggregate principal amount of approximately HK$187,200,000 were converted into 3,342,857,141 shares of the Company of HK$0.01 each at a conversion price of HK$0.056 per ordinary share.

(e) Exercises of warrants

During the year, 287,141,477 shares of HK$0.01 each were issued at HK$0.23 per share from the utilisation of warrants with proceeds of HK$66,000,000.

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

38. SHARE OPTIONS

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

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

No share options were granted, exercised nor lapsed during the year ended 31 March 2011 and 2010.

39. LEASES

Operating leases — lessee

The Group leases part of its office properties and plantation sites, under operating lease arrangements. Leases for properties are negotiated for terms for 1 to 5 years. Leases for plantation sites are negotiated for terms for 1 to 7 years.

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases due at the end of reporting period as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**6,947**	2,117
In the second to fifth years, inclusive	**13,002**	2,392
After five years	**198**	410
	20,147	4,919

Operating leases — lessor

The Group's investment property is leased to a tenant for varying terms. The sub-lease rental income during the year ended 31 March 2011 was HK$759,000 (2010: HK$682,000).

The minimum rent receivables under non-cancellable operating leases at the end of reporting period are as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**337**	298

40. 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 ("the Credit 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 at the closing price of the Shares on the Stock Exchange on the date of subscription structured under the Equity Line of Credit during the commitment period (the "Option"). Also, the Company issued 1,000 million warrants of the Company to GEM Global. 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 Credit Agreement and expiring upon the earlier of (i) the third anniversary of the date of the Credit 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 Credit Agreement.

The Company was required to pay GEMIA a commitment fee of HK$6,000,000, equivalent to 2% of the total commitment amount of HK$300 million (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 as trade and other receivables at 31 March 2010. The fee was paid during the current year as condition (i) was fulfilled. The account held in other receivables will be transferred to share premium when the Company exercises the option.

40. GRANT OF THE EQUITY LINE OF CREDIT TO THE COMPANY AND ISSUE OF WARRANTS *(Continued)*

The details and movement of the warrants during the year is set out below:

Date of grant	8 February 2010
Exercise period	8 February 2010 to 7 February 2013
Subscription price	HK$0.23

	2011	2010
	'000	*'000*
At 1 April	**1,000,000**	–
Granted during the year	**–**	1,000,000
Utilised during the year	**(287,141)**	–
At 31 March	**712,859**	1,000,000

During the year 287,141,477 warrants (2010: Nil) were exercised to subscribe for the shares of the Company.

41. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 March 2011 and 2010 not provided for in the financial statements were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted but not provided for				
— acquisition of plantation assets *(note i)*	**—**	103,667	**—**	—
— acquisition of property, plant and equipment and land use right	**4,089**	29,948	**1,283**	—
— investment on properties under development for sale *(note ii)*	**184,715**	—	**—**	—
	188,804	133,615	**1,283**	—

Notes:

(i) As disclosed in Note 22 to the financial statements, the Group entered into the Binding Agreement for a consideration of not more than approximately HK$170,880,000, of which deposit of approximately HK$67,213,000 had been paid and the remaining balance of approximately HK$103,667,000 had not been provided for. However, during the year ended 31 March 2011, the Group was not able to obtain the remaining forest area within an agreed period, the capital commitment stated in the agreement was released at the end of reporting period.

(ii) Pursuant to a Contract for the Grant of State-owned Land Use Rights No. Yichang City Yiling District Yi Zeng Guo Rang (He) Zi (2006) Di 438 Hao dated 29 December 2006 (hereinafter referred to as the "Contract") made between the Land Resource Bureau of Yichang City Yiling District and Yichang Xinshougang, it was agreed that the total investment for the development would be approximately RMB650,000,000. Up to 31 March 2011, the total investment cost incurred in the property development was HK$39,700,000.

42. CONTINGENT LIABILITIES

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

43. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Other than details of transactions between the Group and other related parties are disclosed elsewhere in these financial statements.

(b) Save as disclosed elsewhere in these financial statements, the Group had the following major transactions with related parties during the years ended 31 March 2011 and 2010:

Related party relationship	Type of transactions	Note	For the year ended 31 March 2011 HK$'000	2010 HK$'000
China Alliance International Holding Group Limited (a substantial shareholder of the Company)	Interest expense on promissory note	8	**47,535**	3,780
	Interest expense on convertible bond	8	**32,540**	5,853

	Type of balances		As at 31 March 2011 HK$'000	2010 HK$'000
	Promissory note	30	**284,797**	237,262
	Convertible bond	36	**–**	361,205

(c) Members of key management during the year comprised only of the directors whose remuneration is set out in Note 11 to the financial statements.

44. PARTICULARS OF SUBSIDIARIES

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the Company*/ subsidiaries %	Attributable to the Group %	Principal activity
Australian Service Cold Storage (N.S.W.) Pty Ltd	Australia	A$2,500,002 shares	100*	100	Dormant
Seapower Resources Australia Pty Ltd	Australia	A$700,002 shares	100	100	Investment holding

44. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the Company*/ subsidiaries %	Proportion of ownership interest: Attributable to the Group %	Principal activity
Seapower Resources Gosford Pty Ltd	Australia	A$4,200,002 shares	100	100	Cold storage warehousing
Seapower Resources Investment Pty Ltd	Australia	A$2,000,002 shares	100	100	Investment holding
Allied National Ltd	British Virgin Islands/ Hong Kong	US$1 share	100*	100	Investment holding
Best Idea International Investment Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Bondwell International Group Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
China Timber Maritime Limited	British Virgin Islands	HK$20,000,000	65	65	Construction of barges
Sunshine Delight Limited	British Virgin Islands	US$1 share	100*	100	Investment holding
Jaling Forest Industries Inc.	Guyana	G$500,000 shares	95	95	Timber logging
Garner Forest Industries Inc.	Guyana	G$100,000 shares	100	100	Timber logging
Unisea Wood Development Inc.	Guyana	G$10,000	100*	100	Dormant
Cheer Luck Technology Limited	Hong Kong	HK$1 share	100	100	Investment holding
China Solartronics Technology Limited	Hong Kong	HK$1 share	100*	100	Dormant
Glory Success Trading Limited	Hong Kong	HK$10 shares	100*	100	Timber log trading and manufacturing and sale of furniture and handicrafts
Seapower Investment (China) Limited	Hong Kong	HK$10,000 shares	100*	100	Investment holding
Smart Fancy (China) Limited	Hong Kong	HK$1 share	100*	100	Investment holding

44. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: Held by the Company*/ subsidiaries %	Proportion of ownership interest: Attributable to the Group %	Principal activity
Triumph Kind Investment Limited	Hong Kong	HK$1 share	100*	100	Investment in property
Triumph Max Investment Limited	Hong Kong	HK$100 share	100*	100	Investment holding
Vastrich Corporation Limited	Hong Kong	HK$1 share	100*	100	Investment holding
Wide Forest Limited	Hong Kong	HK$1 share	100*	100	Investment holding
W&J Forest Resources Development Limited	Hong Kong	HK$10,000 shares	95	90.25	Deregistered in July 2010
中國國際資源控股集團有限公司	Hong Kong	HK$1 share	100*	100	Investment holding
樹人木業(大埔)有限公司	People's Republic of China	RMB102,175,000	100	100	Forest operation, timber logging and tree plantation
樹人苗木組培(大埔)有限公司	People's Republic of China	RMB4,721,500	100	100	Plantation and trading of seedling
興寧樹人木業有限公司	People's Republic of China	RMB30,000,000	100	100	Production and sale of tea-oil
樹人木業(深圳)有限公司	People's Republic of China	RMB43,773,024	100	100	Timber log trading, manufacturing and sale of furniture and handicrafts
陽東縣樹人木業有限公司	People's Republic of China	RMB1,000,000	100	100	Processing and manufacturing of timber products
東莞樹人木業有限公司	People's Republic of China	RMB153,673,000	100	100	Investment holding
廣州樹人裝修設計有限公司	People's Republic of China	RMB1,000,000	100	100	Deregistered in June 2010
首控(北京)管理咨詢有限公司	People's Republic of China	RMB2,000,000	100	100	Investment holding
宜昌新首鋼房地產開發有限公司	People's Republic of China	RMB20,000,000	100	100	Property development and asset management

45. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's business and financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and market risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The Group's fair value interest-rate risk mainly arises from borrowings, convertible bond and promissory note as disclosed in Notes 34, 36 and 30 to the financial statements respectively. Borrowings, convertible bond and promissory note were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The following table details the interest rate profile of the Group's fixed rate borrowings at the end of the reporting period.

	Group			
	2011		2010	
	Effective interest rate *(%)*	***HK$'000***	Effective interest rate *(%)*	*HK$'000*
Fixed rate borrowings				
Borrowings	**—**	**—**	6.1065	5,696
Convertible bond	**12.08**	**263,112**	12.08	361,205
Promissory note	**11.82**	**284,797**	11.82	237,262
		547,909		604,163

The following table details the interest rate profile of the Group's variable rate bank balances at the end of reporting period.

	2011		2010	
	Effective interest rate *(%)*	***HK$'000***	Effective interest rate *(%)*	*HK$'000*
Variable rate cash and bank balances	**0.01 to 4.75**	**481,696**	0.01 to 4.02	19,060

At 31 March 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after income tax expense and increase/decrease the retained profits by approximately HK$4,767,000 (2010: HK$190,600).

45. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Foreign currency risk

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

(c) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 45% (2010: 69%) and 79% (2010: 97%) of the total trade receivables was due from the Group's largest trade debtor and the three largest trade debtors.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 27 to the financial statements.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

45. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay:

The Group	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*
2011						
Trade and other payables	**92,722**	**92,722**	**92,722**	**–**	**–**	**–**
Promissory note	**284,797**	**284,797**	**284,797**	**–**	**–**	**–**
Amount due to a joint venture partner	**59,270**	**59,270**	**59,270**	**–**	**–**	**–**
Amount due to a director	**12,446**	**12,446**	**12,446**	**–**	**–**	**–**
Borrowings	**6,164**	**6,164**	**6,164**	**–**	**–**	**–**
Convertible bond	**263,112**	**301,041**	**–**	**301,041**	**–**	**–**
Acreage fees payable	**11,020**	**11,020**	**519**	**519**	**1,557**	**8,425**
	729,531	**767,460**	**455,918**	**301,560**	**1,557**	**8,425**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010						
Trade and other payables	50,778	50,778	50,778	–	–	–
Promissory note	237,262	287,875	83,750	82,550	121,575	–
Amount due to a director	2,000	2,000	2,000	–	–	–
Borrowings	5,696	5,696	5,696	–	–	–
Convertible bond	361,205	500,315	–	–	500,315	–
Acreage fees payable	11,083	11,083	519	519	1,557	8,488
	668,024	857,747	142,743	83,069	623,447	8,488

45. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2011						
Trade and other payables	**7,985**	**7,985**	**7,985**	**–**	**–**	**–**
Promissory note	**284,797**	**284,797**	**284,797**	**–**	**–**	**–**
Amount due to a director	**12,446**	**12,446**	**12,446**	**–**	**–**	**–**
Convertible bond	**263,112**	**301,041**	**–**	**301,041**	**–**	**–**
	568,340	**606,269**	**305,228**	**301,041**	**–**	**–**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010						
Trade and other payables	14,955	14,955	14,955	–	–	–
Promissory note	237,262	287,875	83,750	82,550	121,575	–
Amount due to a director	2,000	2,000	2,000	–	–	–
Convertible bond	361,205	500,315	–	–	500,315	–
	615,422	805,145	100,705	82,550	621,890	–

(e) Market risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivative or other financial liabilities of the Group. At the end of reporting period, the Group is exposed to this risk through the early redemption option attached to the convertible bond issued by the Company as disclosed in Note 36 to the financial statements.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flow will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the respective equity instruments had been 10% higher/lower, loss after tax would decrease/increase by HK$67,063,000 (2010: HK$63,912,000) and the Group's reserve would increase/decrease by HK67,063,000 (2010: HK$63,912,000).

46. CAPITAL RISK MANAGEMENT

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. The gearing ratios at 31 March 2011 and 2010 are as follows:

	2011 ***HK$'000***	2010 *HK$'000* (Restated)
Total liabilities	**856,789**	790,384
Total assets	**3,107,925**	2,538,348
Gearing ratio	**27.6%**	31.1%

47. NATURE RISK

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

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

48. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2011 and 2010 may be categorised as follows:

	2011	2010
	HK$'000	*HK$'000*
Financial assets		
Derivative financial instrument	**213,094**	411,498
Loans and receivables (including cash and bank balances)	**619,317**	30,513
Financial liabilities		
Financial liabilities measured at amortised cost	**855,215**	788,810

(a) The fair values of financial assets and financial liabilities are determined as follows:

The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for option derivatives.

(b) The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Derivative financial instrument	—	213,094	—	213,094

31 March 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Derivative financial instrument	—	411,498	—	411,498

49. EVENTS AFTER THE REPORTING PERIOD

On 12 January 2011, the Company entered into a letter of intent relating to a proposed subscription for an equity interest in Inner Mongolia Zhunxing Heavy Haul Expressway Company Ltd ("內蒙古准興重載高速公路有限責任公司") ("Zhunxing"), a company established under the laws of the PRC, in the amount of RMB3,000,000,000 in cash. Further details of which are set out in the Company's announcement dated 13 January 2011.

In a nutshell, on 21 April 2011, the Company, through its subsidiary, entered into the first capital injection agreement with Zhunxing for the acquisition of its 11% equity interest at the consideration of RMB500 million (approximately HK$602 million) (the "First Capital Injection Agreement"). The said acquisition was completed on 9 May 2011 and Zhunxing has been transformed into a Sino-foreign joint venture. On 26 May 2011, the Company, through its subsidiary, further entered into a second capital injection agreement with Zhunxing for the acquisition of its 40% equity interest at the consideration of RMB1,818 million (approximately HK$2,190 million). Upon completion of the second capital injection agreement, the Group will be in control of 51% equity interest in Zhunxing and Zhunxing will become a subsidiary of the Company. Details of the transaction are disclosed in the announcement of the Company dated 26 May 2011.

In addition, the Group has been granted an option but not obliged to acquire a total of 66% equity interest in Zhunxing under the First Capital Injection Agreement.

SUMMARY OF FINANCIAL INFORMATION

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

	Year ended 31 March				
	2007 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000* (Restated)	**2011** ***HK$'000***
RESULTS					
Turnover	10,380	33,382	17,841	21,171	**13,332**
(Loss)/profit from operations	(13,975)	19,445	(70,458)	(27,286)	**(157,334)**
Finance costs	(426)	—	(799)	(9,633)	**(184)**
(Loss)/profit before income tax expense	(14,401)	19,445	(71,257)	(36,919)	**(157,518)**
Income tax expense	(434)	346	(185)	248	**(12)**
(Loss)/profit for the year	(14,835)	19,791	(71,442)	(36,671)	**(157,530)**
Attributable to:					
Owners of the Company	(14,245)	21,211	(67,436)	(33,119)	**(153,670)**
Non-controlling interests	(590)	(1,420)	(4,006)	(3,552)	**(3,860)**
	(14,835)	19,791	(71,442)	(36,671)	**(157,530)**
ASSETS AND LIABILITIES					
Total assets	330,438	1,193,081	1,112,912	2,538,348	**3,107,925**
Total liabilities	(105,215)	(43,356)	(38,521)	(790,384)	**(856,789)**
Non-controlling interests	(128,926)	(26,839)	(22,971)	(19,884)	**(15,198)**
Shareholders' funds	96,297	1,122,886	1,051,420	1,728,080	**2,235,938**

PARTICULARS OF THE GROUP'S MAJOR PROPERTIES

1. PROPERTIES HELD FOR THE GROUP'S OWN USE

(a) Leasehold buildings and prepaid lease payments

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

(b) Leasehold land included in property under development and prepaid lease payments

Location	Lease expiry	Approximate gross floor area *(sq. m)*	Attributable interest to the Group %
Meiziya Village Xiaoxita Yiling District Yichang City Hubei Province The People's Republic of China	The property is subject to a right to use of land till 28 December 2046 for commercial, tourism and convention purpose and till 28 December 2076 for residential purpose	587,726.09	100

2. PROPERTY HELD FOR RENTAL PURPOSE

Cold storage warehouse — investment property

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