

interim report 2011



奇峰國際
Superb Summit International

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 01228)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

CHEUNG Wai Tak
LI Xiangjun
CHEN Xiaoming

MEMBERS OF AUDIT COMMITTEE

CHEUNG Wai Tak
LI Xiangjun
CHEN Xiaoming

MEMBERS OF REMUNERATION COMMITTEE

CHEUNG Wai Tak
LI Xiangjun
CHEN Xiaoming

MEMBERS OF NOMINATION COMMITTEE

CHEUNG Wai Tak
LI Xiangjun
CHEN Xiaoming

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

CHENG Man For

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Parker Randall CF (HK) CPA Limited

Solicitor

D. S. Cheung & Co.

WEBSITE

www.ssitimber.com.hk

STOCK CODE

01228

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Continuing operations			
Revenue		36,652	12,936
Cost of sales		(26,748)	(8,463)
Gross profit		9,904	4,473
Other income		1,651	4,212
Distribution costs		(910)	(1,831)
Administrative expenses		(32,075)	(23,559)
Share-based payment expenses		(9,970)	—
Other expenses		—	(550)
Finance costs		(251)	(757)
Loss before tax	6	(31,651)	(18,012)
Income tax expense	7	—	(13)
Net loss for the period from continuing operations		(31,651)	(18,025)
Discontinued operations			
Loss for the period from discontinued operations	8	—	(7,091)
Loss for the period		(31,651)	(25,116)

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Attributable to:			
Owners of the Company		(30,977)	(25,116)
Non-controlling interests		(674)	—
		(31,651)	(25,116)
Loss per share attributable to ordinary equity holders of the Company	9		
Basic			
— For loss for the period		HK(0.78) cents	HK(0.85) cents
— For loss from continuing operations		HK(0.78) cents	HK(0.61) cents
Diluted			
— For loss for the period		N/A	N/A
— For loss from continuing operations		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Loss for the period	(31,651)	(25,116)
Other comprehensive income		
Exchange differences on translation of foreign operations	92,107	32,143
Total comprehensive income for the period	60,456	7,027
Attributable to:		
Owners of the Company	61,130	7,027
Non-controlling interests	(674)	—
	60,456	7,027

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Non-Current Assets			
Prepaid land lease payments		60,426	59,790
Property, plant and equipment	11	9,078	2,273
Biological assets	12	3,850,563	3,777,057
		3,920,067	3,839,120
Current Assets			
Prepaid land lease payments		1,557	1,521
Trade receivables	13	50	239
Prepayments, deposits and other receivables		71,697	49,467
Equity investments at fair value through profit or loss		14,784	—
Cash and cash equivalents		37,955	99,964
		126,043	151,191
Current Liabilities			
Trade payables	14	220	215
Other payables and accruals		36,446	49,286
Convertible notes interest payable		1,596	1,345
Income tax payable		1	3
		38,263	50,849
Net Current Assets		87,780	100,342
Net Assets		4,007,847	3,939,462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2011

	Notes	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Capital and Reserves			
Issued capital	15	401,907	362,886
Treasury shares		(128)	—
Reserves		3,606,742	3,576,576
Equity attributable to owners of the Company		4,008,521	3,939,462
Non-controlling interests		(674)	—
Total Equity		4,007,847	3,939,462

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

Six months ended 30 June 2011	Attributable to owners of the Company												
	Notes	Issued capital HK\$'000	Share premium HK\$'000	Treasury shares HK\$'000	Convertible		Property revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
					Share option reserve HK\$'000	notes equity reserve HK\$'000							
At 1 January 2011 (audited)		362,886	1,413,710	—	122,142	174,527	—	—	333,904	1,532,293	3,939,462	—	3,939,462
Total comprehensive income for the period		—	—	—	—	—	—	—	92,107	(30,977)	61,130	(674)	60,456
Issue of shares upon conversion of convertible notes	15	39,765	40,596	—	—	(80,361)	—	—	—	—	—	—	—
Equity-settled share option arrangements		—	—	—	9,970	—	—	—	—	—	9,970	—	9,970
Reacquisition of own shares	15	—	—	(2,041)	—	—	—	—	—	—	(2,041)	—	(2,041)
Cancellation of treasury shares	15	(744)	(1,169)	1,913	—	—	—	—	—	—	—	—	—
At 30 June 2011 (unaudited)		401,907	1,453,137	(128)	132,112	94,166	—	—	426,011	1,501,316	4,008,521	(674)	4,007,847

Six months ended 30 June 2010	Attributable to owners of the Company												
		Issued capital HK\$'000	Share premium HK\$'000	Treasury shares HK\$'000	Convertible		Property revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
					Share option reserve HK\$'000	notes equity reserve HK\$'000							
At 1 January 2010 (audited)		289,290	1,327,691	—	190,462	334,151	1,354	5,088	269,236	1,369,916	3,787,188	—	3,787,188
Total comprehensive income for the period		—	—	—	—	—	—	—	32,143	(25,116)	7,027	—	7,027
Disposal of a subsidiary		—	(9)	—	—	—	(1,354)	(5,088)	(83,579)	90,030	—	—	—
Issue of shares upon conversion of convertible notes		72,000	84,465	—	—	(156,465)	—	—	—	—	—	—	—
Cancellation of share options		—	—	—	(3,764)	—	—	—	—	3,764	—	—	—
At 30 June 2010 (unaudited)		361,290	1,412,147	—	186,698	177,686	—	—	217,800	1,438,594	3,794,215	—	3,794,215

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Cash Flows from Operating Activities		
Net cash used in operating activities	(52,805)	(36,143)
Cash Flows from Investing Activities		
Net cash used in investing activities	(7,317)	(10,088)
Cash Flows from Financing Activities		
Net cash used in financing activities	(2,041)	(757)
Net decrease in cash and cash equivalents	(62,163)	(46,988)
Cash and cash equivalents, at beginning of period	99,964	122,951
Effect of foreign exchange rate changes, net	154	2,736
Cash and cash equivalents, at end of period	37,955	78,699
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	30,533	34,053
Cash held in a licensed corporation	7,422	44,646
	37,955	78,699

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

Superb Summit International Timber Company Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in jointly-controlled entities. The Group is principally engaged in the exploitation and management of timber resources in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 *Interim Financial Reporting*.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2010.

The Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning or after 1 January 2011. The adoption of the new and revised HKFRSs has had no significant impact on these condensed consolidated interim financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective in these condensed consolidated interim financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimate and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5. SEGMENT INFORMATION

(a) Operating segment information

From the perspective of the Group's senior management, it is considered that assessment of operating performance is focused on the Group as a whole (for continuing operations) for the purposes of resource allocation and performance assessment. Therefore management considers the Group has one reporting segment i.e. the integrated timber business.

The electronic consumer products business was discontinued in 2009 and was disposed of in 2010.

Reconciliation of segment information to the information presented in the condensed consolidated interim financial statements has not been presented, as the reconciling items are considered to be immaterial.

(b) Geographical information

No geographical information is shown as the revenue from external customers and non-current assets from continuing operations of the Group are substantially derived from activities or located in the PRC.

6. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging (crediting):

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Cost of inventories sold	26,748	8,463
Depreciation	430	356
Amortisation of prepaid land lease payments	779	289
Loss on disposal of property, plant and equipment	—	537
Interest on convertible notes	251	757
Fair value gains on equity investments at fair value through profit or loss, net	(1,489)	—
Gain on disposal of a subsidiary	—	(4,198)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Continuing operations		
Current tax — Charge for the period		
Hong Kong	—	—
The PRC	—	13
Total tax charge for the period	—	13

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. During the period, no Hong Kong profits tax has been provided for as the Group did not generate any estimated taxable profits from continuing operations in Hong Kong.

7. INCOME TAX EXPENSE (Continued)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2010: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

8. DISCONTINUED OPERATIONS

On 8 April 2010, the Company entered into a conditional sale and purchase agreement with Super Giant Assets Limited, which is wholly owned by Mr. Lam Ping Kei, a substantial shareholder and a former executive director of the Company, to dispose of the entire interest in a subsidiary of the Group, E-Today Technology Limited ("E-Today") and its subsidiaries carried out all of the Group's electronic consumer products business. The disposal of electronic consumer products business is consistent with the Group's long-term policy to focus its timber business.

The disposal was completed on 23 June 2010. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 17.

The discontinued operations' results of electronic consumer products business for the six months ended 30 June 2010 are as follows:

	HK\$'000 (Unaudited)
Revenue	204,071
Cost of sales	(187,873)
Other income	832
Distribution costs	(6,958)
Administrative expenses	(10,866)
Other expenses	(5,664)
Loss before tax	(6,458)
Income tax expense	(633)
Loss for the period	(7,091)

8. DISCONTINUED OPERATIONS *(Continued)*

The net cash flows incurred by the electronic consumer product business for the six months ended 30 June 2010 are as follows:

	HK\$'000 (Unaudited)
Operating activities	92,356
Investing activities	(3,865)
Financing activities	(1,012)
	87,479

9. LOSS PER SHARE

From continuing and discontinued operations

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	(30,977)	(18,025)
From discontinued operations	—	(7,091)
	(30,977)	(25,116)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	251	757
Loss for the purpose of diluted loss per share	(30,726)	(24,359)
Attributable to:		
Continuing operations	(30,726)	(17,268)
Discontinued operations	—	(7,091)
	(30,726)	(24,359)

9. LOSS PER SHARE (Continued)

From continuing and discontinued operations (Continued)

	Six months ended 30 June	
	2011 '000 (Unaudited)	2010 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	3,986,967	2,964,057
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	422	—
— Convertible bonds	464,040	877,656
Weighted average number of ordinary shares for the purpose of diluted loss per share	4,451,429	3,841,713

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2011 and 2010 in respect of a dilution as the impact of the share options issued by the Company and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

From continuing operations

Basic loss per share for the continuing operations is HK0.78 cents per share (2010: HK0.61 cents per share), based on the loss for the period from the continuing operations and the denominators detailed above for basic loss per share.

From discontinued operations

For the six months ended 30 June 2010, basic loss per share for the discontinued operation was HK0.24 cents per share, based on the loss for the period from the discontinued operations and the denominators detailed above for basic loss per share.

10. DIVIDENDS

No dividend was paid or proposed for the six months ended 30 June 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$135,000 and HK\$7,182,000 on additions to furniture and fixtures and construction in progress respectively. During the six months ended 30 June 2010, the Group spent approximately HK\$300,000 on additions to furniture and fixtures.

12. BIOLOGICAL ASSETS

During the period, the Group recognised approximately HK\$15,875,000 (2010: HK\$6,215,000) of biological assets included in the cost of sales.

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
At 1 January	3,777,057	3,591,610
Direct sales	(15,875)	(34,430)
Gain arising from changes in fair value less cost to sell of biological assets	—	83,498
Exchange realignment	89,381	136,379
At the end of the period/year	3,850,563	3,777,057

As at 30 June 2011, the directors of the Company have considered the carrying amount of the Group's biological assets carried at previously revalued amounts at 31 December 2010 and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the end of the reporting period. Consequently, no revaluation surplus or deficit has been recognised in the period.

13. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, net of provisions, is as follows:

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
0-30 days	10	210
31-60 days	10	—
61-90 days	—	—
Over 90 days	30	29
	50	239

14. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Over 180 days	220	215
	220	215

15. SHARE CAPITAL

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid: 4,019,072,581 (2010: 3,628,856,581) ordinary shares of HK\$0.1 each	401,907	362,886

During the six months ended 30 June 2011, the movements in share capital were as follows:

- (a) Convertible notes holders had converted their convertible notes into 397,656,000 ordinary shares during the six months ended 30 June 2011.
- (b) During the six months ended 30 June 2011, the Company reacquired of 7,940,000 the Company's ordinary shares ("Treasury Shares") from the open market in aggregate consideration of approximately HK\$2,041,000. 7,440,000 Treasury Shares were cancelled during the six months ended 30 June 2011. The remaining of 500,000 Treasury Shares with the carrying amount of approximately HK\$128,000, which represents the reacquisition consideration, is disclosed separately.

16. SHARE OPTION SCHEME

The Company operates a share option scheme for eligible participants to subscribe for new shares of the Company. A summary of the terms of the share option scheme adopted by the Company was disclosed in the Company's 2010 Annual report.

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

Name/category of participants	Number of share options				At 30 June 2011	Date of grant of share options	Exercise period of share options	Exercise Price per share HK\$
	At 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period				
Directors								
Lee Chi Kong	20,000,000	—	—	—	20,000,000	10/02/2009	10/02/2009 to 13/09/2011	0.58
	2,000,000	—	—	—	2,000,000	24/07/2009	24/07/2009 to 13/09/2011	0.65
	5,000,000	—	—	—	5,000,000	15/09/2010	15/09/2010 to 13/09/2011	0.285
Jing Bing	7,500,000	—	—	—	7,500,000	13/10/2007	15/10/2007 to 13/09/2011	1.94
	2,000,000	—	—	—	2,000,000	03/03/2008	03/03/2008 to 13/09/2011	1.59
	10,000,000	—	—	—	10,000,000	10/02/2009	10/02/2009 to 13/09/2011	0.58
	6,000,000	—	—	—	6,000,000	24/07/2009	24/07/2009 to 13/09/2011	0.65
	10,000,000	—	—	—	10,000,000	15/09/2010	15/09/2010 to 13/09/2011	0.285
Cheng Man For	5,000,000	—	—	—	5,000,000	13/10/2007	15/09/2010 to 13/09/2011	1.94
	2,000,000	—	—	—	2,000,000	03/03/2008	03/03/2008 to 13/09/2011	1.59
	10,000,000	—	—	—	10,000,000	10/02/2009	10/02/2009 to 13/09/2011	0.58
	10,000,000	—	—	—	10,000,000	24/07/2009	24/07/2009 to 13/09/2011	0.65
	5,000,000	—	—	—	5,000,000	15/09/2010	15/09/2010 to 13/09/2011	0.285
Cheung Wai Tak	3,000,000	—	—	—	3,000,000	15/09/2010	15/09/2010 to 13/09/2011	0.285
Li Xiangjun	2,000,000	—	—	—	2,000,000	15/09/2010	15/09/2010 to 13/09/2011	0.285
Zhu Guang Qian	2,000,000	—	—	—	2,000,000	15/09/2010	15/09/2010 to 13/09/2011	0.285

16. SHARE OPTION SCHEME (Continued)

Name/category of participants	Number of share options				At 30 June 2011	Date of grant of share options	Exercise period of share options	Exercise Price per share HK\$
	At 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period				
Consultants								
In aggregate	7,500,000	—	—	—	7,500,000	13/10/2007	15/10/2007 to 13/09/2011	1.94
	14,800,000	—	—	—	14,800,000	03/03/2008	03/03/2008 to 13/09/2011	1.59
	30,000,000	—	—	—	30,000,000	10/02/2009	10/02/2009 to 13/09/2011	0.58
	130,000,000	—	—	—	130,000,000	24/07/2009	24/07/2009 to 13/09/2011	0.65
	198,600,000	—	—	—	198,600,000	15/09/2010	15/09/2010 to 13/09/2011	0.285
	—	105,000,000	—	—	105,000,000	18/1/2011	18/01/2011 to 13/09/2011	0.405
	—	30,000,000	—	—	30,000,000	14/4/2011	14/04/2011 to 13/09/2011	0.326
Employees								
In aggregate	29,800,000	—	—	—	29,800,000	10/02/2009	10/02/2009 to 13/09/2011	0.58
	90,000,000	—	—	—	90,000,000	24/07/2009	24/07/2009 to 13/09/2011	0.65
	54,400,000	—	—	—	54,400,000	15/09/2010	15/09/2010 to 13/09/2011	0.285
	600,000	—	—	—	600,000	03/03/2008	03/03/2008 to 13/09/2011	1.59
	200,000	—	—	—	200,000	10/02/2009	10/02/2009 to 13/09/2011	0.58
	2,000,000	—	—	—	2,000,000	24/07/2009	24/07/2009 to 13/09/2011	0.65
	659,400,000	135,000,000	—	—	794,400,000			

Notes:

- (i) The vesting period of the share option is from the date of the grant until the commencement of the exercise period.
- (ii) The exercise price of the share option is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

17. DISPOSAL OF A SUBSIDIARY

On 23 June 2010, the Group disposed of its entire equity interests in E-Today which carried out all of its electronic consumer products business. The net assets of E-Today at the date of disposal were as follows:

	HK\$'000 (Unaudited)
Prepaid land lease payments	24,788
Property, plant and equipment	157,356
Inventories	72,960
Trade receivables	86,504
Prepayments, deposits and other receivables	39,067
Cash and cash equivalents	138,293
Trade payables	(59,004)
Other payables and accruals	(73,781)
Tax payables	(34,096)
Interest-bearing bank borrowings	(45,714)
	306,373
Impairment loss of disposal group recognised in 2009	(222,571)
	83,802
Cumulative exchange differences in respect of the net assets of E-Today reclassified from equity to profit or loss on loss of control of E-Today	—
Gain on disposal	4,198
Satisfied by:	
Cash	88,000

18. CAPITAL COMMITMENTS

The Group had no significant capital commitments at the end of the reporting period.

19. CONTINGENCIES

The Group did not have any contingent liabilities at the end of the reporting period.

20. RELATED PARTY TRANSACTIONS

- (a) Except for transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group has no other significant transactions and balances with the its related parties during the six months ended 30 June 2011.
- (b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Short term employee benefits	1,554	2,647
Post-employment benefits	—	—
Equity-settled share option expense	—	—
Total compensation paid to key management personnel	1,554	2,647

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 6 July 2011, the Group announced its intention to acquire not less than 51% equity interest in a company which holds exclusivity right to acquire interest in several companies which are principally engaged in natural gas, mining or trading of goods to Russia within a period of six months from 1 July 2011. The possible acquisition is subject to the completion of the due diligence review and the entering into of the formal agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in (i) exploitation and management of timber resources in the PRC; and (ii) distribution, marketing and sales of a wide range of timber products.

During the period, the Group recorded turnover of approximately HK\$36.7 million, up 184.5% compared with HK\$12.9 million in corresponding period of last year. The increase in turnover was mainly attributable to the increase in marketing and selling activities of timber logging and trading during the period. The Group's loss attributable to shareholders was HK\$31.0 million, an increase of 23.5% compared with HK\$25.1 million in corresponding period of last year. The increase in loss attributable to shareholders is mainly due to the increase in administrative expenses and share-based payment expense in relation to share options granted during the period.

The Group's gross profit for the period was approximately HK\$9.9 million (2010: HK\$4.5 million). Gross profit margin had decreased to 27.0% (2010: 34.9%). This is the result of the change in product mix.

Timber Logging and Trading

During the period, timber logging and trading has recorded turnover of approximately HK\$36.7 million, accounting for 100% of the Group's turnover (2010: HK\$12.9 million). Increased effort was put in marketing and selling activities which gave rise to the substantial increase in the timber logging and trading's sales compared with corresponding period in last year.

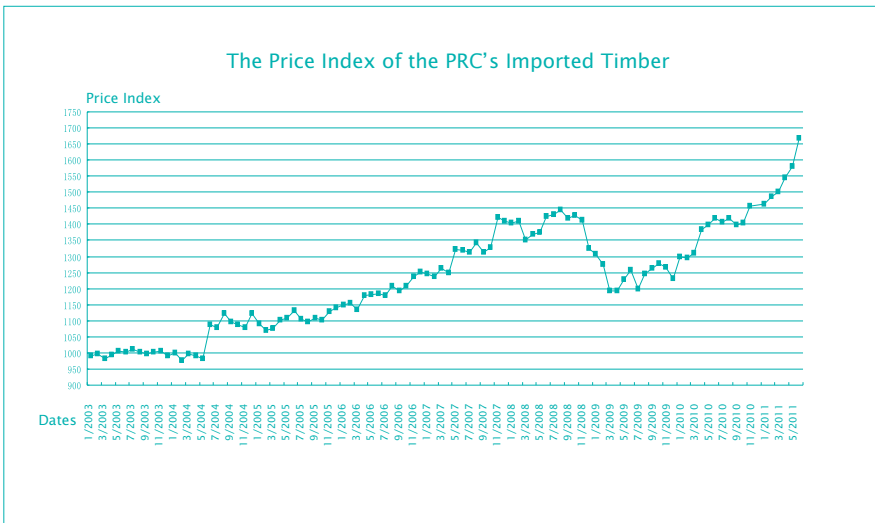
Electronic Timber Trading

During the period, electronic timber trading business has not recorded any turnover (2010: Nil), the timber exchange operated by the Group did not contribute revenue and profit to the Group during the period.

The Introduction to China Timber Index

The China Timber Index, abbreviated as CTI, was formulated by China Timber Exchange, which is controlled by the Company, and China Timber Distribution Association in the PRC in 2008. Currently, it is the only composite index system indicating detailed price changes of the PRC's timber market in the world. China Timber Exchange and China Timber Distribution Association have jointly performed analysis on important information of the PRC's timber market since 2003 with the application of internationally advanced index formulation models, based on which the PRC's timber trading index was developed.

With over three years of experience in professional publications and promotions, CTI, being well-recognized by enterprises in the PRC timber industry, government authorities and research institutes of the industry, is a crucial basis for analysis and projection of the changing pattern of supply and demand as well as the price mechanism of the PRC's timber market.



Corporate Development

The turnover and gross profit of the timber business improved during the period. In view of the potential demand in timber products driven by the PRC government investment in infrastructure and continuous strong demand of both private and public housing in the PRC, it is believed that there are ample business opportunities to be discovered in the PRC.

On 6 July 2011, Superb Summit Investment (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with an independent third party in relation to a possible acquisition of 51% equity interest in a company which possess an exclusive right to acquire several companies which are principally engaged in natural gas, mining and trading of goods to Russia. The possible acquisition is subject to the completion and results of due diligence review and the entering into of the formal agreement.

Employees and Remuneration Package

As at 30 June 2011, the Group had approximately 70 employees (2010: 60 employees). The increase in employees was mainly attributable to the increased sales force in order to cope with the increasing marketing and selling activities. The remuneration package was based on their work performance, experience and the industry practice. The Group also participated in retirement benefits schemes for its staff in Hong Kong and the PRC.

Capital Expenditures

During the period, the Group spent approximately HK\$7.3 million (2010: HK\$0.3 million) on additions to furniture and fixtures and construction in progress, which was financed by internal cash resources.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2011 (31 December 2010: Nil).

FINANCIAL REVIEW

Liquidity and Finance Resources

During the period, the Group generally financed its operations with internally generated resources. As at 30 June 2011, the Group do not have interest-bearing borrowings (31 December 2010: Nil). In addition, a loan facility of up to HK\$50 million granted by a licensed lender in October 2009 expired during the period. During the period, the Company did not make any drawing under the facility.

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

As at 30 June 2011, the Group had current assets of approximately HK\$126.0 million (31 December 2010: HK\$151.2 million) and current liabilities of approximately HK\$38.3 million (31 December 2010: 50.8 million). The Group's current ratio had increased from approximately 3.0 times as at 31 December 2010 to approximately 3.3 times as at 30 June 2011. The Group had total assets of approximately HK\$4,046.1 million (31 December 2010: HK\$3,990.3 million) and total liabilities of approximately HK\$38.3 million (31 December 2010: HK\$50.8 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 0.9% as at 30 June 2011 as compared with approximately 1.3% as at 31 December 2010.

OUTLOOK

Despite overall slowdown in the global economies during the first half of 2011 as a result of the earthquake and tsunami in Japan, and the weaker than expected economy in the United States and Europe, the Group expects demand for its products in the short and long term to remain strong especially in the PRC due to its increasing investment in infrastructure and urbanization of its population.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' and Chief Executive's Interests or Short Positions in Shares and Share Options

As at 30 June 2011, the interests of the directors and chief executives of the Company in the shares and share options of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

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

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Mr. Lee Chi Kong	Held by controlled corporation (Note 1)	32,912,000	0.82%
	Beneficial owner	165,000	0.00%
		33,077,000	0.82%
Mr. Jing Bin	Beneficial owner (Note 2)	263,145,137	6.55%
		296,222,137	7.37%

Note:

- These ordinary shares are owned by Huge Healthy Investment Development Limited ("Huge Healthy"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Huge Healthy is beneficially owned by Mr. Lee Chi Kong.
- These ordinary shares are owned by Magic Stone Fund (China), a company incorporated in the Cayman Islands, which totally owns 1,117,656,000 shares of the Company. Mr. Jing Bin owns 17.7% of the issued share capital of Magic Stone Fund (China), which entitles him to 263,145,137 shares of the Company.

(b) Share options

Name of directors	Capacity	Number of options held	Number of underlying shares	Percentage of the issued share capital
Mr. Lee Chi Kong	Beneficial owner	27,000,000	27,000,000	0.67%
Mr. Jing Bin	Beneficial owner	35,500,000	35,500,000	0.88%
Mr. Cheng Man For	Beneficial owner	27,000,000	27,000,000	0.67%
		74,500,000	74,500,000	2.06%

Save as disclosed above, none of the other directors, chief executives and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2011.

Directors' Right to Acquire Shares or Debentures

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

Substantial Shareholders

As at 30 June 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executive, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Number of underlying shares (convertible notes or share options) held	Percentage of the issued share capital of the Company
Wider Success Holdings Limited	Beneficial owner	—	304,040,000	7.56%
Ms. Huang Ying	Interest of controlled corporation (Note 1)	—	304,040,000	7.56%
Magic Stone Fund (China)	Beneficial owner	1,117,656,000	—	27.81%
Mr. Yang Dongjun	Interest of controlled corporation (Note 2)	1,117,656,000	—	27.81%
Win Master Group Limited	Beneficial owner	588,470,000	—	14.64%
Mr. Li Kwong Yuk	Interest of controlled corporations (Note 3)	619,255,000	—	15.41%
	Family interests (Note 4)	1,000,000	—	0.02%
	Beneficial owner	6,568,000	—	0.16%

Note:

1. Ms. Huang Ying owns 100% of Wider Success Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI"). Accordingly, Ms. Huang Ying was deemed to be interested in 304,040,000 underlying shares held by Wider Success Holdings Limited.
2. Mr. Yang Dongjun owns 57.69% of Magic Stone Fund (China), a company incorporated in the Cayman Islands. Accordingly, Mr. Yang Dongjun was deemed to be interested in 1,117,656,000 shares held by Magic Stone Fund (China).
3. These shares are owned as to 588,470,000 shares by Win Master Group Limited, a company incorporated in the BVI, and as to 30,785,000 shares by Wincon Asset Management Limited, a company incorporated in the BVI. Both Win Master Group Limited and Wincon Asset Management Limited are owned as to 100% by Mr. Li Kwong Yuk.
4. These shares are owned by Ms. Lo Kwan, spouse of Mr. Li Kwong Yuk. Accordingly, Mr. Li Kwong Yuk was deemed to be interested in 1,000,000 shares held by Ms. Lo Kwan.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2011.

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2011, the Company repurchased 7,940,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK\$2,033,950 for the enhancement of the net asset value per share. Of the 7,940,000 shares, 7,440,000 shares were cancelled as at 30 June 2011. Details of the repurchases of shares are summarized as follows:

Month of the repurchases	Total number of ordinary shares repurchased	Price per share		Aggregate consideration paid HK\$
		Highest	Lowest	
		HK\$	HK\$	
May 2011	3,395,000	0.260	0.260	882,700
June 2011	4,545,000	0.255	0.250	1,151,250
	<u>7,940,000</u>			<u>2,033,950</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2011.

Corporate Governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011, with deviations from code provisions A.4.1 of the Code in respect of term of office of non-executive directors.

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

Currently, all independent non-executive directors have not been appointed for a specific term of office with the Company. Instead, they are subject to retirement by rotation in accordance with the Articles of Association. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

Model Code For Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiries by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2011.

Audit Committee Review

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

Parker Randall CF (HK) CPA Limited, the Company’s auditors, and the Audit Committee have reviewed and the unaudited condensed consolidated interim information of the Company and its subsidiaries for the six months ended 30 June 2011.

By Order of the Board

Superb Summit International Timber Company Limited

Lee Chi Kong

Chairman

Hong Kong, 29 August 2011