

Interim Report

2012



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 (*Chairman*)  
 LI Xiangjun  
 CHEN Xiaoming

### Members of Remuneration Committee

CHEUNG Wai Tak (*Chairman*)  
 LI Xiangjun  
 CHEN Xiaoming

### Members of Nomination Committee

CHEUNG Wai Tak (*Chairman*)  
 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](http://www.ssitimber.com.hk)

### Stock Code

01228

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue		8,195	36,652
Cost of sales		(4,577)	(26,748)
Gross profit		3,618	9,904
Other income		719	1,651
Other losses		(5,212)	—
Distribution costs		(763)	(910)
Administrative expenses		(19,682)	(32,075)
Share-based payment expenses		(29,215)	(9,970)
Finance costs		(1,404)	(251)
Loss before tax	6	(51,939)	(31,651)
Income tax expense	7	(14)	—
Loss for the period		(51,953)	(31,651)

## CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

For the six months ended 30 June 2012

		<b>Six months ended 30 June</b>	
		<b>2012</b>	2011
		<b>HK\$'000</b>	HK\$'000
Notes		<b>(Unaudited)</b>	(Unaudited)
<b>Attributable to:</b>			
		<b>(51,901)</b>	(30,977)
		<b>(52)</b>	(674)
		<b>(51,953)</b>	(31,651)
Loss per share attributable to ordinary equity holders of the Company	8		
Basic			
— For loss for the period		<b>HK(1.24) cents</b>	HK(0.78) cents
Diluted			
— For loss for the period		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2011 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(51,953)</b>	(31,651)
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	<b>(39,284)</b>	92,107
Total comprehensive income for the period	<b>(91,237)</b>	60,456
<b>Attributable to:</b>		
Owners of the Company	<b>(91,185)</b>	61,130
Non-controlling interests	<b>(52)</b>	(674)
	<b>(91,237)</b>	60,456

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
<b>Non-Current Assets</b>			
Prepaid land lease payments		72,113	73,678
Property, plant and equipment	10	15,109	16,028
Biological assets	11	3,304,449	3,343,400
		<b>3,391,671</b>	3,433,106
<b>Current Assets</b>			
Prepaid land lease payments		1,578	1,596
Trade receivables	12	3,541	—
Prepayments, deposits and other receivables		88,162	54,797
Equity investments at fair value through profit or loss		—	10,036
Cash and cash equivalents		1,387	5,713
		<b>94,668</b>	72,142
<b>Current Liabilities</b>			
Trade payables	13	223	226
Other payables and accruals		44,222	40,250
Convertible notes interest payable		1,922	1,778
Interest-bearing other borrowing	14	—	1,000
		<b>46,367</b>	43,254
<b>Non Current Liabilities</b>			
Interest-bearing other borrowing	14	40,000	—
<b>Net Current Assets</b>		<b>48,301</b>	28,888
<b>Net Assets</b>		<b>3,399,972</b>	3,461,994

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

As at 30 June 2012

	Notes	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
<b>Capital and Reserves</b>			
Issued capital	15	419,616	419,616
Reserves		2,983,290	3,045,260
<b>Equity attributable to owners of the Company</b>		<b>3,402,906</b>	3,464,876
Non-controlling interests		(2,934)	(2,882)
<b>Total Equity</b>		<b>3,399,972</b>	3,461,994



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium HK\$'000	Treasury share HK\$'000	Share option reserve HK\$'000	Convertible notes equity reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012 (audited)	419,616	1,472,765	—	—	56,701	509,674	1,006,120	3,464,876	(2,882)	3,461,994
Total comprehensive income for the period	—	—	—	—	—	(39,284)	(51,901)	(91,185)	(52)	(91,237)
Equity-settled share option arrangements	—	—	—	29,215	—	—	—	29,215	—	29,215
At 30 June 2012 (unaudited)	419,616	1,472,765	—	29,215	56,701	470,390	954,219	3,402,906	(2,934)	3,399,972
Six months ended 30 June 2011	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium HK\$'000	Treasury share HK\$'000	Share option reserve HK\$'000	Convertible notes equity reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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	39,765	40,596	—	—	(80,361)	—	—	—	—	—
Equity-settled share option arrangements	—	—	—	9,970	—	—	—	9,970	—	9,970
Reacquisition of own shares	—	—	(2,041)	—	—	—	—	(2,041)	—	(2,041)
Cancellation of treasury shares	(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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2011 HK\$'000 (Unaudited)
<b>Cash Flows from Operating Activities</b>		
Net cash used in operating activities	<b>(44,696)</b>	(52,805)
<b>Cash Flows from Investing Activities</b>		
Net cash from/(used in) investing activities	<b>4,821</b>	(7,317)
<b>Cash Flows from Financing Activities</b>		
Net cash from/(used in) financing activities	<b>38,416</b>	(2,041)
Net decrease in cash and cash equivalents	<b>(1,459)</b>	(62,163)
Cash and cash equivalents, at beginning of period	<b>5,713</b>	99,964
Effect of foreign exchange rate changes, net	<b>(2,867)</b>	154
Cash and cash equivalents, at end of period	<b>1,387</b>	37,955
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	<b>1,352</b>	30,533
Cash held in a licensed corporation	<b>35</b>	7,422
	<b>1,387</b>	37,955

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 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 2012 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 2011.

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 2012. 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 2011.

#### **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 the purposes of resource allocation and performance assessment. Therefore management considers the Group has one reporting segment i.e. the integrated timber business.

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 of the Group are substantially derived from activities or located in the PRC.

## 6. LOSS BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2011 HK\$'000 (Unaudited)
Cost of inventories sold	4,577	26,748
Depreciation	740	430
Amortisation of prepaid land lease payments	793	779
Interest on convertible notes	144	251
Fair value gains on equity investments at fair value through profit or loss, net	—	(1,489)
Loss on disposal of equity investments at fair value through profit or loss	5,212	—

## 7. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2011 HK\$'000 (Unaudited)
Current tax — Charge for the period		
Hong Kong	—	—
The PRC	14	—
Total tax charge for the period	14	—

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

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% (2011: 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. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2011 HK\$'000 (Unaudited)
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company	<b>(51,901)</b>	(30,977)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>4,196,157</b>	3,986,967

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2012 and 2011 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.

Basic loss per share is HK1.24 cents per share (2011: HK0.78 cents per share), based on the loss for the period from operations and the denominators detailed above for basic loss per share.

## 9. DIVIDENDS

No dividend was paid or proposed for the six months ended 30 June 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3,000 on additions to furniture and fixtures. During the six months ended 30 June 2011, the Group spent approximately HK\$135,000 and HK\$7,182,000 on additions to furniture and fixtures and construction in progress respectively.

## 11. BIOLOGICAL ASSETS

During the period, the Group recognised approximately HK\$3,729,000 (2011: HK\$15,875,000) of biological assets included in the cost of sales.

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
At 1 January	<b>3,343,400</b>	3,777,057
Direct sales	<b>(3,729)</b>	(28,493)
Loss arising from changes in fair value less cost to sell of biological assets	—	(576,335)
Exchange realignment	<b>(35,222)</b>	171,171
At the end of the period/year	<b>3,304,449</b>	3,343,400

As at 30 June 2012, the directors of the Company have considered the carrying amount of the Group's biological assets carried at previously revalued amounts at 31 December 2011 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.

## 12. TRADE RECEIVABLES

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

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Trade receivable	3,541	31
Less: allowance for doubtful debts	—	(31)
	<b>3,541</b>	—

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
0-30 days	—	—
31-60 days	—	—
61-90 days	—	—
Over 90 days	3,541	31
	<b>3,541</b>	31

The carrying amounts of the Group's trade receivable are denominated in the following currencies:

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Renminbi	3,541	31
Hong Kong dollar	—	—
	<b>3,541</b>	31



### 13. TRADE PAYABLES

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

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Over 180 days	223	226
	<b>223</b>	226

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Renminbi	223	226
Hong Kong dollar	—	—
	<b>223</b>	226

### 14. INTEREST-BEARING OTHER BORROWING

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
<b>Other loan-unsecured</b>		
Non-current portion	40,000	—
Current portion	—	1,000
	<b>40,000</b>	1,000

The Group's other loans are unsecured, bear interest at 4% per annum (2011: 5%), and repayable over one year but within two years.

## 15. SHARE CAPITAL

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	<b>1,000,000</b>	1,000,000
Issued and fully paid: 4,196,156,799 (2011: 4,196,156,799) ordinary shares of HK\$0.1 each	<b>419,616</b>	419,616

## 16. SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants to subscribe new shares of the Company. A summary of the terms of the share option scheme adopted by the Company has been disclosed in the Company's 2011 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 2012	Date of grant of share options	Exercise period of share options	Exercise Price per share HK\$
	At 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Consultants</b> In aggregate	—	260,000,000	—	—	260,000,000	17/1/2012	17/1/2012 to 10/11/2021	0.145
<b>Employees</b> In aggregate	—	140,000,000	—	—	140,000,000	17/1/2012	17/1/2012 to 10/11/2021	0.145
	—	400,000,000	—	—	400,000,000			

Notes:

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. CAPITAL COMMITMENTS

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

## 18. OPERATING LEASE COMMITMENTS

The Group leases certain leasehold land and buildings under operating lease. The original lease terms for these leasehold land and buildings ranged from one to twenty years.

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Within one year	6,437	8,474
In the second to fifth years, inclusive	13,288	16,193
After 5 years	7,829	9,281
	<b>27,554</b>	33,948

## 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 2012.
- (b) Compensation of key management personnel of the Group

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (Unaudited)</b>	2011 HK\$'000 (Unaudited)
Short term employee benefits	2,010	1,554
Post-employment benefits	—	—
Equity-settled share option expense	—	—
Total compensation paid to key management personnel	<b>2,010</b>	1,554

## 21. EVENTS AFTER THE END OF THE REPORTING PERIOD

- a) On 16 July 2012, an aggregate of 805,300,000 warrants were issued by the Company to not fewer than six subscribers at an issue price of HK\$0.009 per warrant.

Each of the warrants carries the right to subscribe for one ordinary share of the Company at an exercise price of HK\$0.111 per share during a period of two years commencing from (and inclusive of) the date of issue of the warrants.

- b) On 9 August 2012, the Board of the Company proposed to change the name of the Company from “Superb Summit International Timber Company Limited 奇峰國際木業有限公司” to “Superb Summit International Group Limited 奇峰國際集團有限公司” in order to better reflect the business diversity of the Group in the future. The change of Company name is subject to the passing of a special resolution at the extraordinary general meeting approving the change of Company name; and the Registrar of Companies in the Cayman Islands approving the change of Company name.

A circular containing, among other things, the details of the proposed change of Company name together with a notice of the extraordinary general meeting has been despatched to the shareholders of the Company on 23 August 2012 and the extraordinary general meeting will be convened on 17 September 2012 for the purpose of considering and, if thought fit, passing the resolution to approve the change of Company name.

- c) On 25 August 2012, the Company entered into a conditional subscription agreement with an independent third party (the “Subscriber”), whereby the Company conditionally agreed to issue and allot, and the Subscriber conditionally agreed to subscribe for 70,000,000 ordinary shares of the Company at the price of HK\$0.145 per share (the “Subscription Shares”). The consideration payable for the Subscription Shares is HK\$10,150,000 which shall be settled by way of capitalisation of HK\$10,500,000 of the loans granted by the Subscriber to the Company, with an outstanding principal amount of HK\$36,800,000 in aggregate as at 25 August 2012.

Completion of the subscription agreement is conditional upon the Stock Exchange granting the listing of and permission to deal in the Subscription Shares on or before 31 October 2012 (or such other date as may be agreed between the parties of the subscription 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\$8.2 million, down 77.7% compared with HK\$36.7 million in corresponding period of last year. The decrease in turnover was mainly attributable to the decrease demand in the Group's timber products as the China's property market cooled down during the period. The Group's loss attributable to shareholders was HK\$51.9 million, an increase of 67.5% compared with HK\$31.0 million in corresponding period of last year. The increase in loss attributable to shareholders is mainly due to the increase in share-based payment expense in relation to share options granted during the period and loss on disposal of equity investments.

The Group's gross profit for the period was approximately HK\$3.6 million (2011: HK\$9.9 million). Gross profit margin had increased to 44.2% (2011: 27.0%). 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\$8.2 million, accounting for 100% of the Group's turnover (2011: HK\$36.7 million). The weakening China's property market gave rise to the substantial decrease 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 (2011: Nil), the timber exchange operated by the Group did not contribute revenue and profit to the Group during the period.

## Corporate Development

### *Investment in Gold Mines in Australia*

On 4 March 2012, the Group entered into formal agreements (the “Stone Agreements”) in relation to the acquisitions of equity interests in: 1) Stone Resources Limited, a company incorporated in Bermuda with limited liability and its shares are listed on the TSX Venture Exchange in Canada, which owns controlling interest in Stone Resources Australia Limited (“SRAL”) (formerly known as A1 Minerals Limited), a company incorporated in Australian Securities Exchange; and 2) Crescent Gold Limited (“CGL”), a company incorporated in Australia with limited liability and its shares are listed on the Australian Securities Exchange and Frankfurt Stock Exchange. The principal activities of SRAL and CGL are mineral exploration and gold production and their mining tenements are located in the region of Laverton in Western Australia.

Subsequent to the date of the Stone Agreements, the Company’s independent technical adviser advised that completion of the professional report on the gold resources of SRAL and CGL would require additional time as well as further information on the latest statistics of the additional exploration work in the relevant region. Therefore, on 6 July 2012, the Group and the counterparties to the Stone Agreements entered into termination agreements in relation to the termination of the above acquisitions and an agreement in relation to the exclusive rights for a six-month period granted to the Group to negotiate with the counterparties in respect of the above acquisition. Subject to the compliance with Chapter 18 of the Listing Rules, the Group will seek to continue the above acquisition of the gold mines in Australia through its exclusive rights in order to enhance the return on equity of the shareholders of the Company.

### *Investment in Logistic Projects across the Border between the PRC and Mongolia*

On 17 July 2012, the Group entered into two letters of intent for its potential acquisitions of controlling interest in each of the two operators of a logistic project in relation to cross-border conveyance of coals across the border between the PRC and Mongolia and another letter of intent for its potential acquisition of a controlling interest in an operator of the cross-border logistic business of coals across the border between the PRC and Mongolia via road transportation.

On 18 July 2012, the Group entered into a letter of intent for its potential acquisition of a controlling interest in an operator of a construction project in relation to heavy haul road that connects the mining area to the border of the PRC and Mongolia.

On 25 July 2012, the Group entered into a memorandum of understanding with respect to its involvement in coal trading services as well as provision of logistic services of coals and other energy products for the procurement department of China State Shipbuilding Corporation (“CSSC”) and Black Sand Resources Trading Limited, a wholly-owned subsidiary of Pan Asia Mining Limited (“Pan Asia”) (its shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited).

On 23 August 2012, the Group entered into a framework agreement with 中船工業成套物流有限公司, a wholly-owned subsidiary of CSSC, and Pan Asia on strategic cooperation in the trading and logistics of coals and other energy products.

## Employees and Remuneration Package

As at 30 June 2012, the Group had approximately 57 employees (2011: 70 employees). The decrease in the number of employees was mainly attributable to the decreased sales force as a result of the decreased demand in the Group’s timber products. 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\$3,000 (2011: HK\$7.3 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 2012 (31 December 2011: Nil).

## FINANCIAL REVIEW

### Liquidity and Finance Resources

During the period, the Group generally financed its operations with internally generated resources. As at 30 June 2012, the Group had interest-bearing borrowings of HK\$40 million (31 December 2011: HK\$1 million), bearing interest of 4% (31 December 2011: 5%) per annum and repayable after one year.

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 2012, the Group had current assets of approximately HK\$94.7 million (31 December 2011: HK\$72.1 million) and current liabilities of approximately HK\$46.3 million (31 December 2011: 43.3 million). The Group's current ratio had increased from approximately 1.7 times as at 31 December 2011 to approximately 2.0 times as at 30 June 2012. The Group had total assets of approximately HK\$3,486.3 million (31 December 2011: HK\$3,505.2 million) and total liabilities of approximately HK\$86.4 million (31 December 2011: HK\$43.3 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 2.5% as at 30 June 2012 as compared with approximately 1.2% as at 31 December 2011.

## OUTLOOK

Given the changing business environment of the forestry industry, the management considers diversification of business with growth potential to be in the best interest to the Company and its shareholders. The Company is continuously exploring potential investment opportunities to broaden its revenue and profit base and also to minimize risk on timber business faced by the Company. Furthermore, the management is considering various alternatives to increase the Company's resources for the development of the existing business and potential investment opportunities.



## DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2012, 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*

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	0.78%
	Beneficial owner	165,000	0.01%
		33,077,000	0.79%
Mr. Jing Bin	Beneficial owner (Note 2)	263,145,137	6.27%
Mr. Li Xiangjun	Beneficial owner	1,820,000	0.04%
		298,042,137	7.10%

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.

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 2012.

### **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" 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 2012, 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

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Number of underlying shares (convertible notes or share options) held</b>	<b>Percentage of the issued share capital of the Company</b>
Wider Success Holdings Limited	Beneficial owner	—	286,455,782	6.83%
Ms. Huang Ying	Interest of controlled corporation (Note 1)	—	286,455,782	6.83%
Magic Stone Fund (China)	Beneficial owner	1,117,656,000	—	26.64%
Mr. Yang Dongjun	Interest of controlled corporation (Note 2)	1,117,656,000	—	26.64%
Mr. Li Kwong Yuk	Interest of controlled corporations (Note 3)	324,195,000	—	7.73%
	Family interests (Note 4)	1,000,000	—	0.02%
	Beneficial owner	6,568,000	—	0.16%

## Note:

- Ms. HUANG Ying owned 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 286,455,782 underlying shares held by Wider Success Holdings Limited.
- Mr. YANG Dongjun owned 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 were owned as to 104,415,000 shares by Win Master Group Limited, a company incorporated in the BVI, 15,710,000 shares by Wincon Asset Management Limited, a company incorporated in the BVI, 200,000,000 shares by Wincon Capital Investment Limited, a company incorporated in the BVI and 4,070,000 shares by Golden Season International Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Dingyi Group Investment Limited (formerly Chevalier Pacific Holdings Limited), a company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited. Win Master Group Limited, Wincon Asset Management Limited and Wincon Capital Investment Limited were wholly-owned by Mr. LI Kwong Yuk. Dingyi Group Investment Limited was owned as to 70.01% by Mr. LI Kwong Yuk.
4. These shares were 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 2012.

## Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2012.

## 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 2012, 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 2012.

## Audit Committee Review

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

The Audit Committee have reviewed and the unaudited condensed consolidated interim information of the Company and its subsidiaries for the six months ended 30 June 2012.

By Order of the Board

**Superb Summit International Timber Company Limited**

**Lee Chi Kong**

*Chairman*

Hong Kong, 29 August 2012