



# CHINA SANDI HOLDINGS LIMITED

(formerly known as China Grand Forestry Green Resources Group Limited)

(Incorporated in Bermuda with limited liability)

Stock code: 910

## 2012/13

INTERIM REPORT





# Contents

CORPORATE INFORMATION	<b>02</b>
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	<b>03</b>
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:	
Condensed consolidated statement of comprehensive income	<b>05</b>
Condensed consolidated statement of financial position	<b>07</b>
Condensed consolidated statement of cash flows	<b>09</b>
Condensed consolidated statement of changes in equity	<b>10</b>
Notes to the condensed consolidated interim financial statements	<b>11</b>
MANAGEMENT DISCUSSION AND ANALYSIS	<b>35</b>
DISCLOSURE OF ADDITIONAL INFORMATION	<b>39</b>



## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Chi Chi Hung Kenneth

Ms. Zhang Jianchan

(appointed on 11 April 2012)

Mr. Lau Man Tak

(resigned on 28 September 2012)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen

Mr. Chan Chi Yuen

Mr. Yu Pak Yan Peter

Mr. Zheng Jinyun

(appointed on 11 April 2012)

Mr. Zheng Yurui

(appointed on 11 April 2012)

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 3309

33/F., West Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

### COMPANY SECRETARY

Mr. Chi Chi Hung Kenneth

### AUDITOR

BDO Limited

25th Floor Wing On Centre

111 Connaught Road Central

Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

Chiyu Banking Corporation Ltd.

4/F., 78 Dex Voeux Road Central

Hong Kong

Bank of Communications Co., Ltd.

2/F., 563 Nathan Road

Kowloon

Hong Kong

The Bank of East Asia Limited

10 Des Voeux Road Central

Hong Kong

### PRINCIPAL REGISTRARS AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited

(formerly The Bank of Bermuda Limited)

Bank of Bermuda Building

6 Front Street

Hamilton HM 11

Bermuda

### BRANCH REGISTRARS AND TRANSFER OFFICE

Tricor Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

### WEBSITE

[www.chinasandi.com.hk](http://www.chinasandi.com.hk)



## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Tel : +852 2218 8288  
Fax : +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

### To the Board of Directors of China Sandi Holdings Limited

(Incorporated in Bermuda with limited liability)

### INTRODUCTION

We have reviewed the interim financial statements set out on pages 5 to 34, which comprises the condensed consolidated statement of financial position of China Sandi Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at 30 September 2012 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **EMPHASIS OF MATTER**

Without qualifying our review conclusion, we draw attention to Note 2 to the financial statements which indicate that the Group's current liabilities exceeded its current assets by approximately HK\$309,733,000 as of 30 September 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

### **OTHER MATTER**

The condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and the relevant explanatory notes for the six months ended 30 September 2011, disclosed in these interim financial statements have not been reviewed in accordance with HKSRE 2410.

#### **BDO Limited**

*Certified Public Accountants*

#### **Lam Pik Wah**

Practising Certificate no. P05325

Hong Kong, 10 June 2013



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended	
		30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	4	<b>71,241</b>	6,320
Gain/(loss) arising from changes in fair values			
less costs to sell of biological assets	6	<b>188,547</b>	(7,073)
Change in fair value of derivative financial instrument		<b>(13,603)</b>	–
Change in fair value of investment property		<b>(15,494)</b>	–
Other income	4	<b>44</b>	3,142
Other net losses	7	<b>(38,881)</b>	(203,844)
Cost of inventories and forestry products sold		–	(2,233)
Impairment loss on available-for sale investment		–	(1,046)
Staff costs		<b>(6,937)</b>	(4,906)
Depreciation of property, plant and equipment		<b>(2,183)</b>	(6,276)
Release of prepaid lease payments		<b>(16,824)</b>	(14,439)
Other operating expenses	8	<b>(27,482)</b>	(15,721)
Finance costs	10	<b>(46,670)</b>	(4,326)
Profit/(loss) before income tax credit		<b>91,758</b>	(250,402)
Income tax credit	11	<b>1,184</b>	5,930
Profit/(loss) for the period	9	<b>92,942</b>	(244,472)
Other comprehensive income for the period:			
Exchange differences on translating foreign operations		<b>(6,713)</b>	76,250
Impairment loss on available-for-sale financial assets		–	(1,046)
Reclassification to profit or loss		–	1,046
Total comprehensive income for the period		<b>86,229</b>	(168,222)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<b>Profit/(loss) attributable to:</b>			
Owners of the Company	12	92,942	(244,472)
Non-controlling interests		—	—
		<b>92,942</b>	<b>(244,472)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		86,229	(168,222)
Non-controlling interests		—	—
		<b>86,229</b>	<b>(168,222)</b>
<b>Earnings/(loss) per share</b>			(restated)
— Basic	13	<b>HK8.54 cents</b>	HK(50.2) cents
— Diluted		<b>HK8.54 cents</b>	HK(50.2) cents



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Restated) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Biological assets		<b>1,452,080</b>	1,286,982
Investment property		<b>3,599,148</b>	3,554,530
Property, plant and equipment	14	<b>42,637</b>	43,953
Construction in progress		<b>9,596</b>	8,236
Prepaid lease payments		<b>847,409</b>	897,161
Available-for-sale investments		<b>155</b>	155
Derivative financial instrument	18	<b>14,041</b>	27,644
		<b>5,965,066</b>	5,818,661
<b>Current assets</b>			
Inventories		<b>2,591</b>	1,203
Trade receivables	15	<b>1,831</b>	773
Prepaid lease payments		<b>19,974</b>	18,211
Other receivables, deposits and prepayments		<b>17,437</b>	6,499
Financial assets at fair value through profit or loss	16	<b>93,401</b>	97,826
Amounts due from related parties	26(b)	<b>497</b>	6,527
Cash and cash equivalents		<b>214,938</b>	24,414
		<b>350,669</b>	155,453
<b>Total assets</b>		<b>6,315,735</b>	5,974,114



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Restated) HK\$'000
	Notes		
<b>Current liabilities</b>			
Trade payables	20	50,360	39,480
Other payables and accruals		404,103	406,219
Bank borrowings	22	31,829	–
Loans from related parties	21	80,224	–
Amount due to a related party	26(b)	6,556	–
Tax payable		87,330	86,709
		<b>660,402</b>	532,408
<b>Net current liabilities</b>		<b>(309,733)</b>	(376,955)
<b>Total assets less current liabilities</b>		<b>5,655,333</b>	5,441,706
<b>Non-current liabilities</b>			
Long term payables	21	80,316	672,104
Convertible notes payable	18	278,154	262,255
Bank borrowings	22	707,932	–
Deferred taxation		628,130	632,775
		<b>1,694,532</b>	1,567,134
<b>Net assets</b>		<b>3,960,801</b>	3,874,572
<b>Capital and reserves attributable to the Company's owners</b>			
Share capital	17	6,871	6,871
Convertible preference shares	17	283,858	283,858
Reserves	19	3,670,006	3,583,777
		<b>3,960,735</b>	3,874,506
Non-controlling interests		66	66
<b>Total equity</b>		<b>3,960,801</b>	3,874,572



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<b>40,349</b>	(15,825)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(64,313)</b>	(437,470)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<b>210,985</b>	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>187,021</b>	(453,295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>24,414</b>	580,938
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>3,503</b>	1,358
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>214,938</b>	129,001
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	<b>214,938</b>	129,001

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 September 2012						
	Share capital HK\$'000	Convertible preference share HK\$'000	Share premium and other reserves HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 April 2012 (As previously reported)	6,871	283,858	4,227,054	(398,155)	4,119,628	66	4,119,694
Prior period adjustment (Note 3)	-	-	-	(245,122)	(245,122)	-	(245,122)
Balance at 1 April 2012 (Restated)	6,871	283,858	4,227,054	(643,277)	3,874,506	66	3,874,572
Profit for the period	-	-	-	92,942	92,942	-	92,942
Other comprehensive income	-	-	(6,713)	-	(6,713)	-	(6,713)
Total comprehensive income	-	-	(6,713)	92,942	86,229	-	86,229
Balance at 30 September 2012 (Unaudited)	6,871	283,858	4,220,341	(550,335)	3,960,735	66	3,960,801

	For the six months ended 30 September 2011						
	Share capital HK\$'000	Share premium and other reserves HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 April 2011 (Audited)	974,105	3,171,117	-	(42,251)	4,102,971	67	4,103,038
Loss for the period	-	-	-	(244,472)	(244,472)	-	(244,472)
Other comprehensive income	-	76,250	(1,046)	-	75,204	-	75,204
Reclassification to profit or loss	-	-	1,046	-	1,046	-	1,046
Total comprehensive income	-	76,250	-	(244,472)	(168,222)	-	(168,222)
Lapse of share option	-	(1,318)	-	1,318	-	-	-
Balance at 30 September 2011 (Unaudited)	974,105	3,246,049	-	(285,405)	3,934,749	67	3,934,816



## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **1. GENERAL**

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 3309, 33/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong respectively.

The principal activity of the Company is investment holding. The Group is engaged in property investment and ecological forestry business.

### **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2012 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Interim Financial Statements have been prepared under the historical cost basis except for investment property, certain financial instruments and certain biological assets which are measured at fair value or fair value less costs to sell.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2012 (the “Annual Financial Statements”), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the “HKASs”) and Interpretations) issued by the HKICPA as disclosed in Note 2 to these Interim Financial Statements. The Interim Financial Information has been reviewed by our auditor in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (CONTINUED)**

As of 30 September 2012, the Group's current liabilities exceeded its current assets by HK\$309,733,000. This indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the condensed consolidated financial statements, the directors have given careful consideration to the future liquidity and financial position of the Group in view of the conditions described in the preceding paragraph. The directors are taking active measures to improve the working capital of the Group as described below:

1. the directors is considering to dispose of its entire interest in the entire forestry assets. If the disposal is materialized, this will reduce future capital investment in the forestry assets.
2. the directors intend to negotiate with forest vendors to restructure the repayment schedules of the payables of the acquisition of forest farms; and
3. the major shareholder has undertaken to provide continuing financial support in order to maintain the Group as a going concern.

As a result of the above, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 September 2012. Accordingly, the directors are satisfied that it is appropriate to prepare these condensed consolidated financial statements for the period ended 30 September 2012 on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (CONTINUED)

In addition, in the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“new or revised HKFRSs”) issued by the HKICPA, which are effective for the current period’s unaudited condensed consolidated interim financial statements.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The following amendment to existing standard is relevant to the Group’s operations.

#### **Amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets**

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 “Investment Property” is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. 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. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date.

The Board considers the Group’s business model is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, the presumption is rebutted and related deferred tax is not remeasured upon the adoption of this amendment.

There are no other amended standards or interpretations that are effective for the first time for the accounting period beginning on or after 1 April 2012 that would be expected to have a material impact on the Group.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES (CONTINUED)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle <sup>2</sup>
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 1	Government Loans <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Investment entities <sup>3</sup>
HKFRS 13	Fair Value Measurements <sup>2</sup>
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (2011)	Employee Benefits <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>4</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC)-INT 20	Stripping Costs in the Production Phase of A Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Group has not early adopted any new standards and is in the process of making an assessment of the potential impact on the Group's financial statements and is not in a position to estimate the effects.



## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **3. PRIOR PERIOD ADJUSTMENTS**

A gain on bargain purchase arising from the acquisitions of the Target Groups (Great Peace Global Group Limited and Grandbiz Holdings Limited) of HK\$1,222,432,000 was recorded in the consolidated financial statements for the year ended 31 March 2012. The acquisitions of the Target Groups constituted very substantial acquisitions. Details of the acquisitions were set out in the Company's circular dated 10 January 2012.

The fair value of the identifiable net assets of the Target Groups at the date of acquisition was overstated by HK\$245,122,000 as a loan payable by the Target Groups to the vendor of HK\$245,122,000 (the "Amount") was previously treated as an equity item instead. Consequently, gain on bargain purchase arising from the acquisitions of the Target Groups was also overstated by HK\$245,122,000.

The Amount was lent to an intermediate investment holding company within the Target Groups. The funds were then used to provide an intra group loan to an operating entity of the Target Groups. Should the intra group loan be capitalized (before the date of acquisition) then the loan from the vendor to the Target Groups would not be repayable.

According to the acquisition agreements, the purchase consideration is subject to adjustment based on the aggregated net assets value of the operating entity as at the completion date as defined in the acquisitions agreements (the "Net Assets Value"). The purchase consideration should be reduced to reflect the shortfall between the Net Assets Value and HK\$3,140 million (the "Guaranteed Amount") as stated in the acquisition agreements (details of the reduction in purchase consideration has been disclosed in the Company's announcement dated 29 June 2012). The intra group loan was not capitalized by the date of acquisition. Thus there was a shortfall in the net assets of the operating entity (compared to the Guaranteed Amount) which resulted in a reduction in the consideration payable.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

To rectify the situation, the gain on bargain purchase and the loan payable to the vendor by the Target Groups, which remained unsettled at 31 March 2012 have both been restated by a reduction and an increase of HK\$245,122,000 respectively. Details of the restatement are disclosed below.

Consolidated income statement and statement of comprehensive income for the year ended 31 March 2012:

	As previously reported HK\$'000	Adjustments HK\$'000	As restated HK\$'000
Gain on bargain purchase	1,222,432	(245,122)	977,310
Loss for the year attributable to owners of the Company	(387,380)	(245,122)	(632,502)
Total comprehensive income for the year attributable to owners of the Company	(479,137)	(245,122)	(724,259)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Consolidated statement of financial position as at 31 March 2012:

	As previously reported HK\$'000	Adjustments HK\$'000	As restated HK\$'000
Long term payables:			
Loans from related parties	368,737	245,122	613,859
Non-current liabilities	1,322,012	245,122	1,567,134
Net assets	4,119,694	(245,122)	3,874,572
Accumulated losses	(398,155)	(245,122)	(643,277)

Impact on basic and diluted loss per share:

	Year ended 31 March 2012 HK cents
Basic and diluted loss per share, as previously reported	(0.66)
Adjustments	(0.42)
Basic and diluted loss per share, as restated	(1.08)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. REVENUE AND OTHER INCOME

The Group is currently engaged in property investment and forestry business. Revenue and other income recognised during the period are as follows:

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	<b>71,241</b>	6,320
Other income		
Bank interest income	<b>39</b>	1,402
Dividend income from listed investments	<b>5</b>	1,740
	<b>44</b>	3,142
	<b>71,285</b>	9,462

### 5. SEGMENTAL INFORMATION

#### Reportable segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

After completion of the business combination on 15 February 2012, the Group has identified two reportable segments, the business of ecological forestry operation and property investment. In last period, the Group had only identified the business of ecological forestry operation as the single reportable operating segment.

During the period, there is no inter-segment transactions made. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. SEGMENTAL INFORMATION (CONTINUED)

#### (a) Business Segments

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Property Business		Ecological Forestry Business		Total	
	For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September	
	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from:						
External sales	71,224	-	17	6,320	71,241	6,320
Inter-segment sales	-	-	-	-	-	-
Reportable segment revenue	71,224	-	17	6,320	71,241	6,320
Reportable segment profit/(loss)	10,084	-	121,752	(106,429)	131,836	(106,429)
Interest revenue	9	-	30	63	39	63
Interest expense	(27,032)	-	(3,739)	(4,326)	(30,771)	(4,326)
Depreciation and amortization	(268)	-	(1,721)	(5,946)	(1,989)	(5,946)
Income tax credit	1,184	-	-	5,930	1,184	5,930
Release of prepaid lease payment	-	-	(16,824)	(14,439)	(16,824)	(14,439)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	-	-	188,547	(7,073)	188,547	(7,073)
Change in fair value of investment property	(15,494)	-	-	-	(15,494)	-
Write off of biological assets and prepaid lease payments due to probable cancellation of forestry ownership certificates	-	-	(27,209)	-	(27,209)	-

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. SEGMENTAL INFORMATION (CONTINUED)

#### (b) Reconciliation of reportable segment profit/(loss)

	For the six months ended	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Profit/(loss) after income tax</b>		
Reportable segment profit/(loss)	<b>131,836</b>	(106,429)
Fair value loss on financial assets at fair value through profit and loss	<b>(4,425)</b>	(132,465)
Change in fair value of derivative financial instrument	<b>(13,603)</b>	–
Impairment loss on available-for-sales investment	–	(1,046)
Finance costs	<b>(15,899)</b>	–
Unallocated corporate expenses	<b>(4,967)</b>	(4,532)
<b>Consolidated profit/(loss) after income tax</b>	<b>92,942</b>	(244,472)

#### (c) Geographical information

During the periods ended 30 September 2012 and 2011, the Group's major operations and assets are situated in the PRC in which all of its revenue was derived.

#### (d) Major customers

During the period ended 30 September 2012, no customer contributed revenue to more than 10% of the Group's revenue. During the period ended 30 September 2011, only one customer contributed to the entire Group's revenue.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 6. GAIN/(LOSS) ARISING FROM CHANGES IN FAIR VALUES LESS COSTS TO SELL OF BIOLOGICAL ASSETS

The increase in fair values less costs to sell of biological assets mainly due to the shifting away from the investment period of these forest assets which resulted in the removal of these capital expenditure cash outflows, while cash inflows are occurring sooner, this resulted in an increase in the valuation of these forest assets.

### 7. OTHER NET LOSSES

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Write off of biological assets and prepaid lease payments due to probable cancellation of forestry ownership certificates	<b>(27,209)</b>	–
Fair value loss on financial assets at fair value through profit or loss	<b>(4,425)</b>	(132,465)
Loss on disposal of forest farms	<b>(7,705)</b>	(81,273)
Gain/(loss) on disposal of property, plant and equipment	<b>451</b>	(2,240)
Loss on disposal of a subsidiary	–	(920)
Exchange differences	<b>7</b>	11,237
Others	–	1,817
	<b>(38,881)</b>	(203,844)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 8. OTHER OPERATING EXPENSES

	For the six months ended 30 September	
	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Research and development expenses	<b>3,824</b>	3,668
Advertising and promotional expenses	<b>3,961</b>	–
Legal and professional fees	<b>4,841</b>	3,719
Other taxes	<b>4,018</b>	–
Others	<b>10,838</b>	8,334
	<b>27,482</b>	15,721

### 9. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Auditor's remuneration	–	–
Minimum lease payments under operating leases on leasehold properties	<b>1,363</b>	2,312
Research and development costs	<b>3,824</b>	3,668
Staff costs:		
Basic salaries and allowances	<b>6,652</b>	4,684
Retirement benefits scheme contribution	<b>285</b>	42
Net exchange loss/(gain)	<b>7</b>	(11,237)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. FINANCE COSTS

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms	3,739	4,326
Imputed interest on convertible notes	15,899	–
Interest on bank borrowings	17,136	–
Interest on loans from related parties	9,896	–
	<b>46,670</b>	4,326

### 11. INCOME TAX CHARGE/(CREDIT)

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Overseas tax		
— Current tax		
Charge for the period	2,686	–
— Deferred tax credit	(3,870)	(5,930)
	<b>(1,184)</b>	(5,930)

Hong Kong profits tax has been provided at 16.5% based on the estimated assessable profit for the current and prior years. No provision of Hong Kong profits tax was made as there was no assessable profits derived for both years.

The Group's subsidiaries in the PRC are subject to the PRC income tax.



## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **11. INCOME TAX CHARGE/(CREDIT) (CONTINUED)**

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 the PRC enterprise income tax commencing from 1 January 2008.

Pursuant to the Implementation Rules, Wan Fu Chun Forest Resources Development Company Limited ("WFC"), a wholly-owned subsidiary of the Group should be entitled to full exemption from the PRC enterprise income tax as it is operating in forestry business. However, WFC had not obtained the exemption approval from the PRC tax authority. Accordingly, WFC is subject to enterprise income tax rate of 25%.

Yunnan Shenyu New Energy Company Limited ("Yunnan Shenyu"), a wholly owned subsidiary of the Group, is also operating in forestry business during the year. Pursuant to the approval obtained from the relevant PRC tax authority, Yunnan Shenyu is entitled to a tax concession period whereby it is fully exempted from PRC enterprise income tax for the calendar year ended 31 December 2010. Yunnan Shenyu did not apply for tax exemption at present as it sustained loss for the year. The directors are confident that full exemption will be granted from the PRC tax authority when the application is lodged.

The applicable PRC enterprise income tax is 25% for other PRC subsidiaries.

### **12. PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY AND DIVIDEND**

The profit/(loss) for the period attributable to owners of the Company for the period ended 30 September 2012 dealt with in the financial statements of the Company was loss of approximately HK\$34,460,000 (for the six months ended 30 September 2011: HK\$7,231,000).

No dividend was paid or proposed during the period ended 30 September 2012 (for the six months ended 30 September 2011: HK\$Nil), nor has any dividend been proposed since 30 September 2012.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. EARNINGS/(LOSS) PER SHARE

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

#### (i) Earnings/(loss) attributable to owners of the Company

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit/(loss) for the period attributable to owners of the Company	<b>92,942</b>	(244,472)
Effect of dilutive potential ordinary shares: Interest on convertible notes	-	-
Profit/(loss) for the period attributable to owners of the Company used in the diluted earnings/(loss) per share calculation	<b>92,942</b>	(244,472)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. EARNINGS/(LOSS) PER SHARE (CONTINUED)

#### (ii) Weighted average number of ordinary shares and convertible preference shares

	For the six months ended 30 September	
	2012 (Unaudited) '000	2011 (Unaudited) '000 (restated)
Weighted average number of ordinary shares and convertible preference shares at 30 September for the purpose of calculation of basic earnings/(loss) per share	<b>1,088,719</b>	487,053
Effect of dilutive potential ordinary shares:		
Convertible notes	–	–
Share options	–	–
Weighted average number of ordinary shares and convertible preference shares at 30 September for the purpose of calculation of diluted earnings/(loss) per share	<b>1,088,719</b>	487,053

The weighted average number of ordinary shares for the purpose of basic loss per share at 30 September 2011 has been adjusted to reflect the capital reorganisation effected on 1 December 2011.

For the period ended 30 September 2012, the computation of diluted earnings per share did not assume the exercise of share options since the exercise price of those share options is higher than the average market price for shares for 2012. It also does not assume the exercise of convertible notes as they are anti-dilutive.

For the period ended 30 September 2011, the computation of diluted loss per share does not assume the exercise of share options since their exercise would result in a decrease in loss per share.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. PROPERTY, PLANT AND EQUIPMENT

During the period, additions of property, plant and equipment amounted to approximately HK\$1,433,000 (for the six months ended 30 September 2011: HK\$306,000).

### 15. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 90 to 120 days. An ageing analysis of the trade receivables as at the end of reporting period, based on the date of recognition of the sales, is as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
0–30 days	–	–
31–60 days	–	–
61–90 days	1,060	–
Over 90 days	771	45,498
	<b>1,831</b>	45,498
Less: Impairment loss	–	(44,725)
	<b>1,831</b>	773

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	<b>93,401</b>	97,826

The above equity securities were designated as financial assets at fair value through profit or loss on initial recognition by the directors of the Company. Changes in fair values of financial assets at fair value through profit or loss are recorded in profit or loss as other net losses.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
--	-----------------------------	--------------------

**Authorised:**

As at 31 March 2012 and 30 September 2012, ordinary shares of HK\$0.01 each	200,000,000	2,000,000
As at 31 March 2012 and 30 September 2012, convertible preference shares of HK\$0.01 each	602,000	6,020

	Ordinary share Number of shares '000	Amount HK\$'000
--	---	--------------------

**Issued and fully paid:**

As at 31 March 2012 and 30 September 2012, ordinary shares of HK\$0.01 each	687,053	6,871
--	---------	-------

	Convertible preference share Number of shares '000	Amount HK\$'000
--	--	--------------------

**Issued and fully paid:**

As at 31 March 2012 and 30 September 2012, convertible preference shares of HK\$0.01 each	401,667	283,858
--	---------	---------



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 18. CONVERTIBLE NOTES PAYABLE

Movement of the liability and derivative financial instrument components are as follows:

	Liability component HK\$'000	Derivative financial instrument HK\$'000
At 1 April 2012	262,255	(27,644)
Imputed interest expense	15,899	–
Change in the fair value	–	13,603
At 30 September 2012	278,154	(14,041)

The liability component is calculated using discounted cash flow at an effective interest rate of 12.3%. The liability component carried on amortised cost basis until extinguished on conversion or redemption.

The Company determined the fair value of the early redemption option is based on the valuation performed by the Asset Appraisals Limited using the Binomial Tree Pricing Model. The major inputs into the models were as follows:

	At 30 September 2012	At 31 March 2012
Conversion price	<b>HK\$3.00</b>	HK\$3.00
Expected volatility ( <i>Note a</i> )	<b>70.92%</b>	77.80%
Expected life ( <i>Note b</i> )	<b>4.5 years</b>	5 years
Risk free rate ( <i>Note c</i> )	<b>0.32%</b>	0.55%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 18. CONVERTIBLE NOTES PAYABLE (CONTINUED)

Notes:

- Expected volatility was determined by calculating the historical volatility of the Company's share price cover the period same as the remaining life of the convertible notes before date of valuation.
- Expected life was the expected remaining life of the options.
- The risk free rate is determined by reference to the HKMA Exchange Fund Notes rate at date of valuation.

During the period, loss of HK\$13,603,000 was recognised as a change in fair value of derivative financial instrument.

### 19. RESERVES

	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Statutory reserve fund HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Conversion option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2012 (Restated)	3,284,858	92,224	137,290	4,922	638,018	69,742	(643,277)	3,583,777
Profit for the period	-	-	-	-	-	-	92,942	92,942
Other comprehensive income	-	-	-	-	(6,713)	-	-	(6,713)
Total comprehensive income	-	-	-	-	(6,713)	-	92,942	86,229
At 30 September 2012 (Unaudited)	3,284,858	92,224	137,290	4,922	631,305	69,742	(550,335)	3,670,006



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 20. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers. An ageing analysis of the trade payables as at the end of reporting period, based on the receipt of goods purchased, is as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
0–30 days	15,166	211
31–60 days	–	15,235
61–90 days	7,027	7,666
Over 90 days	28,167	16,368
	<b>50,360</b>	39,480

### 21. LONG TERM PAYABLES

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Restated) HK\$'000
Consideration payables for acquisition of certain forest farm	80,316	58,245
Loans from related parties	–	613,859
	<b>80,316</b>	672,104

Loans from related parties represented advances by Mr. Guo Jiadi, a major shareholder of the Company and a company of which Mr. Guo Jiadi was beneficially interested in. Upon the successful obtaining of a new bank borrowing during the period, the entire balance of the loan from Mr. Guo and a significant part of the loan from the related company have been repaid. The loans from related parties were unsecured, interest bearing at 6.65% per annum starting from 1 April 2012 and repayable on 27 May 2014. In June 2012, the repayment term of loans from the related parties has been changed to repayable on demand.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 22. BANK BORROWINGS

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Bank loans — secured	<b>739,761</b>	–
Bank loans repayable:		
Within one year	<b>31,829</b>	–
More than one year, but not exceeding five years	<b>239,931</b>	–
After five years	<b>468,001</b>	–
	<b>739,761</b>	–
Portion classified as current liabilities	<b>(31,829)</b>	–
	<b>707,932</b>	–

The bank loans are secured by the subsidiary's investment property with carrying value of approximately HK\$3,599,148,000. The bank loans include loan principal amounts of HK\$183,630,000 and HK\$605,979,000 which bear interest at 7.86% and 8.16% respectively and are repayable by instalments up to 26 September 2020 and 29 April 2021 respectively.

### 23. CAPITAL COMMITMENTS

As at 30 September 2012, the Group had the following capital commitments contracted but not provided for:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Capital commitments contracted but not provided for:		
Construction in progress	<b>31,957</b>	25,058



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 24. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties and nursery gardens under operating leases arrangements. Leases for properties are negotiated for terms for one to two years. Leases for nursery gardens are negotiated for terms for six years.

#### The Group as lessee

At 30 September 2012, the Group had total future minimum lease payments under non-cancellable operating leases in respect of the Group falling due as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within one year	904	808
In the second to fifth years, inclusive	12	12
More than five years	246	250
	<b>1,162</b>	1,070

#### The Group as lessor

As at 30 September 2012, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within one year	108,296	36,827
In the second to fifth years, inclusive	29,207	27,229
More than five years	50,632	73,814
	<b>188,135</b>	137,870

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 25. CONTINGENT LIABILITIES

As at 30 September 2012, the Company and the Group did not have contingent liabilities.

### 26. RELATED PARTY TRANSACTIONS

- (a) During the period, the interest expenses on the loans from related parties is HK\$9,896,000.
- (b) Amounts due from/(to) related parties/company are unsecured, interest free and repayable on demand.

### 27. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- a. On 14 September 2012, the Group received a decision letter dated 6 September 2012 issued by Tongdao Dong Autonomous County People's Government (通道侗族自治縣人民政府) and was being informed that five of the forest right certifications on the forests located at Xia Xiang Xiang Suo Li Cun, Tongdao Dong Autonomous County, Hunan Province, China (中國湖南省通道侗族自治縣下鄉鄉所里村) granted by the relevant government authority of China (the "PRC Government") to the Company's subsidiary, Wan Fu Chun Forest Resources Development Company Limited ("Wan Fu Chun"), in 2007 (the "Forest Right Certifications") were being cancelled. Details of which are set out on the announcement dated 19 September 2012.

The fair value of the biological assets of the related forest lands amounted to approximately HK\$24 million and the carrying value of prepaid lease payments amounted to approximately HK\$3 million as at 30 September 2012, the Group decided to write off the forest lands in consideration of highly probable on the cancellation of forest right certificates. The Group is still in the process of contest the decision on such cancellation to the relevant local government or court.

- b. On 11 October 2012, change of English name of the Company from "China Grand Forestry Green Resources Group Limited" to "China Sandi Holdings Limited" and the adoption of the Chinese name "中國三迪控股有限公司" as the secondary name of the Company in replacement of "中國林大綠色資源集團有限公司" have become effective. The Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 15 October 2012.

The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company confirming registration of the Company under the name of "China Sandi Holdings Limited 中國三迪控股有限公司" under Part XI of the Companies Ordinance was issued by the Registrar of Companies in Hong Kong on 12 November 2012.

The stock short names for trading in the Shares on the Stock Exchange will be changed from "CH GRAND FOREST" to "CHINA SANDI" in English and from "中國林大" to "中國三迪" in Chinese with effect from 9:00 a.m. on 27 November 2012. The stock code of the Company remains as "00910".



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

For the six months ended 30 September 2012, the Group recorded a turnover of approximately HK\$71 million, representing an increase of 1,027% compared with the six months ended 30 September 2011 (the "period ended 30 September 2011"). The Group's profit attributable to shareholders was approximately HK\$93 million, and its basic earnings per share for the period was HK8.54 cents (for the period ended 30 September 2011: loss of HK\$244 million, representing a basic loss per share of HK50.2 cents (restated)).

### DIVIDEND

The Board does not recommend any interim dividend for the period ended 30 September 2012.

### BUSINESS REVIEW

#### The property investment business

The property investment business is mainly operated by Fujian Sinco Industrial Co., Ltd. ("Sinco") which is a wholly-owned subsidiary of the Company. Sinco is engaged in development, operation and management of a home improvement plaza. During the half year, the property investment business had recorded approximately HK\$71 million rental income. The plaza had an occupancy rate of approximately 83% which represent a decrease in the occupancy rate as compared to last year of fully occupied. The decrease in occupancy rate is due to the persistent fiscal and monetary tightening measures implemented by the Chinese Government, and also the continuous competitions from other shopping malls and new plaza also posted a negative impact to the occupancy rate. Nevertheless, The board is confident on this property investment business and believes it will continuously bring a positive and stable return to the Company in future.

During the period, Sinco has successfully obtained a bank loan of RMB650 million and was able to achieve self-sustainable and repaid most of the previous advances from a major shareholder of the Company.

#### The ecological forestry business

##### (i) Forest land and timber business

As at 30 September 2012, the total area of traditional forest land use right owned by the Group amounted to approximately 5 million Chinese Mu. Such forest land is mainly located in Hunan, Chongqing, Yunnan and Guizhou.

##### (ii) Biomass energy

Biomass energy in China is a clean burning alternative fuel, produced from renewable and sustainable resources. As at 30 September 2012, the Group owned Jatropa estate of approximately 160,000 Chinese Mu in Yunnan Province.

This sector of business recorded a segment profit which is attributable to the gain arising from change in fair value less cost to sell of biological assets. The removal of capital expenditure cash outflow together with the cash inflow are occurring soon resulted in the increase in valuation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PROSPECTS**

In 2012, the Group completed the acquisition of property investment business. The Group has positioned itself as the property investment as its core business. The board expect that the property investment business will increase the income stream of the Group, bring stable earning to the Group, increase the return on equity and bring a long term benefit to the Group.

The operating environment remains difficult for the harvesting activities. The high maintenance and plantation cost put pressure on working capital of the Group. The Group has been actively seeking opportunity to dispose the ecological forestry business by way of any possible means including but not limited to public tender so as to reduce the expenditure in forestry business and improve the Group's working capital.

### **OPERATING RESULTS AND FINANCIAL REVIEW**

#### **Revenue**

The sales during the period mainly represents rental income received from a furniture shopping mall which was acquired in February 2012 (through the acquisition of the Target Groups).

#### **Other net losses**

Other net losses in the current period mainly included write off of biological assets and prepaid lease payment due to probable cancellation of forestry ownership certificates amounting to approximately HK\$27.2 million, fair value loss on financial assets at fair value through profit or loss (equity securities listed in Hong Kong) amounting to approximately HK\$4.4 million, and loss on disposal of forest farms amounting to approximately HK\$7.7 million. The decrease in other net losses mainly due to the decrease in unrealised fair value loss on financial assets at fair value through profit or loss.

#### **Gain/(loss) arising from changes in fair values less costs to sell of biological assets**

The increase in fair values less costs to sell of biological assets mainly due to the shifting away from the investment period of these forest assets which resulted in the removal of these capital expenditure cash outflow, while cash inflows are occurring sooner, this resulted in an increase in the valuation of these forest assets.

#### **Change in fair value of investment property**

The change in the fair value of investment property represents the decrease in fair value of a furniture shopping mall recognised during this period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Other operating expenses

The Group's other operating expenses for the period in the amount of approximately HK\$27 million mainly included various administrative and selling expenses. Increase in other operating expenses were mainly due to the addition of a furniture shopping mall which was acquired in February 2012 (through the acquisition of the Target Groups) which resulted in more operating expenses being spent.

### Finance costs

Finance costs mainly represent non-cash imputed interest expenses on payables for previous acquisitions of certain forest land, imputed interest on convertible notes and bank interest expenses on bank loan. The increase in the finance costs mainly represents the increase in the interest on bank borrowings and the increase in the imputed interest on convertible notes.

### Biological assets

The following table summarises the movement of biological assets during the period:

	Jatropha HK\$'000	Other forest assets HK\$'000	Total HK\$'000
As at 1 April 2012	147,659	1,139,323	1,286,982
Plantation expenditures	3,256	150	3,406
Exchange differences	(175)	(2,498)	(2,673)
Gain/(loss) arising from changes in fair value less costs to sell	(9,957)	198,504	188,547
Write-off/Impairment	-	(24,182)	(24,182)
As at 30 September 2012	140,783	1,311,297	1,452,080

An international firm with appropriate expertise has performed a valuation update on Jatropha and other forest assets to assist the Group to assess the fair value of those biological assets.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2012, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately a total of HK\$215 million. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose.

As at 30 September 2012, the Group had bank borrowing amounted to HK\$740 million and therefore, the Group's gearing ratio is 22%, measured on the basis of total borrowings as a percentage of total shareholders' funds (31 March 2012: 22% (restated)).

The Group's currently available liquidity resources are sufficient to meet its capital commitments. As at 30 September 2012, the Group's net current liabilities amounted to approximately HK\$310 million (31 March 2012: HK\$377 million (restated)). The Group's current ratio, being the percentage of its current assets in its current liabilities, amounted to 53% (31 March 2012: 29% (restated)).

As at 30 September 2012, the share capital of the Company is consisted of 687,052,446 ordinary shares of HK\$0.01 each and 401,666,666 convertible preference shares of HK\$0.01 each. Apart from the ordinary shares and convertible preference shares in issue, the Company will issue convertible notes as alternative financing instruments.

### **CHARGE ON THE GROUP'S ASSETS**

As at 30 September 2012 investment property with respective fair value of approximately HK\$3,599 million were pledged to secure certain subsidiaries of Group's banking loan.

### **CONTINGENT LIABILITIES**

As at 30 September 2012, the Group did not have any material contingent liabilities.

### **EMPLOYEES**

As at 30 September 2012, the Group employed a total of approximately 158 employees of which 6 were employed in Hong Kong. In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Group.



## DISCLOSURE OF ADDITIONAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, the interests or short positions of Directors or chief executives of the Company or their respective associates in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO were as follows:

	Personal interests	Family interests	Corporate interests	Total interests	Total interests as % of the issued share capital	Interest in underlying shares (share option)	Total interests (including underlying shares) as % of issued share capital	Note
Mr. Chi Chi Hung Kenneth	-	-	-	-	-	1,345,000	0.20%	1

*Note:*

- The interests in underlying shares attributed to Mr. Chi Chi Hung Kenneth represents share options to subscribe for 1,345,000 new shares in the Company, exercisable at a price of HK\$5.80 per share and granted pursuant to the Company's existing share option scheme, as adopted by the Company's shareholders in the Company's annual general meeting held on 23 November 2001.

As at the date of this report, such share options were lapsed.

Save as disclosed above, none of the Directors and chief executives of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities transaction by Directors of Listed Companies.





## DISCLOSURE OF ADDITIONAL INFORMATION

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Name of Director	Details of changes
Chi Chi Hung, Kenneth	retired as an independent non-executive director of Interchina Holdings Company Limited (stock code: 202), with effect from 15 August 2012.  appointed as an independent non-executive director of L'sea Resources International Holdings Limited (formerly known as Goodtop Tin International Holdings Limited) (stock code: 195), with effect from 12 October 2012.
Wong Yun Kuen	appointed as an independent non-executive director of Sincere Watch (Hong Kong) Limited (stock code: 444), with effect from 18 September 2012.

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

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **SHARE OPTION SCHEME**

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 16 September 2011 and the Stock Exchange granting approval of the listing of and permission to deal in the Shares to be issued under the share option scheme (the "New Scheme") on 15 November 2011, the Company had adopted the New Scheme and terminated the share option scheme adopted on 23 November 2001 (the "Old Scheme").

#### **The Old Scheme**

The Old Scheme was terminated on 16 September 2011. The outstanding options granted shall continue to be valid and exercisable after the termination of the Old Scheme.

The documented purpose of the Old Scheme is to recognise the contribution of the executives and employees to the Group by granting share options to them as incentives or rewards. The major terms of the Old Scheme are summarised as follows:

1. Eligible participants of the Old Scheme include executive, employee, executive Director and/or non-executive Director (including independent non-executive Director) of the Company and its subsidiaries who is in employment at the time when the option is granted to such person.
2. The total number of shares available for issue upon exercise of all options to be granted under the Old Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Old Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company from time to time.
3. The total number of shares to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the shares of the Company in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.
4. Any grant of share options to a Director, chief executive or substantial shareholders of the Company or any of their associates are subject to approval in advance by the independent non-executive Directors of the Company.



## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **SHARE OPTION SCHEME (CONTINUED)**

#### **The Old Scheme (Continued)**

5. Any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the shares of the Company in issue and having an aggregate value (based on closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, is subject to prior approval by shareholders in a general meeting.
6. Unless otherwise determined by the board of Directors in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.
7. The exercise period of the share options granted is not later than 10 years from the date of the grant of the share options.
8. The offer of a grant of option, if accepted, may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.
9. The exercise price of the share options is determinable by the directors of the Company, but may not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.
10. The Old Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing from the date of adoption on 23 November 2001.



## DISCLOSURE OF ADDITIONAL INFORMATION

### SHARE OPTION SCHEME (CONTINUED)

#### The Old Scheme (Continued)

Particulars of options granted under the Old Scheme during the period ended 30 September 2012 and remained outstanding up to 30 September 2012 are as follows:

	Number of shares options				End of the period	Subscription per share	Date of grant of share option	Exercisable period
	Beginning of the period	Granted of the period	Exercised of the period	Cancelled of the period				
<b>Directors</b>								
Mr. Chi Chi Hung Kenneth	1,345,000	-	-	-	1,345,000	HK\$5.80	2 March 2010	2 March 2010 to 1 March 2013
Sub-total	1,345,000	-	-	-	1,345,000			
<b>Employees and consultants</b>								
	1,330,000	-	-	-	1,330,000	HK\$19.60	27 March 2007	1 April 2007 to 31 March 2017
	300,000	-	-	-	300,000	HK\$52.20	2 October 2007	3 October 2007 to 2 October 2017
	5,450,000	-	-	-	5,450,000	HK\$7.80	30 September 2008	30 September 2008 to 29 September 2018
	500,000	-	-	-	500,000	HK\$4.84	30 October 2008	30 October 2008 to 29 October 2018
	1,000,000	-	-	-	1,000,000	HK\$5.72	23 January 2009	23 January 2009 to 22 January 2019
	6,180,000	-	-	-	6,180,000	HK\$5.90	9 February 2009	9 February 2009 to 8 February 2019
	27,615,000 (Note)	-	-	-	27,615,000	HK\$5.80	2 March 2010	2 March 2010 to 1 March 2013
Sub-total	42,375,000	-	-	-	42,375,000			
Total	43,720,000	-	-	-	43,720,000			

Note: As at the date of this report, such share options were lapsed.



## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **SHARE OPTION SCHEME (CONTINUED)**

#### **The New Scheme**

At the annual general meeting of the Company held on 16 September 2011, the shareholders of the Company approved the adoption of a new share scheme (the “New Scheme”) and the termination of the Old Scheme. The purpose of the New Scheme is to provide the Company with a flexible and effective means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Participants. There appears to be no material difference between the terms of the Old Scheme and New Scheme, other than the scope of participants which, under the New Scheme, is more specific than that covered under the Old Scheme. The New Scheme covers any employee (full time and part time) holding salaries, consultants, agents, contractors, consumers and suppliers as the Board in its sole discretion considers eligible. Moreover, in relation to the various circumstances under which an Option will lapse, e.g. death and termination of employment, the periods following such circumstances during which an option-holder may exercise their options are different under the two schemes.

The exercise price, vesting period, the exercisable period and the number of Shares subject to each option will be determined by the Board at the time of grant. No option was granted by the Company under the New Scheme since its adoption to the date of this report.



## DISCLOSURE OF ADDITIONAL INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, so far as was known to the Directors or chief executive of the Company, the following interests of which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Name of Shareholder	Capacity/ Nature of Interest	Number of shares and underlying shares of the Company		Approximate % of issued share capital of the Company
		Long Position	Short Position	
Guo Jiadi ( <i>Note 1</i> )	Interest of controlled corporation	200,000,000	–	29.11%
United Century International Limited ( <i>Note 2</i> )	Beneficial owner	200,000,000	–	29.11%
Mrs. Chu Yuet Wah ( <i>Note 3</i> )	Interest of controlled corporation	42,500,000	–	6.19%
Best China Limited ( <i>Note 4</i> )	Beneficial owner	42,500,000	–	6.19%

*Notes:*

1. The beneficial interests of Mr. Guo Jiadi in 200,000,000 Shares comprise corporate interest in 200,000,000 Shares, held through United Century International Limited.
2. The entire issued share capital of United Century International Limited is beneficially owned by Mr. Guo Jiadi.
3. The beneficial interests of Mrs. Chu Yuet Wah in 42,500,000 Shares comprise corporate interest in 42,500,000 Shares, held through Best China Limited.
4. The entire issued share capital of Best China Limited is beneficially owned by Mrs. Chu Yuet Wah.

## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **SUBSTANTIAL SHAREHOLDERS (CONTINUED)**

Saved as disclosed above, as at 30 September 2012, the Company had not notified by any persons (other than the Directors of the Company and the chief executive of the Group) who had interests or short positions in the Shares or underlying shares of the Company which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") in respect of the securities dealing by the Directors. The Company has made specific enquiry of all Directors in respect of the securities dealing by the Directors and is not aware of any non-compliance with the Model Code during the six months ended 30 September 2012.

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

There was no purchase, redemption or sale of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2012.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the period and up to the date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses for which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.



## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **CORPORATE GOVERNANCE**

For the period ended 30th September 2012, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices (the "CG Code") under Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the deviation from the code provision A.2.1 and the Board is committed to complying with the CG Code to the extent that the Directors consider it to be practical and applicable to the Company.

The corporate governance principles of the Company emphasis an effective Board, sound internal control, appropriate independence policy, transparency and accountability to the shareholders of the Company. The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies may meet the general rules and standards required by the Listing Rules. The Company had complied with the CG Code throughout the period except for the following deviation:

#### **Code Provision A.2.1**

Up to the date of this report, no individual was appointed as chairman of the Company. The role of the chairman has been performed collectively by all the executive Directors of the Company. The Board considers that this arrangement allows contributions from all executive Directors with different expertise and is beneficial to the continuity of the Company's policies and strategies and the interest of the shareholders of the Company as a whole.

### **AUDIT COMMITTEES**

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee of the Company presently comprises the three independent non-executive Directors, namely, Dr. Wong Yun Kuen, Mr. Chan Chi Yuen and Mr. Yu Pak Yan Peter.

The audit committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the period, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.





## **DISCLOSURE OF ADDITIONAL INFORMATION**

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25 per cent of the Company's issued shares at the latest practicable date (31 May 2013) prior to the issue of this interim report.

By order of the Board  
**China Sandi Holdings Limited**  
**Chi Chi Hung, Kenneth**  
*Executive Director and Company Secretary*

Hong Kong, 10 June 2013