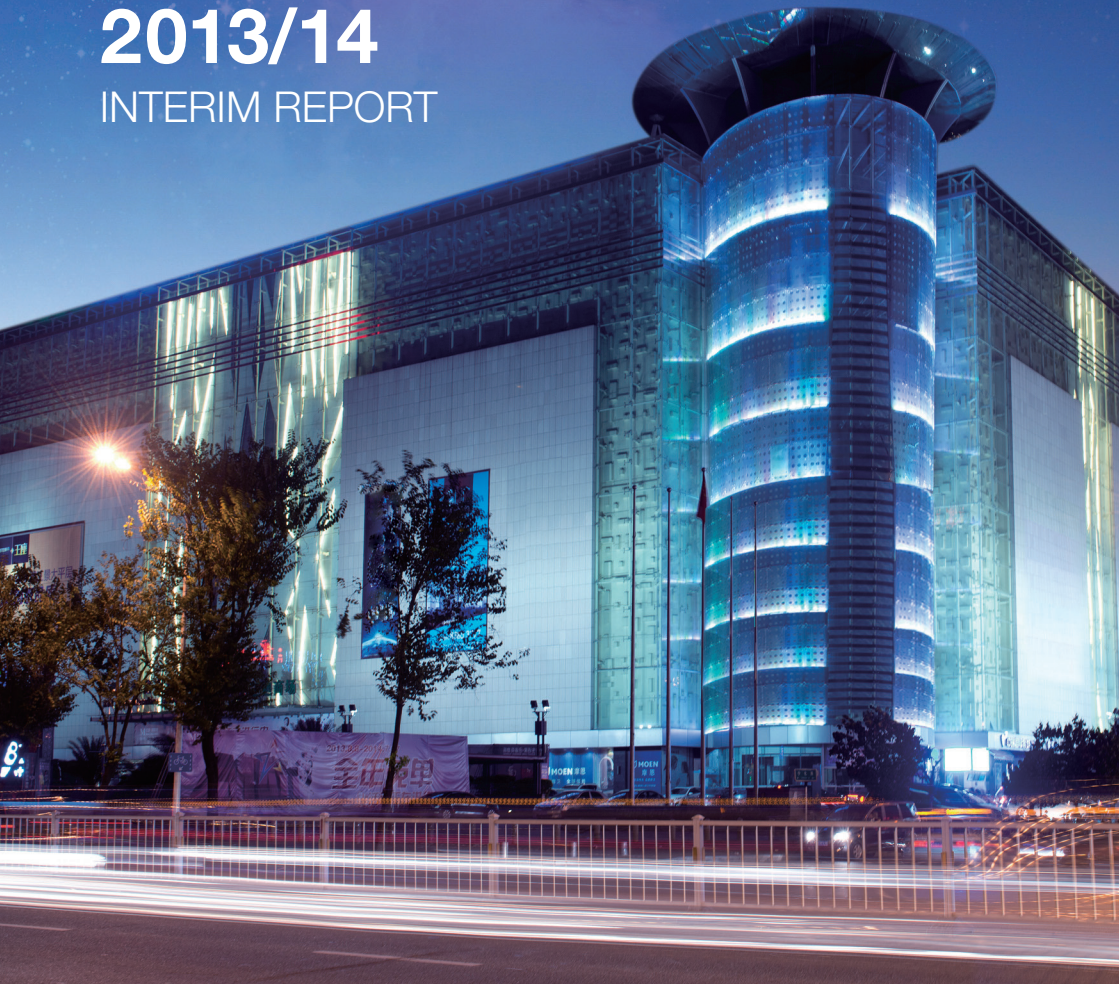




**CHINA SANDI HOLDINGS LIMITED**  
(Incorporated in Bermuda with limited liability)  
Stock code: 910

# 2013/14

## INTERIM REPORT





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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Chi Chi Hung Kenneth  
Ms. Zhang Jianchan

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Yun Kuen  
Mr. Chan Chi Yuen  
Mr. Yu Pak Yan Peter  
Mr. Zheng Jinyun  
Mr. Zheng Yurui

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 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.  
42–44 Mut Wah Street  
Kwun Tong  
Kowloon  
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  
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

### STOCK CODE

0910

### WEBSITE

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



## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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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 37, 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 2013 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.

#### **BDO Limited**

*Certified Public Accountants*

#### **Lam Pik Wah**

Practising Certificate no. P05325

Hong Kong, 22 November 2013



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended	
		2013	2012
		(Unaudited) HK\$'000	(Unaudited and re-presented) HK\$'000
Continuing operations:			
Revenue	3	64,421	71,224
Change in fair value of derivative financial instrument		(612)	(13,603)
Change in fair value of investment property		593,110	(15,494)
Other income	3	436	14
Other net losses	5	(23,518)	(4,425)
Staff costs		(4,074)	(4,267)
Depreciation of property, plant and equipment		(1,117)	(497)
Other operating expenses	6	(20,556)	(19,333)
Finance costs	8	(53,789)	(42,931)
Profit/(loss) before income tax (expense)/credit	7	554,301	(29,312)
Income tax (expense)/credit	9	(149,854)	1,184
Profit/(loss) for the period from continuing operations		404,447	(28,128)
Discontinued operations:			
(Loss)/profit for the period from discontinued operations	10	(1,279,816)	121,070
(Loss)/profit for the period		(875,369)	92,942



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		For the six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited and re-presented)
Notes		HK\$'000	HK\$'000
	Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
	Exchange differences on translating foreign operations	113,118	(6,713)
	Fair value gain on available-for-sale investments	360	–
	<b>Total comprehensive income for the period</b>	<b>(761,891)</b>	86,229
	<b>(Loss)/profit attributable to:</b>		
	Owners of the Company	11 (875,369)	92,942
	Non-controlling interests	–	–
		<b>(875,369)</b>	92,942
	<b>Total comprehensive income attributable to:</b>		
	Owners of the Company	(761,891)	86,229
	Non-controlling interests	–	–
		<b>(761,891)</b>	86,229
	<b>(Losses)/earnings per share</b>		
	From continuing and discontinued operations		
	— Basic and diluted	12 HK(80.40) cents	HK8.54 cents
	From continuing operations		
	— Basic and diluted	12 HK37.15 cents	HK(2.58) cents



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Biological assets		–	1,447,814
Investment property		<b>4,383,993</b>	3,695,341
Property, plant and equipment	14	<b>6,235</b>	38,287
Construction in progress		–	10,569
Prepaid lease payments		–	842,740
Available-for-sale investments		<b>6,256</b>	5,896
Derivative financial instrument	18	<b>6,278</b>	6,890
Deposit for establishment of a subsidiary		<b>139,376</b>	–
<b>Total non-current assets</b>		<b>4,542,138</b>	6,047,537
<b>Current assets</b>			
Inventories		–	3,068
Trade receivables	15	<b>5,164</b>	715
Prepaid lease payments		–	18,211
Other receivables, deposits and prepayments		<b>4,816</b>	4,887
Investments held for trading	16	<b>148,454</b>	171,971
Amount due from a related party	26(b)	<b>494</b>	494
Cash and cash equivalents		<b>7,890</b>	120,745
		<b>166,818</b>	320,091
Assets of a disposal group classified as held for sale	13	<b>1,167,315</b>	–
<b>Total current assets</b>		<b>1,334,133</b>	320,091
<b>Total assets</b>		<b>5,876,271</b>	6,367,628





## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade payables	20	10,787	28,551
Other payables and accruals		96,693	425,243
Bank borrowings	22	38,012	34,605
Amounts due to related parties	26(b)	10,506	2,618
Tax payable		3,579	87,120
		<b>159,577</b>	578,137
Liabilities of a disposal group classified as held for sale	13	513,735	–
Total current liabilities		<b>673,312</b>	578,137
<b>Net current assets/(liabilities)</b>		<b>660,821</b>	(258,046)
<b>Total assets less current liabilities</b>		<b>5,202,959</b>	5,789,491
<b>Non-current liabilities</b>			
Long term payables	21	–	71,660
Convertible notes payable	18	312,397	294,542
Bank and other borrowings	22	762,904	700,280
Deferred taxation		820,448	653,908
		<b>1,895,749</b>	1,720,390
<b>Net assets</b>		<b>3,307,210</b>	4,069,101
<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	2,148,418	3,778,306
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale		867,997	–
		<b>3,307,144</b>	4,069,035
Non-controlling interests		66	66
<b>Total equity</b>		<b>3,307,210</b>	4,069,101



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH INFLOWS FROM OPERATING ACTIVITIES	<b>35,707</b>	40,349
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	<b>(148,927)</b>	(64,313)
NET CASH INFLOWS FROM FINANCING ACTIVITIES	<b>11,475</b>	210,985
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(101,745)</b>	187,021
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>120,745</b>	24,414
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(3,075)</b>	3,503
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>15,925</b>	214,938
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCES	<b>7,890</b>	214,938
CASH AND BANK BALANCES HELD BY THE DISPOSAL GROUP ( <i>Note 13</i> )	<b>8,035</b>	–
	<b>15,925</b>	214,938



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 September 2013						
	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 2013 (Audited)	6,871	283,858	4,224,440	(446,134)	4,069,035	66	4,069,101
Loss for the period	-	-	-	(875,369)	(875,369)	-	(875,369)
Other comprehensive income	-	-	113,478	-	113,478	-	113,478
Total comprehensive income	-	-	113,478	(875,369)	(761,891)	-	(761,891)
Balance at 30 September 2013 (Unaudited)	6,871	283,858	4,337,918	(1,321,503)	3,307,144	66	3,307,210

	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	-	-	-	(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



## **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 2013 (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 2013 (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.



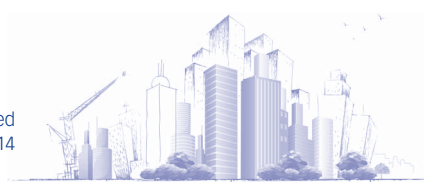
## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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.

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statement
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements

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 2013 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 HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>2</sup>
IFRIC-Int 21	Levies <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transaction Disclosures <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>

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

<sup>2</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.

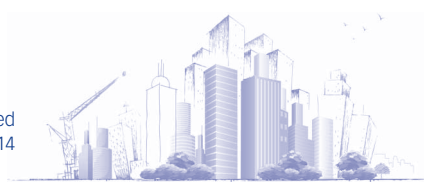


## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited and re-presented) HK\$'000
Continuing operations:		
Revenue	<b>64,421</b>	71,224
Other income		
Bank interest income	<b>436</b>	9
Dividend income from listed investments	–	5
	<b>436</b>	14
	<b>64,857</b>	71,238
Discontinued operations:		
Revenue	–	17
Other income		
Bank interest income	<b>64</b>	30
	<b>64</b>	47



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

### **4. 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.

The Group has identified two reportable segments, the business of ecological forestry operation and property investment. During the period, the ecological forestry segment is intended to be disposed of and was presented as discontinued operations in which details were set out in Note 10.

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

### 4. SEGMENTAL INFORMATION (CONTINUED)

#### (a) Business Segments

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

	Continuing Operations		Discontinued operations		Total	
	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	
	2013	2012	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from:						
External sales	64,421	71,224	-	17	64,421	71,241
Inter-segment sales	-	-	-	-	-	-
Reportable segment revenue	64,421	71,224	-	17	64,421	71,241
Reportable segment profit/(loss)	605,675	9,716	(1,279,816)	121,070	(674,141)	130,786
Interest revenue	436	9	64	30	500	39
Interest expense	(35,934)	(27,032)	(2,598)	(3,729)	(38,532)	(30,761)
Depreciation and amortisation	(317)	(268)	(3,450)	(1,686)	(3,767)	(1,954)
Income tax (expense)/credit	(149,854)	1,184	-	-	(149,854)	1,184
Release of prepaid lease payment	-	-	(16,507)	(16,824)	(16,507)	(16,824)
(Loss)/gain arising from changes in fair value less costs to sell of biological assets	-	-	(344,876)	188,547	(344,876)	188,547
Change in fair value of investment property	593,110	(15,494)	-	-	593,110	(15,494)
Write off of biological assets and prepaid lease payments due to probable cancellation of forestry ownership certificates	-	-	-	(27,209)	-	(27,209)
Loss on measurement of disposal group at fair value less costs to sell	-	-	(906,067)	-	(906,067)	-



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. SEGMENTAL INFORMATION (CONTINUED)

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

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited and re-presented) HK\$'000
<b>Profit/(loss) before income tax</b>		
Reportable segment profit	<b>605,675</b>	9,716
Segment (loss)/profit before income tax from discontinued operations	<b>(1,279,816)</b>	121,070
Fair value loss on financial assets at fair value through profit and loss	<b>(23,518)</b>	(4,425)
Change in fair value of derivative financial instrument	<b>(612)</b>	(13,603)
Finance costs	<b>(17,855)</b>	(15,899)
Unallocated corporate expenses	<b>(9,389)</b>	(5,101)
Consolidated (loss)/profit before income tax	<b>(725,515)</b>	91,758

#### (c) Geographical information

During the periods ended 30 September 2013 and 2012, 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 periods ended 30 September 2013 and 2012, no customer contributed revenue to more than 10% of the Group's revenue.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. OTHER NET GAINS/(LOSSES)

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited and re-presented) HK\$'000
Continuing operations:		
Fair value loss on financial assets at fair value through profit or loss	<b>(23,518)</b>	(4,425)
Discontinued operations:		
Write off of biological assets and prepaid lease payments due to probable cancellation of forestry ownership certificates	–	(27,209)
Loss on disposal of forest farms	–	(7,705)
Others	<b>1,852</b>	458
	<b>1,852</b>	(34,456)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 6. OTHER OPERATING EXPENSES

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited and re-presented) HK\$'000
Continuing operations:		
Advertising and promotional expenses	<b>1,761</b>	3,950
Legal and professional fees	<b>2,995</b>	4,841
Other taxes	<b>6,123</b>	4,018
Others	<b>9,677</b>	6,524
	<b>20,556</b>	19,333
Discontinued operations:		
Research and development expenses	–	3,824
Advertising and promotional expenses	<b>9</b>	11
Others	<b>5,344</b>	4,324
	<b>5,353</b>	8,159



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. PROFIT/(LOSS) BEFORE INCOME TAX (EXPENSE)/CREDIT

The Group's profit/(loss) before income tax (expense)/credit is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited and re-presented) HK\$'000
Continuing operations:		
Auditor's remuneration	–	–
Minimum lease payments under operating leases on leasehold properties	<b>1,074</b>	918
Staff costs:		
Basic salaries and allowances	<b>3,888</b>	4,214
Retirement benefits scheme contribution	<b>186</b>	53
Discontinued operations:		
Auditor's remuneration		
— Current year	–	–
— Underprovision in last year	<b>725</b>	–
Minimum lease payments under operating lease on leasehold properties	<b>421</b>	445
Research and development costs	–	3,824
Staff costs:		
Basic salaries and allowances	<b>2,876</b>	2,438
Retirement benefits scheme contribution	<b>5</b>	232
Net exchange gain	–	(7)



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 8. FINANCE COSTS

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited and re-presented) HK\$'000
Continuing operations:		
Imputed interest on convertible notes	<b>17,855</b>	15,899
Interest on bank borrowings	<b>34,354</b>	17,136
Interest on borrowings from financial institution	<b>1,580</b>	–
Interest on loans from related parties	–	9,896
	<b>53,789</b>	42,931
Discontinued operations:		
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms	<b>2,598</b>	3,729



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 9. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited and re-presented) HK\$'000
Continuing operations:		
Overseas tax		
— Current tax	—	2,686
— Deferred tax expense/(credit)	<b>149,854</b>	(3,870)
	<b>149,854</b>	(1,184)
Discontinued operations:		
Overseas tax		
— Current tax	—	—
— Deferred tax credit	—	—
	—	—

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

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

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.



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

### **9. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)**

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 period. 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 period. The directors of the Company (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.

### **10. DISCONTINUED OPERATIONS**

On 27 September 2013 and 25 October 2013, the Company entered into a sale and purchase (the “Agreement”) and a supplemental agreement with an independent third party purchaser (the “Purchaser”), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase (i) the entire equity interest in Success Standard Investments Limited, a wholly-owned subsidiary of the Company, which holds the entire ecological forestry business of the Group at HK\$399,999,900 and (ii) a Sale Loan at HK\$100, at a total aggregate consideration of HK\$400 million. The transaction is expected to be completed on the earlier of either the financial year ending 31 March 2014 or the fifth business day after the satisfaction or waiver of the conditions precedent to completion or such other date as mutually agreed by both parties. During the period ended 30 September 2013, the Company received deposit of HK\$5 million from the Purchaser.





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. DISCONTINUED OPERATIONS (CONTINUED)

The ecological forestry business were classified as discontinued operations and the related results for the six months ended 30 September 2013 and 2012 were as follows:

	Notes	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Unaudited) HK\$'000
Revenue:	3	–	17
(Loss)/gain arising from changes in fair values less costs to sell of biological assets		<b>(344,876)</b>	188,547
Other income	3	<b>64</b>	30
Other gains and losses	5	<b>1,852</b>	(34,456)
Staff cost		<b>(2,881)</b>	(2,670)
Other operating expenses	6	<b>(5,353)</b>	(8,159)
Finance costs	8	<b>(2,598)</b>	(3,729)
Depreciation of property, plant and equipment		<b>(3,450)</b>	(1,686)
Release of prepaid lease payment		<b>(16,507)</b>	(16,824)
(Loss)/profit before income tax credit		<b>(373,749)</b>	121,070
Income tax credit	9	–	–
(Loss)/profit after income tax credit		<b>(373,749)</b>	121,070
Loss on measurement of disposal group at fair value less costs to sell		<b>(906,067)</b>	–
(Loss)/profit for the period from discontinued operations		<b>(1,279,816)</b>	121,070



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. DISCONTINUED OPERATIONS (CONTINUED)

Loss for the period from discontinued operations has not taken into account an impairment of approximately HK\$253,580,000 which represents the required impairment exceeds the carrying value of the non-current assets within the scope of the measurement rules under HKFRS 5 as at 30 September 2013.

The net cash flows of the discontinued operations for the six months ended 30 September 2013 and 2012 were as follows:

	30 September 2013 (Unaudited) HK\$'000	30 September 2012 (Unaudited) HK\$'000
Net cash (outflows)/inflows from operating activities	<b>(12,543)</b>	16,801
Net cash outflows from investing activities	<b>(8,760)</b>	(6)
Net cash flows incurred by the discontinued operations	<b>(21,303)</b>	16,795

### 11. LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY AND DIVIDEND

The loss for the period attributable to owners of the Company for the period ended 30 September 2013 dealt with in the financial statements of the Company was loss of approximately HK\$27,560,000 (for the six months ended 30 September 2012: HK\$34,460,000).

No dividend was paid or proposed during the period ended 30 September 2013 (for the six months ended 30 September 2012: HK\$Nil), nor has any dividend been proposed since 30 September 2013.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 12. (LOSSES)/EARNINGS PER SHARE

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

#### (i) (Losses)/earnings attributable to owners of the Company

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited and re-presented) HK\$'000
<b>For continuing and discontinued operations:</b>		
(Loss)/profit for the purpose of basic and diluted (losses)/earnings per share	<b>(875,369)</b>	92,942
<b>For continuing operations:</b>		
Profit/(loss) for the purpose of basic and diluted earnings/(losses) per share	<b>404,447</b>	(28,128)
<b>For discontinued operations:</b>		
(Loss)/profit for the purpose of basic and diluted (losses)/earnings per share	<b>(1,279,816)</b>	121,070



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 12. (LOSSES)/EARNINGS PER SHARE (CONTINUED)

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

	For the six months ended 30 September	
	2013 (Unaudited) '000	2012 (Unaudited) '000
Weighted average number of ordinary shares and convertible preference shares at 30 September for the purpose of calculation of basic (losses)/earnings per share	<b>1,088,719</b>	1,088,719
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 (losses)/earnings per share	<b>1,088,719</b>	1,088,719

#### For discontinued operations

Basic and diluted losses per share for the discontinued operation are HK117.55 cents per share (2012: HK11.12 cents per share), based on the loss for the period from the discontinued operations of HK\$1,279,816,000 (2012: profit of HK\$121,070,000) and the denominators detailed above for both basic and diluted (losses)/earnings per share.

For the periods ended 30 September 2013 and 2012, the computation of diluted (losses)/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 2013 and 2012. It also does not assume the exercise of convertible notes as they are anti-dilutive.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Pursuant to the Agreement as set out in Note 10 above, the ecological forestry business were classified as a disposal group. All of its assets are presented as “Assets of a disposal group classified as held for sale” and its liabilities are presented as “Liabilities of a disposal group classified as held for sale” and set out below.

	30 September 2013 (Unaudited) HK\$'000
Biological assets	1,144,903
Inventories	3,652
Trade receivables	733
Other receivables, deposits and prepayments	9,992
Cash and cash equivalents	8,035
<b>Assets of a disposal group classified as held for sale</b>	<b>1,167,315</b>
Trade and other payables	355,011
Long term payables	72,987
Tax payables	85,737
<b>Liabilities of a disposal group classified as held for sale</b>	<b>513,735</b>
<b>Net assets of a disposal group classified as held for sale</b>	<b>653,580</b>

As at 30 September 2013, there was an amount of approximately HK\$1,372 million due to the group companies by the disposal group which had been eliminated in the Group's consolidated financial statements. This amount represented the Sale Loan of the transaction which will be sold to the purchaser at the date of disposal.



## 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\$1,061,000 (for the six months ended 30 September 2012: HK\$1,433,000).

### 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 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Over 90 days	5,164	45,812
Less: Impairment loss	–	(45,097)
	<b>5,164</b>	715

### 16. INVESTMENTS HELD FOR TRADING

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	<b>148,454</b>	171,971



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
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**Authorised:**

As at 31 March 2013 and 30 September 2013, ordinary shares of HK\$0.01 each	200,000,000	2,000,000
As at 31 March 2013 and 30 September 2013, convertible preference shares of HK\$0.01 each	602,000	6,020

	Ordinary share Number of shares '000	Amount HK\$'000
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**Issued and fully paid:**

As at 31 March 2013 and 30 September 2013, ordinary shares of HK\$0.01 each	687,053	6,871
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	Convertible preference share Number of shares '000	Amount HK\$'000
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**Issued and fully paid:**

As at 31 March 2013 and 30 September 2013, convertible preference shares of HK\$0.01 each	401,667	283,858
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## 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 2013	294,542	(6,890)
Imputed interest expense	17,855	–
Change in the fair value	–	612
At 30 September 2013	312,397	(6,278)

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 an independent valuer using the Binomial Tree Pricing Model. The major inputs into the models were as follows:

	At 30 September 2013	At 31 March 2013
Conversion price	<b>HK\$3.00</b>	HK\$3.00
Expected volatility ( <i>Note a</i> )	<b>64%</b>	64%
Expected life ( <i>Note b</i> )	<b>3.5 years</b>	4 years
Risk free rate ( <i>Note c</i> )	<b>0.79%</b>	0.42%





## 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\$612,000 (for the period ended 30 September 2012: HK\$13,603,000) was recognised as a change in fair value of derivative financial instrument.

### 19. RESERVES

	Share premium account	Share-based compensation reserve	Statutory reserve fund	Investment revaluation reserve	Capital reserve	Exchange fluctuation reserve	Conversion option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013 (Audited)	3,284,858	50,695	137,290	5,741	4,922	671,192	69,742	(446,134)	3,778,306
Loss for the period	-	-	-	-	-	-	-	(875,369)	(875,369)
Other comprehensive income	-	-	-	-	-	113,118	-	-	113,118
Fair value change on available-for-sale investment	-	-	-	360	-	-	-	-	360
Total comprehensive income	-	-	-	360	-	113,118	-	(875,369)	(761,891)
At 30 September 2013 (Unaudited)	3,284,858	50,695	137,290	6,101	4,922	784,310	69,742	(1,321,503)	3,016,415



## 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 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
0–30 days	197	5,461
31–60 days	–	1,197
61–90 days	7,358	3,131
Over 90 days	3,232	18,762
	<b>10,787</b>	28,551

### 21. LONG TERM PAYABLES

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Consideration payables for acquisition of certain forest farm	–	71,660



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 22. BANK AND OTHER BORROWINGS

	Notes	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Bank loans — secured	(i)	<b>739,489</b>	734,885
Other borrowing	(ii)	<b>61,427</b>	—
		<b>800,916</b>	734,885
Bank loans repayable:			
Within one year		<b>38,012</b>	34,605
More than one year, but not exceeding five years		<b>315,518</b>	274,803
After five years		<b>385,959</b>	425,477
		<b>739,489</b>	734,885
Other borrowing repayable:			
More than one year, but not exceeding five years		<b>61,427</b>	—
		<b>800,916</b>	734,885
Portion classified as current liabilities		<b>(38,012)</b>	(34,605)
Portion classified as non-current liabilities		<b>762,904</b>	700,280



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 22. BANK AND OTHER BORROWINGS (CONTINUED)

- (i) The bank loans are secured by the subsidiary's investment property with carrying value of approximately HK\$4,383,993,000 (as at 31 March 2013: HK\$3,695,341,000). The bank loans include loan principal amounts of HK\$182,455,000 and HK\$601,849,000 which bear interest at 7.86% per annum and 8.16% per annum respectively and are repayable by instalments up to 26 September 2020 and 29 April 2021 respectively. Mr. Guo Jiadi, a major shareholder of the Company, has granted a guarantee to a bank for the bank loan with principal amount of HK\$182,455,000, in which the guarantee is to fulfill the covenants of bank facilities if the subsidiary has breached the covenants of bank facilities.
- (ii) The other borrowing is unsecured, interest bearing at 13% per annum and is repayable on 9 June 2015 by one-off payment.

### 23. CAPITAL COMMITMENTS

As at 30 September 2013 and 31 March 2013, the Group had the following capital commitments contracted but not provided for:

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Capital commitments contracted but not provided for:		
Construction in progress	–	29,416
Leasehold improvements	<b>433</b>	422
	<b>433</b>	29,838



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 24. OPERATING LEASE ARRANGEMENTS

As at 30 September 2013, the Group leases its office properties (31 March 2013: office properties and nursery gardens) under operating leases arrangements. Leases for properties are negotiated for terms for one to two years as at 30 September 2013 (31 March 2013: leases for properties and nursery gardens are negotiated for terms for one to two years and six years respectively).

#### The Group as lessee

At 30 September 2013 and 31 March 2013, 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 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Within one year	72	1,108
In the second to fifth years, inclusive	18	77
More than five years	–	233
	<b>90</b>	<b>1,418</b>

#### The Group as lessor

As at 30 September 2013 and 31 March 2013, the Group's total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Within one year	89,579	36,445
In the second to fifth years, inclusive	28,234	24,083
More than five years	50,664	54,611
	<b>168,477</b>	<b>115,139</b>



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

### **25. CONTINGENT LIABILITIES**

As at 30 September 2013, the Company and the Group did not have contingent liabilities.

### **26. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in this financial statements, the Group has the following transactions with related parties:

- (a) During the period, there is no interest expenses on the loans from related parties (for the period ended 30 September 2012: HK\$9,896,000).
- (b) Amounts due from/(to) related parties are unsecured, interest free and repayable on demand.

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

On 7 August 2013, the Company's indirect wholly-owned subsidiary, Fujian Sinco Industrial Co., Ltd. ("Fujian Sinco"), and Fuzhou Gaojia Real Estate Development Co., Ltd. ("Fuzhou Gaojia") has entered into an agreement to incorporate a company, Fujian Jiake Industrial Co., Ltd. ("Fujian Jiake"), for investing real estate market in Xi'an to acquire a plot of land at a consideration of RMB400 million. Fujian Gaojia is beneficially owned and controlled by Mr. Guo Jiadi, a major shareholder of the Company.

Pursuant to the Agreement, Fujian Sinco and Fuzhou Gaojia have agreed to make a capital contribution in cash of RMB110 million (equivalent to approximately HK\$137.5 million) and RMB106 million (equivalent to approximately HK\$132.5 million) respectively to the registered capital of Fujian Jiake, which represents the total capital commitment of Fujian Sinco and Fuzhou Gaojia to Fujian Jiake. During the period, the Group has made capital contribution of RMB110 million to Fujian Jiake and recorded it as deposit for establishment of a subsidiary because the transaction has not yet completed on 30 September 2013.

According to the Company's announcement dated 2 October 2013, this transaction was completed on 2 October 2013 and Fujian Jiake becomes an indirect subsidiary of the Company on that date.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

For the six months period ended 30 September 2013, the Group recorded a turnover of approximately HK\$64.4 million, representing a decrease of 9.6% compared with the six months ended 30 September 2012 (the "period ended 30 September 2012"). The Group's loss attributable to shareholders was approximately HK\$875.4 million, and its basic loss per share for the period was HK80.40 cents (for the period ended 30 September 2012: profit of HK\$92.9 million, representing a basic earnings per share of HK8.54 cents).

### DIVIDEND

The Board does not recommend any interim dividend for the six months period ended 30 September 2013.

### BUSINESS REVIEW

The Directors considered the current property investment business in the PRC to be an invaluable opportunity for the Group to broaden its asset and earning base. The Directors are pleased to report that the property investment business continued to contribute profit to the Group for the period under review.

On 7 August 2013, Fujian Sinco Industrial Co., Ltd. ("Fujian Sinco") entered into a joint venture agreement with a company controlled by a substantial shareholder of the Company, Mr. Guo Jiadi, for the establishment of a PRC joint venture for engaging in investment, development, sale, lease, management of properties and other ancillary services in the PRC, including bidding for a parcel of land in Xi'an, the PRC for property development (the "Joint Venture Agreement"). The aforesaid joint venture has been established and the Group started to involve in property development business. The Board considers that it is beneficial for the Group to dispose of the Disposed Group and focus to develop its property development and investment business, which generates stable income to the Group with growth potential.

On the other hand, the running costs of traditional ecological forestry business kept on rising and the granting of harvesting permit was very limited. The Group considered it was difficult to yield a reasonable return and no harvesting activities has been carried out during the six months period ended 30 September 2013. As a result, the Directors have been considering to dispose of it by various means including public tendering since November 2012.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 27 September 2013, the Company has entered into an agreement to sell the shares of Success Standard Investments Limited (“SSIL”) (SSIL together with its subsidiaries collectively referred to as the “Disposed Group”) and all liabilities due by the Disposed Group to the Group (assuming the completion of this transaction had been occurred and the inter-company balances due from the Disposed Group no longer be eliminated at consolidation), at a total cash consideration of approximately HK\$400 million (the “Disposal”). SSIL is an investment holding company which holds the Group’s ecological forestry assets. As of the date of this report, the transaction has not yet been completed nor approved by the shareholders of the Company.

### **The property investment business**

The Group is optimistic to the commercial property market of mainland China in the long run.

The property investment business is mainly operated by Fujian Sinco, which is a wholly-owned indirect subsidiary of the Company. Fujian Sinco is engaged in development, operation and management of a home improvement plaza.

During the six months period ended 30 September 2013, the property investment business had recorded approximately HK\$64.4 million rental income and management fee income. The plaza had an occupancy rate of approximately 88%.

### **The property development business**

It is the first time for the Group to be able to commence its property development business through the signing of the Joint Venture Agreement on 7 August 2013. In additions, the Group, through Fujian Sinco, is able to capitalize on the experience and expertise of the major shareholder and to participate in the property development business in Xi’an and to grasp any other property development opportunities in the future, if any.

### **The ecological forestry business**

The business and financial performance of the ecological forestry business of the Group was unsatisfactory over the past few years. After harvesting the timbers located at the more convenient forest area, the Group is required to pay high transportation cost including the road construction cost and labour cost to reach the remote forest area to harvest the timbers. In addition, due to the implementation of more stringent environmental policy by the government in recent years to protect the forests in the PRC, it was difficult for the Group to apply for all the necessary licences and permits, including the harvesting licences, for conducting harvesting activities to harvest the timbers. After taking into account of the above factors and balancing the costs and benefits in harvesting the timbers, the Group considered it was difficult to yield a reasonable return and cease to carry out any harvesting activities during the six months period ended 30 September 2013. In respect of the biomass energy business of the Group, due to insufficient supply of raw materials and material fluctuation in energy prices, the biomass energy project of the Group was not progressing smoothly.





## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

The Group has positioned itself as the property investment as its core business. Through the setting up of the PRC joint venture together with a major shareholder of the Company, the Group started to be involved in the property development business thereafter. The Directors 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. On the other hand, the Directors expect such stable income stream from the property investment business will be used to finance the future capital requirements from the property development business.

The operating environment remains difficult for the ecological forestry business. Though the possible Disposal, the Directors consider that the Disposal reduce the capital expenditure of the ecological forestry business and improve the Group's working capital. The Directors expect that the net proceeds from the Disposal will be used for (i) investing in other potential property development and investment projects and (ii) general working capital of the Group.

### OPERATING RESULTS AND FINANCIAL REVIEW

#### Revenue

Revenue during the six months period ended 30 September 2013 mainly represents rental income and management fee income received from a home improvement plaza in Fuzhou City of the PRC.

#### Change in fair value of investment property

The change in the fair value of investment property represents the increase in fair value of a home improvement plaza recognised during the six months period ended 30 September 2013.

#### Other net losses

Other net losses in the six months period ended 30 September 2013 represents fair value loss on financial assets at fair value through profit or loss (equity securities listed in Hong Kong) amounting to approximately HK\$23.5 million (for the period ended 30 September 2012: loss of HK\$4.4 million).

#### Other operating expenses

The Group's other operating expenses for the six months period ended 30 September 2013 in the amount of approximately HK\$20.6 million mainly included various administrative and selling expenses.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance costs

Finance costs mainly represent imputed interest on convertible notes, bank interest expenses on bank loan and interest on borrowings from a financial institute. 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.

### Income tax expense

The increase in income tax expense mainly represents the deferred tax charge on the increase in fair value of the investment property recognised during the six months period ended 30 September 2013.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2013, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately a total of HK\$7.9 million (excluding cash and bank balances held by in the Disposed Group of HK\$8.0 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 2013, the Group had bank and other borrowings amounted to HK\$800.9 million and therefore, the Group's gearing ratio is 33.42%, measured on the basis of total borrowings as a percentage of total shareholders' funds (as at 31 March 2013: 22.4%).

The Group's currently available liquidity resources are sufficient to meet its capital commitments. As at 30 September 2013, the Group's net current assets amounted to approximately HK\$433.9 million (as at 31 March 2013: net current liabilities of HK\$258.0 million). The Group's current ratio, being the percentage of its current assets in its current liabilities, amounted to 164.4% (as at 31 March 2013: 55.4%).

As at 30 September 2013, 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 has issued convertible notes as alternative financing instruments.

### CHARGE ON THE GROUP'S ASSETS

As at 30 September 2013, investment property with respective fair value of approximately HK\$4,384.0 million were pledged to secure bank loans of a subsidiary of the Group.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CONTINGENT LIABILITIES**

As at 30 September 2013, the Group did not have any material contingent liabilities.

### **CAPITAL COMMITMENTS**

As at 30 September 2013, capital commitments in respect of leasehold improvement amounted to approximately HK\$0.4 million (as at 31 March 2013: HK\$29.8 million).

### **EXPOSURE TO FLUCTUATION IN EXCHANGE RATE**

The majority of the Group's transactions and borrowings are denominated in Hong Kong dollars and Renminbi. Therefore, the Group's exposure to exchange rate fluctuation is relatively insignificant. In general, the Group mainly uses its Renminbi income receipt for operating expenditure in the PRC and does not use any financial instruments for hedging purpose.

### **EMPLOYEES**

As at 30 September 2013, 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 2013, 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 Securities of Futures Ordinance (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.

### **CHANGES IN INFORMATION OF DIRECTORS**

There is no other change in the information of Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2013 Annual Report.

### **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 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.

### **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.



## DISCLOSURE OF ADDITIONAL INFORMATION

### SHARE OPTION SCHEME (CONTINUED)

#### The Old Scheme (Continued)

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.
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.



## DISCLOSURE OF ADDITIONAL INFORMATION

### SHARE OPTION SCHEME (CONTINUED)

#### The Old Scheme (Continued)

9. The exercise price of the share options is determinable by the Directors 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.

Particulars of options granted under the Old Scheme during the period ended 30 September 2013 and remained outstanding up to 30 September 2013 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>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
<b>Total</b>	<b>14,760,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,760,000</b>			



## **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 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 2013, 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		Approximate % of issued share capital in the Company
		Long Position	Short Position	
Mr. 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 2013, the Company had not notified by any persons (other than the Directors 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 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who were interested in 10% 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 2013.

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

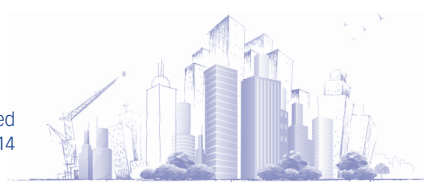
There was no purchase, redemption or sale of shares of the Company by the Company or its subsidiaries during the six months ended 30 September 2013.

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

During the period and up to the date of this report, no Directors 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 were appointed as Directors to represent the interest of the Company and/or the Group.

### **CORPORATE GOVERNANCE**

For the period ended 30th September 2013, 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.



## DISCLOSURE OF ADDITIONAL INFORMATION

### CORPORATE GOVERNANCE (CONTINUED)

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 (15 November 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, 22 November 2013