The following is the text of a report for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

19 November 2009

The Directors
China Forestry Holdings Co., Ltd.
Cazenove Asia Limited
UBS AG, Hong Kong Branch

Dear Sirs,

Introduction

We set out below our report on the financial information relating to China Forestry Holdings Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group, for each of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 (the "Relevant Period"), and the consolidated balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the Company as at 31 December 2008 and 30 June 2009, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 19 November 2009 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 21 December 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus, the timber and forestry related businesses of Beijing Zhaolin Forestry Development Co., Ltd. (the "Predecessor Entity"), were transferred to certain companies which are now subsidiaries of the Group and the Company also became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the companies comprising the Group and the Predecessor Entity, except for Beijing Zhaolin Forestry Development Co., Ltd., China Zhaoneng Group Limited, Kunming Ultra Big Forestry Resource Development Co., Ltd., Chengdu Yishang Forestry Resource Development Co., Ltd., Ultra Big Investment Limited, and Fine Fit Limited as they either have not carried on any business since their respective dates of incorporation, or are investment holding companies and are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all significant transactions of these companies during the Relevant Period, or where the companies were incorporated/established at a date later than 1 January 2006, for the period from their respective dates of establishment/incorporation to 30 June 2009, for the purpose of this report.

The statutory financial statements of Beijing Zhaolin Forestry Development Co., Ltd. for the years ended 31 December 2006 and 2007 were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC"). The statutory financial statements for the years ended 31 December 2006 and 2007 were audited by Morison (Beijing) Certified Public Accounting Co., Ltd.

The statutory financial statements of China Zhaoneng Group Limited for the period from 15 November 2006 (date of incorporation) to 31 December 2007 and for the year ended 31 December 2008 were prepared in accordance with all applicable Hong Kong Financial Reporting Standards and audited by KPMG.

The statutory financial statements of Ultra Big Investment Limited and Fine Fit Limited for the period from 3 December 2007 (date of incorporation) to 31 December 2008 were prepared in accordance with all applicable Hong Kong Financial Reporting Standards and audited by KPMG.

The statutory financial statements of Kunming Ultra Big Forestry Resource Development Co., Ltd for the period from 7 March 2008 (date of incorporation) to 31 December 2008 were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC and audited by Kunming Yatai Certified Public Accountants Co., Ltd.

The statutory financial statements of Chengdu Yishang Forestry Resource Development Co., Ltd for the period from 21 March 2008 (date of incorporation) to 31 December 2008 were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC and audited by Sichuan Huaqiang Certified Public Accountants Co., Ltd.

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in Section B below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with the accounting policies referred to in Section B, which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). IFRSs include International Accounting Standards and Interpretations.

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility to form an opinion on the Financial Information based on our audit procedures.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

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

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

We have not audited any financial statements of the entities now comprising the Group in respect of any period subsequent to 30 June 2009.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section B below and in accordance with the accounting policies set out in Section B below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period and the Group's state of affairs as at 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 and the Company's state of affairs as at 31 December 2008 and 30 June 2009.

Corresponding financial information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2008, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, 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 on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 Consolidated income statements

	Section B Note	Years ended 31 December 2006	2007	2008	Six months ended 30 June 2008	2009
		RMB	RMB	RMB	RMB (unaudited)	RMB
Turnover	3	70,122,597	160,318,269	544,947,744	117,056,039	373,247,913
Other operating income		47,784	81,796	119,636	119,636	489,381
Amortisation of insurance premium		(793,476)	(2,083,064)	(9,929,155)	(3,253,283)	(9,736,915)
Amortisation of lease prepayments	12	(250,847)	(724,362)	(4,916,734)	(1,395,370)	(3,861,236)
Auditor's remuneration		—	(30,000)	(132,468)	(118,831)	(43,000)
Changes in fair value of plantation assets less costs to sell	13					
- upon initial acquisition of the plantation assets		202,682,707	596,384,002	6,635,132,871	4,971,213,776	—
- changes during the year/period		147,816,803	202,097,037	(610,768,672)	367,210,086	518,868,021
Consultancy fees		(50,000)	(270,000)	(21,048,083)	—	(3,715,494)
Depreciation expenses	11	(157,861)	(186,272)	(230,112)	(72,300)	(129,629)
Foreign exchange (loss)/ gain		—	—	(3,053,644)	(2,266,753)	164,837
Operating expenses for logging activities		(15,778,965)	(38,729,085)	(145,559,950)	(31,116,950)	(95,346,650)
Other operating expenses		(2,813,311)	(5,501,365)	(14,286,072)	(7,606,428)	(6,723,880)
Rental expenses of properties		(2,319,209)	(2,233,402)	(1,366,471)	(883,153)	(943,550)
Reversal of fair value of plantation assets upon logging and sales of the plantation assets	14	(54,946,100)	(121,116,600)	(384,853,771)	(85,801,879)	(277,949,785)
Staff costs	4	(3,416,634)	(3,519,494)	(98,198,144)	(91,390,410)	(5,650,510)
Travelling expenses		(537,231)	(932,214)	(1,708,679)	(867,354)	(796,003)
Profit from operations		339,606,257	783,555,246	5,884,148,296	5,230,826,826	487,873,500
Financing income		149,624	174,094	1,480,623	384,110	176,309
Financing expenses		—	—	(3,854,221)	—	(55,979,169)
Net financing income/ (expenses)	5	149,624	174,094	(2,373,598)	384,110	(55,802,860)
Profit before taxation		339,755,881	783,729,340	5,881,774,698	5,231,210,936	432,070,640
Income tax	6	—	—	—	—	—
Profit for the year/ period		339,755,881	783,729,340	5,881,774,698	5,231,210,936	432,070,640
Attributable to:						
Equity shareholders of the Company		339,755,881	783,729,340	5,881,774,698	5,231,210,936	432,070,640
Earnings per share (RMB)	8					
- Basic		0.15	0.35	2.61	2.32	0.19

The accompanying notes form part of the Financial Information.

2 Consolidated statements of comprehensive income

	Section B Note	Years ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB	RMB	RMB	RMB (unaudited)	RMB
Profit for the year/period		339,755,881	783,729,340	5,881,774,698	5,231,210,936	432,070,640
Other comprehensive income for the year/period						
Exchange differences of translation of financial statements of subsidiaries incorporated outside the PRC, net of nil tax		—	—	(273,221)	(3,130,037)	(1,778,500)
Total comprehensive income for the year/period		339,755,881	783,729,340	5,881,501,477	5,228,080,899	430,292,140
Attributable to:						
Equity shareholders of the Company . . .		339,755,881	783,729,340	5,881,501,477	5,228,080,899	430,292,140

The accompanying notes form part of the Financial Information.

3 Consolidated balance sheets

	Section B Note	At 31 December 2006	At 31 December 2007	At 31 December 2008	At 30 June 2009
		RMB	RMB	RMB	RMB
Non-current assets					
Property, plant and equipment, net	11	602,918	442,851	6,951,089	8,791,507
Lease prepayments	12	10,641,813	31,468,446	225,826,779	221,965,543
Plantation assets	13	566,900,000	1,338,200,000	7,693,000,000	7,914,000,000
Total non-current assets		578,144,731	1,370,111,297	7,925,777,868	8,144,757,050
Current assets					
Inventories — timber logs	14	684,176	346,409	—	20,407,485
Other receivables	15	6,238,089	21,329,976	37,580,311	58,612,384
Cash and cash equivalents	16	24,987,607	1,028,859	104,530,763	381,977,066
Total current assets		31,909,872	22,705,244	142,111,074	460,996,935
Current liabilities					
Other payables	17	(3,236,474)	(2,269,073)	(311,485,494)	(459,966,834)
Total current liabilities		(3,236,474)	(2,269,073)	(311,485,494)	(459,966,834)
Net current assets/ (liabilities)		28,673,398	20,436,171	(169,374,420)	1,030,101
Total assets less current liabilities		606,818,129	1,390,547,468	7,756,403,448	8,145,787,151
Non-current liabilities					
Other payables	17	—	—	(321,053,207)	—
Total non-current liabilities		—	—	(321,053,207)	—
Net assets		606,818,129	1,390,547,468	7,435,350,241	8,145,787,151
Capital and reserves	19				
Share capital		10,000,001	10,000,000	232,245	256,606
Reserves		596,818,128	1,380,547,468	7,435,117,996	8,145,530,545
Total equity attributable to equity shareholders of the Company		606,818,129	1,390,547,468	7,435,350,241	8,145,787,151

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

	Section B Note	Attributable to equity shareholders of the Company							
		Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Capital reserve	Exchange reserve	Retained Earnings	Total Equity
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 1 January 2006 . . .		10,000,000	—	5,000,000	11,706,923	—	—	240,355,324	267,062,247
Incorporation	19	1	—	—	—	—	—	—	1
Total comprehensive income for the year		—	—	—	—	—	—	339,755,881	339,755,881
Transfer in/(out)		—	—	11,706,923	(11,706,923)	—	—	—	—
At 31 December 2006		10,000,001	—	16,706,923	—	—	—	580,111,205	606,818,129
At 1 January 2007 . . .		10,000,001	—	16,706,923	—	—	—	580,111,205	606,818,129
Reorganisation	19	(1)	—	—	—	—	—	—	(1)
Total comprehensive income for the year		—	—	—	—	—	—	783,729,340	783,729,340
At 31 December 2007		10,000,000	—	16,706,923	—	—	—	1,363,840,545	1,390,547,468
At 1 January 2008 . . .		10,000,000	—	16,706,923	—	—	—	1,363,840,545	1,390,547,468
Share issued	24	232,245	247,886,109	—	—	—	—	—	248,118,354
Payment to shareholder upon reorganisation	26	(10,000,000)	—	(16,706,923)	—	—	—	(146,667,068)	(173,373,991)
Equity-settled share-based transaction	18	—	—	—	—	88,556,933	—	—	88,556,933
Appropriation to statutory reserve		—	—	170,865,000	—	—	—	(170,865,000)	—
Total comprehensive income for the year		—	—	—	—	—	(273,221)	5,881,774,698	5,881,501,477
At 31 December 2008		232,245	247,886,109	170,865,000	—	88,556,933	(273,221)	6,928,083,175	7,435,350,241
At 1 January 2009 . . .		232,245	247,886,109	170,865,000	—	88,556,933	(273,221)	6,928,083,175	7,435,350,241
Share issued	24	24,361	280,120,409	—	—	—	—	—	280,144,770
Total comprehensive income for the period		—	—	—	—	—	(1,778,500)	432,070,640	430,292,140
At 30 June 2009		256,606	528,006,518	170,865,000	—	88,556,933	(2,051,721)	7,360,153,815	8,145,787,151
(unaudited)									
At 1 January 2008 . . .		10,000,000	—	16,706,923	—	—	—	1,363,840,545	1,390,547,468
Share issued	24	232,245	247,886,109	—	—	—	—	—	248,118,354
Equity-settled share-based transaction	18	—	—	—	—	88,556,933	—	—	88,556,933
Total comprehensive income for the period		—	—	—	—	—	(3,130,037)	5,231,210,936	5,228,080,899
At 30 June 2008		10,232,245	247,886,109	16,706,923	—	88,556,933	(3,130,037)	6,595,051,481	6,955,303,654

The accompanying notes form part of the Financial Information.

5 Consolidated statements of cash flows

	Section B Note	Years ended 31 December 2006 RMB	2007 RMB	2008 RMB	Six months ended 30 June 2008 RMB (unaudited)	2009 RMB
Operating activities						
Net cash generated from operating activities	20	43,490,926	96,042,152	376,592,857	47,864,050	284,887,561
Investing activities						
Payment for purchase of fixed assets		(403,606)	(26,205)	(7,271,789)	(382,462)	(468,507)
Capital expenditure in lease prepayments		(6,792,357)	(22,550,995)	(68,423,790)	(9,570,875)	(50,967,150)
Capital expenditure in plantation assets		(29,165,077)	(97,597,794)	(269,840,939)	(38,403,134)	(203,868,599)
Proceeds from disposal of plantation assets		—	—	74,800	74,800	—
Interest expenses		—	—	(3,854,221)	—	(32,458,081)
Interest received		149,624	174,094	1,480,623	384,110	176,309
Net cash used in investing activities		(36,211,416)	(120,000,900)	(347,835,316)	(47,897,561)	(287,586,028)
Financing activities						
Proceeds from issue of shares, net of issue expense		—	—	248,118,354	248,118,354	280,144,770
Payment to shareholder upon reorganisation		—	—	(173,373,991)	—	—
Net cash generated from financing activities		—	—	74,744,363	248,118,354	280,144,770
Net movement in cash and cash equivalents		7,279,510	(23,958,748)	103,501,904	248,084,843	277,446,303
Cash and cash equivalents at 1 January		17,708,097	24,987,607	1,028,859	1,028,859	104,530,763
Cash and cash equivalents at 31 December/30 June	16	24,987,607	1,028,859	104,530,763	249,113,702	381,977,066

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 Basis of presentation

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group include the results of operations of the companies comprising the Group for the Relevant Period (or where the companies were incorporated at a date later than 1 January 2006, for the period from date of incorporation to 30 June 2009) as if the current group structure and the transfer of business from the Predecessor Entity had been in existence throughout the entire Relevant Period. The consolidated balance sheets of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure and the transfer of business from the Predecessor Entity had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on combination.

Pursuant to the Reorganisation, the timber and forestry related businesses together with the relevant assets and liabilities representing the only business of Predecessor Entity were transferred to the companies comprising the Group.

As the ultimate equity holder, Li Kwok Cheong controlled the aforesaid business operations of the Predecessor Entity transferred to the companies comprising the Group before the Reorganisation and continues to control the companies comprising the Group after the Reorganisation, the Financial Information has been prepared as a reorganisation of businesses under common control. Merger accounting is applied in the preparation of the Financial Information. Accordingly, the relevant assets and liabilities of the Predecessor Entity transferred to the companies comprising the Group have been recognised at historical cost.

The details of the subsidiaries directly or indirectly owned by the Company and the Predecessor Entity are set out in notes 25 and 26.

2 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies are set out in the remainder of this section B.

The IASB has issued a number of new and revised IFRSs. For the purposes of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the period ended 30 June 2009. The revised and new accounting standards and interpretations issued but not yet effective for the period ended 30 June 2009 are set out in note 27.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation of the Financial Information

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest yuan. It is prepared on the historical cost basis except plantation assets (see note 2(h)) that are stated at their fair value.

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

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year/period are discussed in note 23.

(c) Basis of consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries and the Predecessor Entity.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances and transactions and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Financial Information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Business combination under common control

Business combinations arising from transfers of businesses that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements.

(e) Foreign currency

Foreign currency transactions are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statements.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 2(l)).

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the income statements as an expense as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvement	Over the lease terms
Office equipment	3 - 5 years
Furniture and fittings	5 years
Motor vehicles	10 years
ERP system	5 years

The useful lives and residual values of assets are reassessed annually.

(iv) Retirement and disposal

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statements on the date of retirement or disposal.

(g) Lease prepayments

Lease prepayments represent payments made to acquire land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 2(l)). Amortisation is charged to the income statements on a straight-line basis over the lease terms.

(h) Plantation assets

Plantation assets comprise forest crop in mainland China.

Plantation assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the income statements. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of plantation assets is determined independently by professional valuers.

(i) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment allowance for doubtful receivables (see note 2(l)). An impairment allowance for doubtful receivables is recognised based upon the evaluation of the recoverability of these receivables at the balance sheet date.

(j) Inventories

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

Inventories represent timber harvested from plantation assets. The cost of timber harvested from plantation assets is its fair value less costs to sell at the date of harvest, determined in accordance with the accounting policy for plantation assets (see note 2(h)).

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised, which is included in "reversal of fair value of plantation assets upon logging and sale of the plantation assets" in the accompanying income statements. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows.

(l) Impairment

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, for other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where the assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for the assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statements. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years/periods.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and

- lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other asset, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in the income statements whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the assets' carrying amount that would have been determined had no impairment loss been recognised in prior years/ periods. Reversals of impairment losses are credited to income statements in the year/period in which the reversals are recognised.

(m) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution retirement schemes

Obligations for contributions to defined contribution retirement schemes are recognised as an expense in the income statements as incurred.

(iii) Share-based payments

The fair value of benefits in connection with the transfer of shares to employees by a shareholder for services rendered to the Group is recognised as staff costs to the extent that the fair value of shares transferred exceeds the present value of consideration payable with a corresponding increase in a capital reserve within equity. The fair value of shares transferred is measured at the grant date taking into account the terms and conditions upon which shares are transferred. Where the employees entitled to the benefits immediately at the grant date the total amount of benefits is recognised immediately at that date.

Pursuant to the written resolutions of the shareholders of the Company passed on 23 September 2008, the Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in Appendix VII to the Prospectus.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Revenue

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statements as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised in the income statements when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(q) Operating lease payments

Payments made under operating leases are recognised in the income statements on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised in the income statements as an integral part of the total lease expense.

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statements except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years/periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

(s) Related parties

For the purposes of this Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member or such an individual, or is an entity under the control, joint control or significant influence or such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

During the Relevant Period, except for remuneration to key management stated in notes 9 and 10, payable to the Chairman of the Company stated in note 17 and the share transfers to two directors, Li Han Chun and Huang Fan, stated in note 24, the Group has no transaction with its related parties. Therefore, no disclosure of material related party transactions is presented.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For each of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, the directors consider that the Group operated in a single operating segment. Accordingly, no segmental analysis has been presented.

3 Turnover

The principal activities of the Group are the management of forests and sale of timber logs in the PRC.

Turnover represents the sales value of goods supplied to customers less value added tax, returns and trade discounts. Pursuant to tax notices from Beijing State Tax Bureau, the applicable value added tax rate for the Predecessor Entity was 4% for the Relevant Period. Subsequent to the consummation of the transfer of the timber and forestry related businesses as set out in note 1, the applicable value added tax rate is

13% according to Cai Shui [1994] No. 4 issued by the Ministry of Finance and the State Administration of Taxation of the PRC.

The Group's customer base includes three, five and nil and four customers with whom transactions have exceeded 10% of the Group's revenues for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 respectively. In the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, revenues from sale of timber logs in the PRC to these customers amounted to approximately RMB61,494,231, RMB136,811,538, RMB nil and RMB174,350,097 respectively.

Details of concentrations of credit risk arising from these customers are set out in note 22(b).

4 Staff costs

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB	RMB	RMB	RMB (unaudited)	RMB
Salaries, wages and other benefits	3,102,935	3,176,534	9,133,319	2,631,746	4,862,583
Contributions to defined contribution retirement schemes	313,699	342,960	507,892	201,731	787,927
Equity-settled share-based payment expenses (see note 18)	—	—	88,556,933	88,556,933	—
	3,416,634	3,519,494	98,198,144	91,390,410	5,650,510

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes ("the Schemes") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at a rate of 20% of the eligible employees' salaries. Contributions to the Schemes vest immediately.

The Group operates a Mandatory Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF scheme, the Group and its employees are each required to make relevant contributions, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

Save for the above schemes, the Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

5 Net financing income/(expenses)

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB	RMB	RMB	RMB (unaudited)	RMB
Interest income earned from deposits with bank	149,624	174,094	1,480,623	384,110	176,309
Interest paid on payable for forest acquisition (see note 17)	—	—	(3,854,221)	—	(55,979,169)
	149,624	174,094	(2,373,598)	384,110	(55,802,860)

6 Income tax

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(b) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

(c) Pursuant to the tax notice, Cai Shui [2001] No. 171, the entity in the PRC is not liable to income tax for the years ended 31 December 2006 and 2007 because the income of this entity is derived from the forestry business.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which took effect on 1 January 2008. From 1 January 2008, the corporate income tax rate was adjusted to the standard rate of 25% with effect from 1 January 2008. Pursuant to section 27 of the new tax law and section 86 of the Implementation Regulations of the new tax law, the entity's income derived from forestry business is exempt from income tax.

The Enterprise Income Tax rate of the PRC was 33% up to 31 December 2007 and adjusted to 25% since 1 January 2008. Profits Tax rate of Hong Kong up to fiscal year 2007/08 was 17.5% and adjusted to 16.5% with effect from the fiscal year 2008/09. The following is a reconciliation between tax expense and accounting profit at applicable tax rate:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB	RMB	RMB	RMB (unaudited)	RMB
Profit before taxation	339,755,881	783,729,340	5,881,774,698	5,231,210,936	432,070,640
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	112,119,441	258,694,618	1,492,872,022	1,329,797,937	108,089,210
Tax effect of tax exemption	(112,119,441)	(258,700,263)	(1,493,040,512)	(1,329,919,857)	(107,962,791)
Tax effect of non-taxable income	—	—	—	—	(126,419)
Tax effect of unused tax losses not recognised	—	5,645	168,490	121,920	—
Actual tax expense	—	—	—	—	—

Under the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends receivable by the Group from its PRC subsidiaries in respect of its profits earned since 1 January 2008 are subject to the above-mentioned withholding tax. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future. The aggregate amounts of temporary differences associated with undistributed retained earnings and the related deferred tax liabilities which were not recognised because distribution of earnings was not expected in the foreseeable future amount to RMB7,456,265,952 and RMB372,813,298 respectively as at 30 June 2009 (31 December 2008: RMB7,022,603,258 and RMB351,130,163 respectively).

7 Dividends

No dividend has been paid or declared by the Group since its incorporation.

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009 and the 2,250,000,000 shares in issue and issuable, comprising 35,565,217 ordinary shares in issue as at the date of the Prospectus, 2,214,434,783 ordinary shares to be issued pursuant to the capitalisation issue as set out in Appendix VII to the Prospectus as if the shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share are not presented.

9 Directors' remuneration

	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Year ended 31 December 2006						
Executive directors						
Li Kwok Cheong	—	—	—	—	—	—
Li Han Chun	—	318,748	—	19,016	—	337,764
Huang Fan	—	—	—	—	—	—
Total	—	318,748	—	19,016	—	337,764

	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Year ended 31 December 2007						
Executive directors						
Li Kwok Cheong	—	—	—	—	—	—
Li Han Chun	—	380,966	—	21,164	—	402,130
Huang Fan	—	—	—	—	—	—
Total	—	380,966	—	21,164	—	402,130

	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Year ended 31 December 2008						
Executive directors						
Li Kwok Cheong	—	—	—	—	—	—
Li Han Chun	—	480,000	1,000,000	23,354	88,556,933	90,060,287
Huang Fan (retired on 4 March 2008)	—	—	—	—	—	—
Sub-total	—	480,000	1,000,000	23,354	88,556,933	90,060,287
Non-executive directors						
Xiao Feng (appointed on 8 January 2008)	—	—	—	—	—	—
Sean Xing He (appointed on 8 January 2008 and retired on 4 March 2008)	—	—	—	—	—	—
Li Zhi Tong (appointed on 3 April 2008)	—	—	—	—	—	—
Liu Hai Yan (appointed on 3 April 2008)	—	—	—	—	—	—
Wang Tak-jun (appointed on 3 April 2008)	—	—	—	—	—	—
Liu Can (appointed on 11 August 2008)	—	—	—	—	—	—
Wang Wei Ying (appointed on 11 August 2008)	—	—	—	—	—	—
Sub-total	—	—	—	—	—	—
Total	—	480,000	1,000,000	23,354	88,556,933	90,060,287

	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Period ended 30 June 2008 (unaudited)						
Executive directors						
Li Kwok Cheong	—	—	—	—	—	—
Li Han Chun	—	250,827	—	10,827	88,556,933	88,818,587
Huang Fan (retired on 4 March 2008)	—	—	—	—	—	—
Sub-total	—	250,827	—	10,827	88,556,933	88,818,587
Non-executive directors						
Xiao Feng (appointed on 8 January 2008)	—	—	—	—	—	—
Sean Xing He (appointed on 8 January 2008 and retired on 4 March 2008)	—	—	—	—	—	—
Li Zhi Tong (appointed on 3 April 2008)						
Liu Hai Yan (appointed on 3 April 2008)						
Wang Tak-jun (appointed on 3 April 2008)						
Sub-total	—	—	—	—	—	—
Total	—	250,827	—	10,827	88,556,933	88,818,587

	Fees	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Period ended 30 June 2009						
Executive directors						
Li Kwok Cheong	—	—	—	—	—	—
Li Han Chun	—	534,755	—	12,686	—	547,441
Sub-total	—	534,755	—	12,686	—	547,441
Non-executive directors						
Xiao Feng	—	—	—	—	—	—
Li Zhi Tong	—	—	—	—	—	—
Liu Hai Yan (retired on 31 March 2009)	—	—	—	—	—	—
Wang Tak-jun	—	—	—	—	—	—
Liu Can	—	—	—	—	—	—
Wang Wei Ying	—	—	—	—	—	—
Sub-total	—	—	—	—	—	—
Total	—	534,755	—	12,686	—	547,441

No emoluments have been paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period. No director waived or agreed to waive any emoluments during the Relevant Period.

In the early stage of operation, Li Kwok Cheong, the Chairman of the Company volunteered not to receive any remuneration during the Relevant Period in order to maintain sufficient funds for the Group's daily operations and future development. This arrangement will be reviewed after listing of the Group.

10 Individuals with highest emoluments

The five highest paid individuals of the Group include one director for each of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 respectively whose emoluments are disclosed in note 9. Details of emoluments paid to the remaining highest paid individuals of the Group are as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB	RMB	RMB	RMB (unaudited)	RMB
Basic salaries, allowances and benefits in kind	575,969	671,684	1,212,500	523,874	863,640
Discretionary bonuses	—	—	300,000	—	—
Retirement scheme contributions	76,063	84,658	86,062	41,504	42,464
	652,032	756,342	1,598,562	565,378	906,104

The emoluments of these individuals with highest emoluments are within the following band:

	Number of individuals				
	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB	RMB	RMB	RMB (unaudited)	RMB
RMB Nil to RMB1,004,670 (equivalent to HK$Nil to HK$1,000,000)	4	—	—	—	—
RMB Nil to RMB936,380 (equivalent to HK$Nil to HK$1,000,000)	—	4	—	—	—
RMB Nil to RMB881,890 (equivalent to HK$Nil to HK$1,000,000)	—	—	4	—	—
RMB Nil to RMB905,044 (equivalent to HK$Nil to HK$1,000,000)	—	—	—	4	—
RMB Nil to RMB881,530 (equivalent to HK$Nil to HK$1,000,000)	—	—	—	—	4

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period.

11 Property, plant and equipment, net

	Leasehold improvement	Office equipment	Furniture and fittings	Motor vehicles	ERP system	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Cost:						
At 1 January 2006	—	383,002	160,575	—	—	543,577
Additions	—	139,132	264,474	—	—	403,606
At 31 December 2006	—	522,134	425,049	—	—	947,183
At 1 January 2007	—	522,134	425,049	—	—	947,183
Additions	—	26,205	—	—	—	26,205
At 31 December 2007	—	548,339	425,049	—	—	973,388
At 1 January 2008	—	548,339	425,049	—	—	973,388
Additions	121,035	257,592	356,680	314,677	6,221,805	7,271,789
Disposals	—	(567,021)	(630,096)	—	—	(1,197,117)
At 31 December 2008	121,035	238,910	151,633	314,677	6,221,805	7,048,060
At 1 January 2009	121,035	238,910	151,633	314,677	6,221,805	7,048,060
Additions	—	85,003	18,136	365,368	1,501,540	1,970,047
At 30 June 2009	121,035	323,913	169,769	680,045	7,723,345	9,018,107
Accumulated depreciation:						
At 1 January 2006	—	154,266	32,138	—	—	186,404
Charge for the year	—	88,946	68,915	—	—	157,861
At 31 December 2006	—	243,212	101,053	—	—	344,265
At 1 January 2007	—	243,212	101,053	—	—	344,265
Charge for the year	—	104,663	81,609	—	—	186,272
At 31 December 2007	—	347,875	182,662	—	—	530,537
At 1 January 2008	—	347,875	182,662	—	—	530,537
Charge for the year	60,518	65,048	99,564	4,982	—	230,112
Disposals	—	(392,125)	(271,553)	—	—	(663,678)
At 31 December 2008	60,518	20,798	10,673	4,982	—	96,971
At 1 January 2009	60,518	20,798	10,673	4,982	—	96,971
Charge for the period	60,517	27,033	15,560	26,519	—	129,629
At 30 June 2009	121,035	47,831	26,233	31,501	—	226,600
Net book value:						
At 31 December 2006	—	278,922	323,996	—	—	602,918
At 31 December 2007	—	200,464	242,387	—	—	442,851
At 31 December 2008	60,517	218,112	140,960	309,695	6,221,805	6,951,089
At 30 June 2009	—	276,082	143,536	648,544	7,723,345	8,791,507

12 Lease prepayments

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
Cost:				
At 1 January	4,253,230	11,045,587	32,596,582	231,870,305
Additions	6,792,357	21,550,995	199,286,556	—
Disposals	—	—	(12,833)	—
At 31 December/30 June	11,045,587	32,596,582	231,870,305	231,870,305
Accumulated amortisation:				
At 1 January	152,927	403,774	1,128,136	6,043,526
Charge for the year/period	250,847	724,362	4,916,734	3,861,236
Disposals	—	—	(1,344)	—
At 31 December/30 June	403,774	1,128,136	6,043,526	9,904,762
Net book value:				
A 31 December/30 June	10,641,813	31,468,446	225,826,779	221,965,543

Lease prepayments represent land use rights granted to the Group in respect of its plantation assets in the PRC, which expire during the period from 2016 to 2072. Usage of the land is regulated by the Implementation Regulations of PRC Forest Law issued by the State Council of the PRC.

13 Plantation assets

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
At 1 January	241,900,000	566,900,000	1,338,200,000	7,693,000,000
Additions (note (i))	29,165,077	93,597,794	714,986,766	489,249
Harvested timber transferred to inventories	(54,664,587)	(120,778,833)	(384,519,909)	(298,357,270)
Changes in fair value less costs to sell (note (ii))	350,499,510	798,481,039	6,024,364,199	518,868,021
Disposal of plantation assets	—	—	(31,056)	—
At 31 December/ 30 June	566,900,000	1,338,200,000	7,693,000,000	7,914,000,000

Notes:

(i) The additions represent the consideration paid for the acquisitions of forests (excluding the land use rights) and the value of tree saplings planted during the year. The consideration of individual acquisition is agreed on a negotiation basis.

(ii) Changes in fair value less costs to sell include changes upon initial acquisition of the plantation assets and changes during the year.

The changes in fair value less costs to sell upon initial acquisition of the plantation assets represent the difference between the acquisition cost and the value of the new plantation assets at the date of acquisition.

The changes in fair value less costs to sell during the year represent the aggregate of the difference between the value of the existing plantation assets as of the beginning and end of the financial year and the difference between the value of the new plantation assets as of the second day of acquisition and end of the financial year/period.

As mentioned in note 23, Chandler Fraser Keating Limited ("CFK") has applied the net present value approach which requires a number of key assumptions and estimates in determining the fair value of the plantation assets. CFK and management review these assumptions and estimates periodically to identify any significant change in the fair value. Details of CFK have been set out in the paragraph below.

During the year ended 31 December 2008, the professional valuer and the Group revised the estimated yield of the plantation assets based on the recent harvest information and latest forest survey data. This revision in estimated yield resulted in an estimated lower woodflow from the plantation assets in future periods and a decrease in the fair value of plantation assets as at 31 December 2008 of RMB584,000,000, which has been recognised in the year ended 31 December 2008.

The Group's principal activities are the management of forests and sale of timber logs in the PRC. The Group acquired the forests from individual farmers who are employed to manage the corresponding forests after the acquisition. The related wages and other benefits have been disclosed as part of the staff costs in note 4.

At 31 December 2006, 2007, 2008 and 30 June 2009, plantation assets represent standing timber acquired, planted and managed by the Group and comprise approximately 4,603, 12,453, 171,780 and 171,780 hectares of tree plantations respectively. The existing tree plantations on 171,780 hectares forests range from 20 to 24 years old. During the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, the Group harvested approximately 75,909, 169,329, 519,928 and 356,730 cubic metres of wood, which had a fair value less costs to sell of RMB54,664,587, RMB120,778,833, RMB384,519,909 and RMB298,357,270 respectively at the date of harvest.

The Group's plantation assets in the PRC were independently valued by CFK. CFK is a privately owned specialist forest consulting firm headquartered in New Zealand. In view of the non-availability of market value for trees in the PRC, CFK has applied the net present value approach whereby projected future net cash flows, based on its assessment of current timber log prices, were discounted at the rates of 9.0% to 13.0% (31 December 2006 and 2007: 9.0%, 31 December 2008: 9.0% to 13.0%) for plantation assets for each of the years and the period applied to pre-tax cash flows to provide a current market value of the plantation assets.

The principal valuation methodology and assumptions adopted are as follows:

- Stands are scheduled to be harvested at or near their optimum economic rotation age;
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted;
- The cash flows do not take into account income taxation and finance costs;

- The cash flows have been prepared in real terms and have not therefore included inflationary effects;

- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account; and

- Costs are current average costs. No allowance has been made for cost improvements in future operations.

14 Inventories

An analysis of the amount of inventories recognised as an expense is as follows:

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
At 1 January	965,689	684,176	346,409	—
Harvested timber transferred from plantation assets	54,664,587	120,778,833	384,519,909	298,357,270
Reversal of fair value of plantation assets upon logging	(54,946,100)	(121,116,600)	(384,853,771)	(277,949,785)
Write off of inventories	—	—	(12,547)	—
At 31 December/30 June	684,176	346,409	—	20,407,485
Carrying amount of inventories sold	54,946,100	121,116,600	384,853,771	277,949,785

15 Other receivables

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
Other receivables	1	—	225,022	337,685
Prepaid insurance premium	4,163,247	15,362,199	21,324,175	17,552,699
Other prepayments and deposits	2,074,841	5,967,777	16,031,114	40,722,000
	6,238,089	21,329,976	37,580,311	58,612,384

The Group enters into a number of insurance policies for its plantation assets and these policies typically run for a period of 1 year to 4 years. The amounts of the Group's prepaid insurance premium expected to be expensed after more than one year are RMB3,564,520, RMB11,768,685, RMB8,556,326 and RMB6,078,971 at 31 December 2006, 2007, 2008 and 30 June 2009. The prepaid insurance premium is amortised on a systematic basis over the insurance term.

As at 30 June 2009, other prepayments and deposits include RMB30,787,832 payments of listing expenses (31 December 2008: RMB15,544,365).

16 Cash and cash equivalents

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
Cash at bank and in hand	24,987,607	1,028,859	104,530,763	381,977,066

Cash and cash equivalents include cash at bank and in hand of RMB102,474,734 were held in the PRC as at 30 June 2009 (31 December 2008: RMB104,511,396). The conversion of RMB denominated balance into foreign currencies and the remittance of bank balances and cash out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

17 Other payables

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
Other payables and accrued expenses	2,316,474	2,269,073	50,329,769	107,402,752
Payable for forest acquisition	—	—	575,888,956	344,574,295
Payable to the Chairman of the Company	—	—	6,319,976	7,989,787
Receipts in advance	920,000	—	—	—
	3,236,474	2,269,073	632,538,701	459,966,834

Other payables and accrued expenses include salary and staff welfare payables, VAT payables and other miscellaneous payables. As at 30 June 2009, other payables and accrued expenses included RMB13,950,089 payable for listing expenses (31 December 2008: Nil).

Payable for forest acquisition represents considerations to be settled for acquisition for 100,000 hectares of forest in Yunnan Province, the PRC. Management plans to settle the amount from the Group's internal financial resources and proceeds from issue of shares by the Company pursuant to the resolutions in writing on 25 June 2009 as detailed in note 24.

Payable to the Chairman of the Company represents payment of listing expense made on behalf of the Group. Management will settle the amount from the Group's internal financial resources before the listing of the Group.

Receipts in advance represent the amount of prepayment made by the customers for sales of timber logs.

An ageing analysis of other payables (excluding receipts in advance) is as follows:

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
Due within 1 month or on demand	2,316,474	2,269,073	56,649,745	101,442,450
Due after 1 month but within 3 months	—	—	85,064,488	13,950,089
Due after 3 months but within 6 months	—	—	—	—
Due after 6 months but within 1 year	—	—	169,771,261	344,574,295
Due after 1 year but within 2 years	—	—	321,053,207	—
	2,316,474	2,269,073	632,538,701	459,966,834

The Group obtained a non-binding credit facility of not more than RMB1,000 million from Shenzhen Development Bank. Drawdown of the facility is subject to bank's assessment and approval. The facility is valid during the period from September 2008 to September 2011. Up to the balance sheet date, the Group has not drawndown on the facility.

18 Equity-settled share-based transaction

Li Han Chun, the director and Chief Executive Officer of the Company, joined the Company in 2004. In order to recognise the contribution of Li Han Chun to the Group, the Chairman transferred an aggregate of 3,200,000 shares ("share transfer") at a cash consideration of USD32,000,000 to Li Han Chun on 31 March 2008. The consideration of USD32,000,000 was determined by reference to the transactions with certain independent foreign investors as set out in note 24. Li Han Chun made a payment of USD2,000,000 to the Chairman on 31 March 2008. As a result of the transfer, Top Wisdom Overseas Holdings Limited, a company wholly owned by Li Han Chun, became a shareholder of the Company and is eligible to the dividend and voting rights of these shares. There are no terms and conditions in connection with any future services of Li Han Chun attached to the share transfer.

Following the share transfer, the above parties signed a supplemental agreement ("supplemental agreement") which provides for the settlement of the remaining USD30,000,000 in cash in 8 annual instalments commencing on 31 December 2010 with no interest charge, but in return Li Han Chun is required to pledge the 1,066,667 acquired shares to the Chairman. Pursuant to the supplemental agreement, the Chairman has a full recourse of the loan from Li Han Chun in case of default in repayment. Given the terms and conditions set out in the share transfer arrangement and supplemental agreement, the benefits of RMB88,556,933 in connection with the share transfer, being the difference of the fair value of shares transferred and the present value of consideration paid and payable by Li Han Chun, were accounted for as a share-based payment and recognised as staff costs on 31 March 2008.

19 Capital and reserves

	Note	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Capital reserve	Exchange reserve	Retained earnings	Total equity
		RMB (note (a))	RMB (note (b))	RMB (note (c))	RMB (note (d))	RMB (note (e))	RMB (note (f))	RMB	RMB
At 1 January 2006		10,000,000	—	5,000,000	11,706,923	—	—	240,355,324	267,062,247
Incorporation		1	—	—	—	—	—	—	1
Total comprehensive income for the year		—	—	—	—	—	—	339,755,881	339,755,881
Transfer in/(out)		—	—	11,706,923	(11,706,923)	—	—	—	—
At 31 December 2006		10,000,001	—	16,706,923	—	—	—	580,111,205	606,818,129
At 1 January 2007		10,000,001	—	16,706,923	—	—	—	580,111,205	606,818,129
Reorganisation		(1)	—	—	—	—	—	—	(1)
Total comprehensive income for the year		—	—	—	—	—	—	783,729,340	783,729,340
At 31 December 2007		10,000,000	—	16,706,923	—	—	—	1,363,840,545	1,390,547,468
At 1 January 2008		10,000,000	—	16,706,923	—	—	—	1,363,840,545	1,390,547,468
Share issued	24	232,245	247,886,109	—	—	—	—	—	248,118,354
Payment to shareholder upon reorganisation		(10,000,000)	—	(16,706,923)	—	—	—	(146,667,068)	(173,373,991)
Equity-settled share-based transaction	18	—	—	—	—	88,556,933	—	—	88,556,933
Appropriation to statutory reserve		—	—	170,865,000	—	—	—	(170,865,000)	—
Total comprehensive income for the year		—	—	—	—	—	(273,221)	5,881,774,698	5,881,501,477
At 31 December 2008		232,245	247,886,109	170,865,000	—	88,556,933	(273,221)	6,928,083,175	7,435,350,241
At 1 January 2009		232,245	247,886,109	170,865,000	—	88,556,933	(273,221)	6,928,083,175	7,435,350,241
Share issued	24	24,361	280,120,409	—	—	—	—	—	280,144,770
Total comprehensive income for the period		—	—	—	—	—	(1,778,500)	432,070,640	430,292,140
At 30 June 2009		256,606	528,006,518	170,865,000	—	88,556,933	(2,051,721)	7,360,153,815	8,145,787,151
(unaudited)									
At 1 January 2008		10,000,000	—	16,706,923	—	—	—	1,363,840,545	1,390,547,468
Share issued	24	232,245	247,886,109	—	—	—	—	—	248,118,354
Equity-settled share-based transaction	18	—	—	—	—	88,556,933	—	—	88,556,933
Total comprehensive income for the period		—	—	—	—	—	(3,130,037)	5,231,210,936	5,228,080,899
At 30 June 2008		10,232,245	247,886,109	16,706,923	—	88,556,933	(3,130,037)	6,595,051,481	6,955,303,654

Notes:

(a) Authorised and issued share capital

For the purpose of this Financial Information, share capital at 31 December 2006, 2007, 2008 and 30 June 2009 represents the aggregate of the share capital of the companies comprising the Group. The issue of a new share in 2006 relates to a company comprising the Group upon its incorporation and this share is not fully paid. The movement of share capital in 2007 and 2008 represent elimination as a result of the group reorganisation. The shares issued in 2008 and June 2009 represent issue of Company's new shares to its investors. Details of the issue of shares are stated in note 24.

	31 December						30 June	
	2006		2007		2008		2009	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Authorised:								
Beijing Zhaolin Forestry Development Co., Ltd.	N/A	RMB10,000,000	N/A	RMB10,000,000	—	—	—	—
China Zhaoneng Group Limited	10,000	HKD 10,000	—	—	—	—	—	—
China Forestry Holdings Co., Ltd.	—	—	5,000,000	USD 50,000	100,000,000,000	USD100,000,000	100,000,000,000	USD100,000,000
Ordinary shares issued:								
Beijing Zhaolin Forestry Development Co., Ltd.								
— fully paid	N/A	RMB10,000,000	N/A	RMB10,000,000	—	—	—	—
China Zhaoneng Group Limited								
— not fully paid	1	HKD 1	—	—	—	—	—	—
China Forestry Holdings Co., Ltd.								
— not fully paid	—	—	1	USD 0.01	28,500,000	USD 28,500	28,500,000	USD 28,500
— fully paid	—	—	—	—	3,500,000	USD 3,500	7,065,217	USD 7,065

(b) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. The application of the share premium account is governed by the Companies Law of the Cayman Islands. The share premium is distributable.

(c) Statutory surplus reserve

The Group is required to appropriate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC (collectively the "PRC GAAP"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of shareholders, statutory surplus reserve may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(d) Statutory public welfare fund

Prior to 1 January 2006, the Group is required to appropriate 5% to 10% of its net profit, as determined under the PRC GAAP, to the statutory public welfare fund. In accordance with the Company Law of the PRC (Revised in 2005), which was effective from 1 January 2006, the Group was no longer required to make further appropriations to the statutory public welfare fund with effect from 1 January 2006.

In 2006, the Group transferred the balance of the statutory public welfare fund of RMB11,706,923 as at 31 December 2005 to the statutory surplus reserve fund in accordance with a notice, Cai Qi [2006] No. 67, issued by the Ministry of Finance of the PRC on 15 March 2006.

(e) Capital reserve

Capital reserve represents the difference between the fair value of shares transferred and the present value of consideration payable for the equity-settled share-based transaction.

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(e).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

20 Note to the consolidated statements of cash flows

Reconciliation of profit before taxation to net cash generated from operations:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB	RMB	RMB	RMB (unaudited)	RMB
Operating activities					
Profit before taxation . . .	339,755,881	783,729,340	5,881,774,698	5,231,210,936	432,060,640
Adjustments for:					
- Amortisation of insurance premium . . .	793,476	2,083,064	9,929,155	3,253,283	9,736,915
- Amortisation of lease prepayments	250,847	724,362	4,916,734	1,395,370	3,861,236
- Changes in fair value of plantation assets less costs to sell	(350,499,510)	(798,481,039)	(6,024,364,199)	(5,338,423,862)	(518,868,021)
- Depreciation expenses	157,861	186,272	230,112	72,300	129,629
- Gain on disposal of plantation assets	—	—	(32,255)	(32,255)	—
- Loss on disposal of fixed assets	—	—	533,439	8,000	—
- Share-based payment	—	—	88,556,933	88,556,933	—
- Interest expense	—	—	3,854,221	—	55,979,169
- Interest income	(149,624)	(174,094)	(1,480,623)	(384,110)	(176,309)
Operating loss before changes in working capital	(9,691,069)	(11,932,095)	(36,081,785)	(14,343,405)	(17,266,741)
Decrease in inventories harvested timber transferred to inventories (Note)	54,946,100	121,116,600	384,866,318	85,801,879	277,949,785
Increase in other receivables	(4,073,941)	(12,174,952)	(26,452,712)	(34,900,042)	(32,547,488)
Increase/(decrease) in other payables	2,309,836	(967,401)	54,261,036	11,305,618	56,752,005
Net cash generated from operating activities	43,490,926	96,042,152	376,592,857	47,864,050	284,887,561

Note:

This item includes (i) harvest timber transferred to inventories as disclosed in note 13; and (ii) changes in inventories.

21 Commitments and contingent liabilities

(a) Capital commitments

At 31 December 2006, 2007, 2008 and 30 June 2009, the Group had capital commitments for as follows:

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
Authorised and contracted for:				
- acquisition of forests	—	91,000,000	—	—
- acquisition of fixed assets	—	—	3,776,925	2,275,385
	—	91,000,000	3,776,925	2,275,385
Authorised but not contracted for:				
- acquisition of forests	—	532,000,000	—	1,400,000,000
- acquisition of fixed assets	—	—	32,001,270	32,001,270
- other projects	—	—	30,000,000	30,000,000
	—	532,000,000	62,001,270	1,462,001,270

(b) Future minimum lease payments under non-cancellable operating leases

At 31 December 2006, 2007, 2008 and 30 June 2009, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

	31 December			30 June
	2006	2007	2008	2009
	RMB	RMB	RMB	RMB
Within 1 year	2,705,076	1,328,266	1,481,622	1,496,778
After 1 year but within 5 years	338,135	—	1,310,725	639,556
	3,043,211	1,328,266	2,792,347	2,136,334

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with no option to renew the leases. None of the leases includes contingent rentals.

(c) Contingent liabilities

Environmental contingencies

The Group's operations are regulated by various laws and regulations. Laws and regulations protecting the environment and wild life have generally become more stringent in recent years and could become even more stringent in the future. Some of these laws and regulations could impose significant costs, expenses, penalties and liabilities on the Group for violations whether or not caused or known by the Group. The financial position of the Group may be adversely affected by any environmental liabilities which may be imposed under such new environmental laws and regulations. The directors are not aware of any environmental liabilities as at 31 December 2006, 2007, 2008 and 30 June 2009.

Obligation to replant

The Group is obligated to replant at least 100% of the crops harvested. During the Relevant Period, the saplings were provided by local forestry authorities free of charge. The Group is obligated to replant the tree crops even if the forestry authorities do not provide the saplings. In such case, there will be a potential cost incurred by the Group.

22 Financial instruments

(a) Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

(i) ensuring that appropriate funding strategies are adopted to meet the Group's short term and long term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections of each project and that of the Group;

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(iii) ensuring that credit risks on sales to customers are properly managed.

The Group is also exposed to financial risks arising from changes in timber prices, which are constantly affected by both demand and supply cycles of the timber industry. As a result, the movements of the prices would have significant impact on the Group's earnings and valuation of plantation assets as well as cash flows and liquidity. Whilst efforts have been made to implement certain strategies, there can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

(b) Credit risk

The Group's credit risk is primarily attributable to sales. Most of the Group's customers are requested to pay in full before taking delivery of the timber logs. The credit risk of the Group is considered insignificant.

(c) Currency risk

The Group's operations and assets are all in the PRC. The revenue generated from sales of timber is all denominated in Renminbi for each of the years ended 31 December 2006, 2007, 2008 and 30 June 2009. The Group's exposure to currency risk is considered insignificant.

Some of the Group's assets and liabilities were denominated in foreign currencies. The Group did not have hedging measure against currency risk arising from recognised assets and liabilities during the Relevant Period.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate:

	31 December						30 June	
	2006		2007		2008		2009	
	USD	HKD	USD	HKD	USD	HKD	USD	HKD
Other receivables	—	—	—	—	129,400	7,919,693	508,723	29,726,866
Cash and cash equivalents	—	—	—	—	8,498,907	21,948	48,619,023	45,346
Other payables	—	—	—	—	(7,688)	(7,862,461)	(151,467)	(24,101,002)
Overall net exposure	—	—	—	—	8,620,619	79,180	48,976,279	5,671,210

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	31 December						30 June	
	2006		2007		2008		2009	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB		RMB		RMB		RMB
USD	5%	N/A	5%	N/A	5%	2,945,924	5%	16,079,391
	(5)%	N/A	(5)%	N/A	(5)%	(2,945,924)	(5)%	(16,079,391)
HKD	5%	N/A	5%	N/A	5%	3,491	5%	24,997
	(5)%	N/A	(5)%	N/A	(5)%	(3,491)	(5)%	(24,997)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

(d) Interest rate risk

The Group has not borrowed any loans from banks or other parties. Furthermore, the Group has not invested in any interest bearing securities. Any excess cash and cash equivalents of the Group are deposited at bank to earn short-term market interest rates. The risk arising from unexpected adverse interest rate movements is considered insignificant.

(e) Liquidity risk

The directors of the Group have carried out a detailed review of the cash flow forecast of the Group for the year ending 31 December 2009. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

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

	31 December 2006			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	From 1 year to 2 years
	RMB	RMB	RMB	RMB
Financial liabilities				
- Other payables	3,236,474	3,236,474	3,236,474	—

	31 December 2007			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	From 1 year to 2 years
	RMB	RMB	RMB	RMB
Financial liabilities				
- Other payables	2,269,073	2,269,073	2,269,073	—

	31 December 2008			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	From 1 year to 2 years
	RMB	RMB	RMB	RMB
Financial liabilities				
- Other payables	632,538,701	710,963,575	343,943,575	367,020,000

	30 June 2009			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	From 1 year to 2 years
	RMB	RMB	RMB	RMB
Financial liabilities				
- Other payables	459,966,834	482,412,539	482,412,539	—

(f) Natural risk

The State Council of the PRC manages the country's harvesting activities by imposing annual logging quotas which are determined by application from the local forestry authorities. Other than the above-mentioned quotas, the Group's revenue also depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The Group is insured to protect the forests against certain unfavourable local weather conditions and natural disasters. However, the occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting, or otherwise impede the Group's logging operations or the growth of the trees in the forests.

(g) Fair values

Recognised financial instruments

In respect of cash and cash equivalents, other receivables, and other payables, the carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

23 Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as risk adjustment to cash flows or discount rates used and future changes in prices affecting other costs. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(a) Fair value of plantation assets

The Group's plantation assets are valued at fair value less costs to sell. In determining the fair value of the plantation assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation assets significantly. The professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of plantation assets.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(c) Useful lives of property, plant and equipment

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

(d) Taxation

Determining tax provisions, including value added tax provision, involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislations.

24 The Company's balance sheet

	Note	31 December 2008	30 June 2009
		RMB	RMB
Non-current assets			
Investments in subsidiaries	(i)	21	21
Total non-current assets		21	21
Current assets			
Other receivables		194,785	194,261
Amount due from subsidiary		239,209,576	518,028,609
Total current assets		239,404,361	518,222,870
Total assets		239,404,382	518,222,891
Current liabilities			
Amounts due to subsidiaries		21	21
Other payables and accrued expenses		63,756	64,054
Total current liabilities		63,777	64,075
Equity			
Share capital	(ii)	232,245	256,606
Reserves	(iii)	239,108,360	517,902,210
Total equity		239,340,605	518,158,816
Total liabilities and equity		239,404,382	518,222,891

Notes:

(i) Investments in subsidiaries are stated at cost and details of the subsidiaries at 30 June 2009 are set out in note 25.

(ii) Share capital comprises:

	Number of shares	USD
At 1 January 2008	1	0.01
Share split	9	—
Shares issued	31,999,990	31,999.99
At 31 December 2008	32,000,000	32,000.00
At 1 January 2009	32,000,000	32,000.00
Shares issued	3,565,217	3,565.22
At 30 June 2009	35,565,217	35,565.22

(iii) At 31 December 2008 and 30 June 2009, the aggregate amount of distributable reserves of the Company is RMB150,551,427 and RMB429,345,277 respectively.

The Company was incorporated in the Cayman Islands on 21 December 2007 as an exempted company with authorised share capital of USD50,000, comprising 5,000,000 ordinary shares of USD0.01 each. One share was allotted and issued to Kingfly Capital Limited as subscriber share on 21 December 2007. Li Kwok Cheong is the sole shareholder of Kingfly Capital Limited. This share was not fully paid.

Pursuant to resolutions in writing on 8 January 2008, every share of USD0.01 in the issued and unissued share capital of the Company was subdivided into 10 shares of USD0.001 each. The Company had authorised share capital of USD50,000 divided into 50,000,000 shares of USD0.001 each. The issued and not fully paid share capital of USD0.01 held by Kingfly Capital Limited was divided into 10 shares of USD0.001 each.

On 8 January 2008, Kingfly Capital Limited increased its shareholding in the Company by subscribing for 28,499,990 new shares of USD0.001 each at par.

Pursuant to resolutions in writing on 8 January 2008, Kingfly Capital Limited transferred 480,825 shares and 19,175 shares to Carlyle Asia Growth Partners III, L.P. and CAGP III Coinvestment, L.P. respectively at a total consideration of USD5,000,000. In addition, the Company issued 288,495 shares and 11,505 shares to Carlyle Asia Growth Partners III, L.P. and CAGP III Coinvestment, L.P. respectively at a total consideration of USD3,000,000 on 8 January 2008. The consideration for the acquisition and subscription of shares was determined on an arm's length negotiations and settled on 9 January 2008.

Pursuant to resolutions in writing on 18 March 2008, the Company issued 3,077,280 shares and 122,720 shares to Carlyle Asia Growth Partners III, L.P. and CAGP III Coinvestment, L.P. respectively at a total consideration of USD32,000,000. The consideration was determined on an arm's length negotiations and settled on 26 March 2008.

Pursuant to the Share Purchase Agreement and Instrument of Transfer entered into between Kingfly Capital Limited and Li Han Chun on 18 March 2008, Kingfly Capital Limited transferred 3,200,000 shares to Li Han Chun at a total consideration of USD32,000,000. Pursuant to the approval of the board of directors of the Company on 31 March 2008, Top Wisdom Overseas Holdings Limited holds the transferred 3,200,000 shares and Li Han Chun is the sole shareholder of Top Wisdom Overseas Holdings Limited.

Pursuant to the Share Purchase Agreement and Instrument of Transfer entered into between Kingfly Capital Limited and Huang Fan on 18 March 2008, Kingfly Capital Limited transferred 320,000 shares to Huang Fan at a total consideration of USD3,200,000. Pursuant to the approval of the board of directors of the Company on 31 March 2008, Victory Early Investments Limited holds the transferred 320,000 shares and Huang Fan is the sole shareholder of Victory Early Investments Limited.

After the reorganisation, the total number of shares issued by the Company was 32,000,000.

Pursuant to resolutions in writing on 23 September 2008, authorised share capital of the Company was increased from USD50,000 to USD100,000,000 by the creation of 99,950,000,000 shares of USD0.001, which rank pari passu with existing shares.

Pursuant to resolutions in writing on 25 June 2009, the Company issued 1,142,830 shares, 45,575 shares, 2,059,904 shares and 316,908 shares, an aggregate of 3,565,217 shares of US$0.001 each, to Carlyle Asia Growth Partners III, L.P., CAGP III Coinvestment, L.P., Partners Group Access 119 L.P. and International Fund Management S.A. on account of IFM-Invest: 2 PrivateEquity respectively at a total consideration of USD40,999,996. The consideration was determined on an arm's length negotiations and settled on 30 June 2009.

Pursuant to the share purchase agreement and shareholders agreement entered into by and among Mr. Li Kwok Cheong, Kingfly Capital Limited, Mr. Li Hanchun, Top Wisdom Overseas Holdings Limited and the Company, Carlyle Asia Growth Partners III, L.P., CAGP III Coinvestment, L.P., Partners Group Access 119 L.P. and International Fund Management S.A. on account of IFM-Invest: 2 PrivateEquity on 25 June 2009, the Kingly Capital Limited transferred 69,685 shares, 2,779 shares, 125,604 shares and 19,324 shares to Carlyle Asia Growth Partners III, L.P., CAGP III Coinvestment, L.P., Partners Group Access 119 L.P. and International Fund Management S.A. on account of IFM-Invest: 2 PrivateEquity respectively at a total consideration of USD2,500,008 on even date. Pursuant to the same agreements mentioned above, Top Wisdom Overseas Holdings Limited transferred 41,811 shares, 1,667 shares, 75,362 shares and 11,594 shares to Carlyle Asia Growth Partners III, L.P., CAGP III Coinvestment, L.P., Partners Group Access 119 L.P. and International Fund Management S.A. on account of IFM-Invest: 2 PrivateEquity respectively at a total consideration of USD1,499,991 on 25 June 2009.

25 Particulars of subsidiaries

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries.

The Company's attributable equity interests in its subsidiaries have remained unchanged during the Relevant Period.

Ultra Big Investment Limited, China Zhaoneng Group Limited and Fine Fit Limited, Kunming Ultra Big Forestry Resource Development Co., Ltd. and Chengdu Yishang Forestry Resource Development Co., Ltd. are held indirectly by the Company through intermediate investment holding companies.

The following are subsidiaries of the Company upon the completion of the Reorganisation:

Name of company	Place and date of incorporation/ establishment	Issued share capital	Attributable equity interest %	Principal activities
Profit Wise International Limited	British Virgin Islands, 7 November 2007	USD1	100	Investment holding
Sky Famous Limited	British Virgin Islands, 27 August 2007	USD1	100	Investment holding
Rich Fame International Limited	British Virgin Islands, 7 November 2007	USD1	100	Investment holding
Ultra Big Investment Limited	Hong Kong, 3 December 2007	HKD1	100	Investment holding
China Zhaoneng Group Limited	Hong Kong, 15 November 2006	HKD1	100	Investment holding
Fine Fit Limited	Hong Kong, 3 December 2007	HKD1	100	Investment holding
Kunming Ultra Big Forestry Resource Development Co., Ltd. (note (i))	The PRC, 7 March 2008	USD22,000,000	100	Forest management and sale of timber logs
Chengdu Yishang Forestry Resource Development Co., Ltd. (note (ii))	The PRC, 21 March 2008	USD10,000,000	100	Forest management and sale of timber logs

Notes:

(i) The registered capital of Kunming Ultra Big Forestry Resource Development Co., Ltd. is USD50,000,000. The shareholder should pay USD28,000,000 of the remaining registered capital by 6 March 2009 according to the Company's article. On 14 August 2009, the Board has resolved and applied to the Administration of Industry and Commerce (昆明經濟技術開發區管理委員會) to extend the period for contribution of the remaining registered capital to within 2 years from the date of the issuance of the business license and amend the effective articles of association accordingly. On 17 August 2009, the Kumming Administration of Industry and Commerce has approved the extension of the period for payment of the remaining contribution of USD28,000,000 to within 2 years from the date of the issuance of the business license.

(ii) The registered capital of Chengdu Yishang Forestry Resource Development Co., Ltd. is USD29,000,000. The shareholder should pay USD9,000,000 and USD10,000,000 of the remaining registered capital by 20 September 2008 and 20 March 2009 respectively according to the Company's article. On 23 March 2009, the Board has resolved and applied to the Administrative Examination and Approval Bureau of Wuhou District Chengdu City (成都市武侯區行政審批局) to extend the period for contribution of the remaining registered capital to within 2 years from the date of the issuance of the business license and amend the effective articles of association accordingly. On 29 April 2009, the Administrative Examination and Approval Bureau of Wuhou District Chengdu City has approved the extension for payment of the remaining contribution of USD19,000,000 to within 2 years from the date of the issuance of business license.

26 Particulars of predecessor entity

For the purpose of this report, the results of operations of timber and forestry related businesses of the Predecessor Entity for the Relevant Period have been included in the Group's consolidated income statements, consolidated statements of cash flows and consolidated statements of changes in equity for the Relevant Period. The state of affairs of the Predecessor Entity as at 31 December 2006 and 2007 have been included in the Group's consolidated balance sheets at the respective dates. The particulars of the Predecessor Entity are set out below:

Name of Predecessor Entity	Place and date of incorporation/ establishment	Issued share capital	Attributable equity interest %	Principal activities
Beijing Zhaolin Forestry Development Co., Ltd.	The PRC, 6 August 2001	RMB10,000,000	100	Forest management and sale of timber logs

Prior to January 2006, the Companies Law in the PRC required all limited liability companies to have at least 2 shareholders. Consequently, the Chairman entered into arrangements to entrust other independent third parties to hold the equity interest in the Predecessor Entity on his behalf. In these arrangements, (i) the Chairman was the one responsible for providing the funding to the other shareholders when they acquired the equity interest in the Predecessor Entity; (ii) the other shareholders confirmed that they had always acted in accordance with the instructions of the Chairman when voting in any shareholders' meeting or passing any shareholders' resolutions of the Predecessor Entity; and (iii) any income had always belonged to the Chairman. Therefore, the Chairman in substance controlled all the equity interests in the Predecessor Entity prior to 5 August 2007. On 5 August 2007, the Chairman entered into agreement with the entrusted independent third party to transfer the shares back to the Chairman and the Chairman has been the sole shareholder of the Predecessor Entity since then.

On 7 March 2008, the Group set up a wholly-foreign owned enterprise, Kunming Ultra Big Forestry Resource Development Co., Ltd. in Yunnan, the PRC. On 19 March 2008 and 17 April 2008, Kunming Ultra Big Forestry Resource Development Co., Ltd. entered into a forestry right transfer agreement and a supplemental agreement respectively with Beijing Zhaolin Forestry Resources Development Co., Ltd. to which Beijing Zhaolin Forestry Resources Development Co., Ltd. transferred all its forestry rights in Sichuan to Kunming Ultra Big Forestry Resource Development Co., Ltd. at a consideration of RMB122,428,723 as agreed on a negotiation basis and by reference to a valuation report prepared by an independent PRC valuer using current price method. The consideration has been settled in May 2008.

After the transfer of the timber and forestry related businesses with relevant assets and liabilities to the companies comprising the Group, the Predecessor Entity has been dissolved on 4 September 2008. The assets (including the retained earnings) of the Predecessor Entity are required to be distributed to such entitled persons (including its creditors and shareholder) and in such priority as prescribed under the PRC law. Given that the Group is not a creditor of a shareholder of the Predecessor Entity, it is not entitled to receive any assets of the Predecessor Entity from such distribution. The distribution of Predecessor Entity's assets with amount of RMB173,373,991 has been completed on 20 September 2008.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2009

Up to the date of issue of these Financial Information, the IASB has issued the following amendment and new standard which are not yet effective for the six months ended 30 June 2009 and which have not been adopted in these Financial Information.

Of these developments, the following relate to matters that may be relevant to the Group's operations and Financial Information:

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2009	1 July 2009
Amendments to IAS 27, *Consolidated and separate financial statements*	1 July 2009

The Group is in the process of making an assessment of what the impact of these amendment and standard are expected to be in the period of initial application. So far it has concluded that the adoption of these amendment and standard are unlikely to have a significant impact on the Group's result of operations and financial position.

C SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2009:

Acquisition of forest

The Group has entered into a framework agreement with the People's Government of Ning Lang Xian on 17 September whereby the People's Government agreed to assist the Group to acquire 800,000mu (approximately 53,333 hectares) of forests at a price no more than RMB600 per mu. The consideration for such potential forest acquisition from independent third party shall be settled by cash. The Group expects to complete its acquisition of the 800,000mu forest by the first half of 2010.

D PARENT AND ULTIMATE CONTROLLING PARTY

At 30 June 2009, the directors consider the immediate parent and ultimate controlling party of the Group to be Kingfly Capital Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

E DIRECTORS' REMUNERATION

Save as disclosed in Section B note 9 above, no remuneration has been paid or is payable in respect of the Relevant Period to the directors of the Company. Under the arrangement presently in force, the estimated aggregate amount of the Company's directors' remuneration payable for the year ending 31 December 2009 is approximately RMB1,850,000, excluding management bonuses which are payable at the Company's discretion.

F SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2009.

Yours faithfully,

KPMG

Certified Public Accountants
Hong Kong