SANDI

# CHINA SANDI HOLDINGS LIMITED
# 中 國 三 迪 控 股 有 限 公 司

*(incorporated in Bermuda with limited liability)*

**(Stock code: 910)**

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2013

The board of directors (the "Board" or "Directors") of China Sandi Holdings Limited (formerly known as China Grand Forestry Green Resources Group Limited) (the "Company") announces the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2013 together with comparative figures for the year ended 31 March 2012:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2013*

| | *Notes* | **2013** <br> ***HK$'000*** | 2012 <br> *HK$'000* <br> (restated) |
|---|---|---|---|
| Revenue | *5* | **118,674** | 23,864 |
| Gain/(loss) arising from changes in fair value less costs to sell of biological assets | | **166,196** | (1,149,363) |
| Gain on bargain purchase | | **–** | 977,310 |
| Fair value loss on derivative financial instrument | | **(20,754)** | (12,459) |
| Other income | *5* | **9,173** | 6,794 |
| Other net gains and losses | *7* | **82,906** | (93,811) |
| Fair value gain on an investment property | | **51,953** | – |
| Cost of inventories and forestry products sold | | **(21)** | (1,320) |
| Impairment loss on other receivables | | **–** | (5,230) |
| Impairment loss on available-for-sale investments | | **–** | (1,270) |
| Write-off of property, plant and equipment | | **–** | (38,319) |
| Write-off of biological assets | | **(25,406)** | (89,174) |
| Write-off of prepaid lease payments | | **(3,098)** | (262,482) |
| Staff costs | *10* | **(13,660)** | (10,795) |
| Depreciation of property, plant and equipment | | **(9,089)** | (16,295) |
| Release of prepaid lease payments | | **(32,648)** | (32,467) |
| Other operating expenses | | **(50,188)** | (41,704) |
| Finance costs | *8* | **(100,191)** | (22,147) |

| | Notes | 2013 HK$'000 | 2012 HK$'000 (restated) |
|---|---|---|---|
| Profit/(loss) before income tax | *10* | **173,847** | (768,868) |
| Income tax (expense)/credit | *9* | **(18,233)** | 136,366 |
| Profit/(loss) for the year | | **155,614** | (632,502) |
| **Other comprehensive income, after tax:** | *12* | | |
| Exchange differences on translating foreign operations | | **33,174** | (91,757) |
| Reversal of/(impairment loss) on available-for-sale financial assets | | **5,741** | (1,270) |
| Reclassification to profit or loss | | **–** | 1,270 |
| Other comprehensive income for the year, after tax | | **38,915** | (91,757) |
| **Total comprehensive income for the year** | | **194,529** | (724,259) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **155,614** | (632,501) |
| Non-controlling interests | | **–** | (1) |
| | | **155,614** | (632,502) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **194,529** | (724,258) |
| Non-controlling interests | | **–** | (1) |
| | | **194,529** | (724,259) |
| | | | (Restated) |
| Earnings/(loss) per share | *13* | | |
| — Basic | | HK14 cents | HK(108) cents |
| — Diluted | | HK14 cents | HK(108) cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 (restated) |
|---|---|---|---|
| **Non-current assets** | | | |
| Biological assets | | **1,447,814** | 1,286,982 |
| Investment property | | **3,695,341** | 3,554,530 |
| Property, plant and equipment | | **38,287** | 43,953 |
| Construction in progress | | **10,569** | 8,236 |
| Prepaid lease payments | | **842,740** | 897,161 |
| Available-for-sale investments | | **5,896** | 155 |
| Derivative financial instrument | | **6,890** | 27,644 |
| **Total non-current assets** | | **6,047,537** | 5,818,661 |
| **Current assets** | | | |
| Inventories | *14* | **3,068** | 1,203 |
| Trade receivables | *15* | **715** | 773 |
| Prepaid lease payments | | **18,211** | 18,211 |
| Other receivables, deposits and prepayments | | **4,887** | 6,499 |
| Financial assets at fair value through profit or loss | | **171,971** | 97,826 |
| Amounts due from related parties | *20(b)(i)* | **494** | 6,527 |
| Cash and cash equivalents | | **120,745** | 24,414 |
| **Total current assets** | | **320,091** | 155,453 |
| **Total assets** | | **6,367,628** | 5,974,114 |

| | Notes | 2013<br>HK$'000 | 2012<br>HK$'000<br>(restated) |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | *16* | **28,551** | 39,480 |
| Other payables and accruals | | **425,243** | 406,219 |
| Amounts due to related parties | *20(b)(i)* | **2,618** | – |
| Bank borrowings | | **34,605** | – |
| Tax payable | | **87,120** | 86,709 |
| **Total current liabilities** | | **578,137** | 532,408 |
| **Net current liabilities** | | **(258,046)** | (376,955) |
| **Total assets less current liabilities** | | **5,789,491** | 5,441,706 |
| **Non-current liabilities** | | | |
| Long term payables | | **71,660** | 672,104 |
| Convertible notes payable | | **294,542** | 262,255 |
| Deferred taxation | | **653,908** | 632,775 |
| Bank borrowings | | **700,280** | – |
| **Total non-current liabilities** | | **1,720,390** | 1,567,134 |
| **Net assets** | | **4,069,101** | 3,874,572 |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | *17* | **6,871** | 6,871 |
| Reserves | | **4,062,164** | 3,867,635 |
| **Equity attributable to owners of the Company** | | **4,069,035** | 3,874,506 |
| Non-controlling interests | | **66** | 66 |
| **Total equity** | | **4,069,101** | 3,874,572 |

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2013*

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of registered office and principal place of business of the Company are disclosed in corporate information to the annual report.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are engaged in tree plantation and management, manufacture and distribution of forestry products and holding of property for investment and rental purpose and set out in the financial statements.

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

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

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

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) Adoption of new/revised HKFRSs — effective 1 April 2012

In the current year, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("new or revised HKFRSs") issued by the HKICPA, which are effective for the current year's consolidated financial statements.

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

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

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

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 "Investment Property" is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date.

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

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

**(b) New/revised HKFRSs that have been issued but are not yet effective**

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009–2011 Cycle[2] |
| Amendments to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to HKFRS 1 | Government Loans[2] |
| HKFRS 9 | Financial Instruments[4] |
| HKFRS 10 | Consolidated Financial Statements[2] |
| HKFRS 11 | Joint Arrangements[2] |
| HKFRS 12 | Disclosure of Interests in Other Entities[2] |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Investment entities[3] |
| HKFRS 13 | Fair Value Measurements[2] |
| Amendments to HKAS 1 (Revised) | Presentation of Items of Other Comprehensive Income[1] |
| HKAS 19 (2011) | Employee Benefits[2] |
| HKAS 27 (2011) | Separate Financial Statements[2] |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures[4] |
| Amendments to HKAS 32 | Presentation — Offsetting Financial Assets and Financial Liabilities[3] |

*Notes:*

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

***Amendments to HKFRSs — Annual Improvements 2009–2011 Cycle***

The improvements made amendments to four standards that are potentially relevant to the Group's operations.

*(i) HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS1.41–44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) *HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) *HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) *HKAS 34 Interim Financial Reporting*

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

***Amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities***

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

***Amendments to HKFRS 1 — Government Loans***

The amendments add an exception to the retrospective application of HKFRSs to require that first-time adopters apply the requirements in HKFRS 9 Financial Instruments and HKAS 20 Accounting for Government Grants and Disclosure of Governance Assistance prospectively to government loans existing at the date of transition to HKFRSs.

This means that first-time adopters will not recognise the corresponding benefit of the government loan at a below market rate of interest as a government grant. However, entities may choose to apply the requirements of HKFRS 9 and HKAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan.

***HKFRS 9 — Financial Instruments***

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

*HKFRS 10 — Consolidated Financial Statements*

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "*de facto*" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

*HKFRS 11 — Joint Arrangements*

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

*HKFRS 12 — Disclosure of Interests in Other Entities*

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

*Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities*

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

*HKFRS 13 — Fair Value Measurement*

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

*Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

*HKAS 19 (2011) — Employee Benefits*

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans that will need to be accounted for in a similar way to defined benefit plans. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases. The amendments will generally be applied retrospectively with two exceptions.

*Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities*

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### (b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for investment property, financial instruments and certain biological assets which are measured at fair value or fair value less costs to sell as explained in the accounting policies set out below.

As at 31 March 2013, the Group's current liabilities exceeded its current assets by HK258,046,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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

1. the directors is considering to dispose of its entire interest in the entire forestry assets. If the disposal is materialized, this will reduce future capital investment in the forestry assets;

2. the directors intend to negotiate with forest vendors to restructure the repayment schedules of the payables of the acquisition of forest farms; and

3. the major shareholder has undertaken to provide continuing financial support in order to maintain the Group as a going concern.

As a result of the above, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2013. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements for the year ended 31 March 2013 on a going concern basis.

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

### (c) Functional and presentation currency

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

## 4. PRIOR YEAR ADJUSTMENTS

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

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

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

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

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

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

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

Consolidated statement of financial position as at 31 March 2012:

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

Impact on basic and diluted loss per share:

| | Year ended 31 March 2012 *HK cents* |
|---|---|
| Basic and diluted loss per share, as previously reported | (66) |
| Adjustments | (42) |
| Basic and diluted loss per share, as restated | (108) |

## 5. REVENUE AND OTHER INCOME

Revenue represents income generated from the principal activities of the Group. Revenue and other income recognised during the year are as follows:

| | **2013** ***HK$'000*** | 2012 *HK$'000* |
|---|---|---|
| Revenue/Turnover | | |
| Sale of forestry products | **16** | 6,360 |
| Rental income | **43,691** | 3,122 |
| Property management and related fee income | **74,967** | 14,382 |
| | **118,674** | 23,864 |
| Other income | | |
| Bank interest income | **909** | 1,569 |
| Government grant income | **6,647** | 1,214 |
| Dividend income from listed investments | **2** | 1,738 |
| Income arising from granting of patent use rights | **1,615** | 2,273 |
| | **9,173** | 6,794 |
| | **127,847** | 30,658 |

## 6. SEGMENTAL INFORMATION

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

After completion of the business combination on 15 February 2012, the Group has identified two reportable segments, the business of ecological forestry operation and property investment.

During the year ended 31 March 2013 and 2012, there is no inter-segment transactions made. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit/(loss) that is used by the chief operating decision-maker for assessment of segment performance.

### i. Business Segments

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

| | **Property Business** | | **Ecological Forestry Business** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue from: | | | | | | |
| External sales | **118,658** | 17,504 | **16** | 6,360 | **118,674** | 23,864 |
| Inter-segment sales | **–** | – | **–** | – | **–** | – |
| Reportable segment revenue | **118,658** | 17,504 | **16** | 6,360 | **118,674** | 23,864 |
| Reportable segment profit/(loss) | **66,212** | 7,851 | **95,541** | (1,604,471) | **161,753** | (1,596,620) |
| Interest revenue | **809** | – | **100** | 1,569 | **909** | 1,569 |
| Interest expense | **(64,955)** | (4,875) | **(2,949)** | (13,297) | **(67,904)** | (18,172) |
| Depreciation and amortization | **(588)** | (64) | **(7,547)** | (15,284) | **(8,135)** | (15,348) |
| Income tax (expenses)/credit | **(18,233)** | (1,691) | **–** | 138,057 | **(18,233)** | 136,366 |
| Write-off of biological assets | **–** | – | **(25,406)** | (89,174) | **(25,406)** | (89,174) |
| Release of prepaid lease payment | **–** | – | **(32,648)** | (32,467) | **(32,648)** | (32,467) |
| Gain/(loss) arising from changes in fair value less costs to sell of biological assets | **–** | – | **166,196** | (1,149,363) | **166,196** | (1,149,363) |
| Write off of property, plant and equipment | **–** | – | **–** | (38,319) | **–** | (38,319) |
| Write off of prepaid lease payment | **–** | – | **(3,098)** | (262,482) | **(3,098)** | (262,482) |
| Fair value gain on investment property | **51,953** | – | **–** | – | **51,953** | – |

*Assets and liabilities information*

| | Property Business | | Ecological Forestry Business | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | (restated) | | | | (restated) |
| Segment assets | **3,788,816** | 3,559,390 | **2,388,330** | 2,278,298 | **6,177,146** | 5,837,688 |
| Addition to non-current assets | **59,434** | 14 | **15,262** | 13,172 | **74,696** | 13,186 |
| Segment liabilities | **1,463,460** | 1,294,416 | **506,521** | 504,598 | **1,969,981** | 1,799,014 |

**ii. Reconciliation of reportable segment revenues, profit or loss, assets and liabilities**

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Revenue** | | |
| Reportable segment revenue | **118,674** | 23,864 |
| Elimination of inter-segment revenue | **–** | – |
| Consolidated revenue | **118,674** | 23,864 |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| | | (restated) |
| **Profit/(loss) before income tax** | | |
| Reportable segment profit/(loss) | **161,753** | (1,596,620) |
| Gain on bargain purchase | **–** | 977,310 |
| Fair value gain/(loss) on financial assets at fair value through profit and loss | **63,489** | (113,899) |
| Net realized gain on disposal of financial assets at fair value through profit or loss | **12,820** | 1,951 |
| Impairment loss on available-for-sales investment | **–** | (1,270) |
| Finance costs | **(32,287)** | (3,975) |
| Fair value loss on derivative financial instrument | **(20,754)** | (12,459) |
| Unallocated corporate expenses | **(11,174)** | (19,906) |
| Consolidated profit/(loss) before income tax expense | **173,847** | (768,868) |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Assets** | | |
| Reportable segment assets | **6,177,146** | 5,837,688 |
| Non-current financial assets | **12,786** | 27,799 |
| Unallocated corporate assets | **177,696** | 108,627 |
| Consolidated total assets | **6,367,628** | 5,974,114 |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$*** | *HK$* |
| | | (restated) |
| **Liabilities** | | |
| Reportable segment liabilities | **1,969,981** | 1,799,014 |
| Unallocated corporate liabilities | **328,546** | 300,528 |
| Consolidated total liabilities | **2,298,527** | 2,099,542 |

**iii. Geographical information**

During the year 2013 and 2012, the Group's major operations and assets are situated in the PRC in which all of its revenue was derived.

**iv. Major customers**

There are no customer contributing over 10% of the Group's turnover for the year ended 31 March 2013. During the year ended 31 March 2012, revenues from one customer contributed to more than 10% of the Group's revenue amounting to approximately HK$6,288,520.

## 7. OTHER NET GAINS AND LOSSES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fair value gain/(loss) on financial assets at fair value through profit or loss | **63,489** | (113,899) |
| Net realised gain on disposal of financial assets at fair value through profit or loss | **12,820** | 1,951 |
| Net gain/(loss) on financial assets at fair value through profit or loss | **76,309** | (111,948) |
| Gain on disposal of forest farms* | **6,745** | 15,229 |
| Bad debt recovery | **–** | 182 |
| Gain/(loss) on disposal of property, plant and equipment | **305** | (1,963) |
| Loss on disposal of a subsidiary | **–** | (920) |
| Net exchange (loss)/gain | **(526)** | 3,770 |
| Others | **73** | 1,839 |
| | **82,906** | (93,811) |

* *It represents gain on disposal of biological assets and prepaid lease payments as follows:*

| | **2013** | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Biological assets** | **Prepaid lease payment** | **Total** | Biological assets | Prepaid lease payment | Total |
| | ***HK\$'000*** | ***HK\$'000*** | ***HK\$'000*** | *HK\$'000* | *HK\$'000* | *HK\$'000* |
| Sales proceeds | **–** | **7,879** | **7,879** | – | 2,574 | 2,574 |
| Consideration payable for the acquisition of forest farms | **–** | **25,897** | **25,897** | 32,449 | 82,026 | 114,475 |
| Carrying amounts | **–** | **(27,031)** | **(27,031)** | (32,449) | (69,371) | (101,820) |
| | **–** | **6,745** | **6,745** | – | 15,229 | 15,229 |

## 8. FINANCE COSTS

| | **2013** | 2012 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms | **2,949** | 13,297 |
| Interest on loans from related parties | **10,042** | – |
| Imputed interest on loans from related parties | **–** | 4,875 |
| Interest on bank borrowings | **54,913** | – |
| Imputed interest on convertible notes | **32,287** | 3,975 |
| | **100,191** | 22,147 |

## 9. INCOME TAX

| | **2013** | 2012 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Overseas tax | | |
| — current | **(2,396)** | (154) |
| — deferred tax (expense)/credit | **(15,837)** | 136,520 |
| Income tax (expense)/credit | **(18,233)** | 136,366 |

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

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

The State Council released the Implementation Rules to the Corporate Income Tax Law on 6 December 2007 (the "Implementation Rules"). According to the Implementation Rules, an entity engaged in forestry business is entitled to full exemption from the PRC enterprise income tax commencing from 1 January 2008.

Pursuant to the Implementation Rules, Wan Fu Chun Forest Resources Development Company Limited ("WFC"), a wholly-owned subsidiary of the Group should be entitled to full exemption from the PRC enterprise income tax as it is operating in forestry business. However, WFC had not obtained the exemption approval from the PRC tax authority. Accordingly, WFC is subject to enterprise income tax rate of 25% for the years ended 31 March 2012 and 2013.

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

The applicable PRC enterprise income tax is 25% for 2012 and 2013 for other PRC subsidiaries.

## 10. PROFIT/(LOSS) BEFORE INCOME TAX

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

| | **2013**<br>***HK$'000*** | 2012<br>*HK$'000* |
|---|---|---|
| Auditor's remuneration | **1,451** | 1,959 |
| Minimum lease payments under operating leases on leasehold properties | **3,004** | 4,314 |
| Research and development costs | **–** | 4,592 |
| Staff costs (including directors' emoluments): | | |
| Wages and salaries | **12,734** | 9,806 |
| Retirement benefits scheme contribution | **926** | 989 |
| | **13,660** | 10,795 |

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

The loss for the year attributable to owners of the Company for the year ended 31 March 2013 dealt with in the financial statements of the Company was approximately HK$63,960,000 (2012: HK$38,835,000).

No dividend was paid or proposed during the year (2012: HK$Nil), nor has any dividend been proposed since 31 March 2013.

## 12. OTHER COMPREHENSIVE INCOME, AFTER TAX

| | **2013** | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Before-tax-amount**<br>***HK$'000*** | **Tax expense/ (benefits)**<br>***HK$'000*** | **Net-of-tax amount**<br>***HK$'000*** | Before-tax-amount<br>*HK$'000* | Tax expense/ (benefits)<br>*HK$'000* | Net-of-tax amount<br>*HK$'000* |
| Exchange differences on translating foreign operations | **33,174** | **–** | **33,174** | (91,757) | – | (91,757) |
| Reversal of/(impairment loss) on available-for-sale financial assets | **5,741** | **–** | **5,741** | (1,270) | – | (1,270) |
| Reclassification to profit or loss | **–** | **–** | **–** | 1,270 | – | 1,270 |
| | **38,915** | **–** | **38,915** | (91,757) | – | (91,757) |

## 13. EARNINGS/(LOSS) PER SHARE

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

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (restated) |
| Profit/(loss) for the year attributable to owners of the Company | **155,614** | (632,501) |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible notes | **–** | – |
| Profit/(loss) for the year attributable to owners of the Company used in the diluted earnings/(loss) per share calculation | **155,614** | (632,501) |

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

| | **Number of shares** | |
|---|---|---|
| | **2013** | 2012 |
| | ***'000*** | *'000* |
| | | (restated) |
| Weighted average number of ordinary shares and convertible preference shares at 31 March for the purpose of basic earnings/(loss) per share | **1,088,719** | 584,308 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **–** | – |
| Convertible notes | **–** | – |
| Weighted average number of ordinary shares and convertible preference shares at 31 March for the purpose of calculation of diluted earnings/(loss) per share | **1,088,719** | 584,308 |

For the year ended 31 March 2013, the computation of diluted earnings per share did not assume the exercise of share options since the exercise price of those share options is higher than the average market price for shares for 2013. It also does not assume the exercise of convertible notes as they are anti-dilutive.

The computation of diluted loss per share for the year ended 31 March 2012 does not assume the exercise of share options and convertible notes since their exercise would result in a decrease in loss per share.

## 14. INVENTORIES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Seeds | **3,068** | 1,203 |

At 31 March 2013 and 2012, no inventories were carried at net realisable value.

## 15. TRADE RECEIVABLES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **45,812** | 45,498 |
| Less: Impairment loss | **(45,097)** | (44,725) |
| | **715** | 773 |

The Group normally allows credit terms to established customers ranging from 90 to 120 days (2012: 90 to 120 days). The Group seeks to maintain strict control over its outstanding receivables to recognised credit risk, with overdue balances regularly reviewed by senior management. Trade receivables are generally non-interest bearing and their carrying amounts approximate their fair values.

(i) The ageing analysis of the trade receivables as at the end of reporting period, based on the date of recognition of the sales, was as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Over 90 days | **45,812** | 45,498 |
| Less: Impairment loss | **(45,097)** | (44,725) |
| | **715** | 773 |

(ii) The movement in the impairment loss of trade receivables during the year:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| As at 1 April | **44,725** | 69,216 |
| Less: Bad debts written off | **–** | (26,018) |
| Exchange adjustment | **372** | 1,527 |
| As at 31 March | **45,097** | 44,725 |

At 31 March 2013, the Group's trade receivables of HK$45,097,000 (2012: HK$44,725,000) were individually determined to be impaired. The individually impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, an accumulative impairment loss of HK$45,097,000 (2012: HK$44,725,000) is made. The Group does not hold any collateral over these balances.

## 16. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days (2012: 30 to 120 days) from its suppliers. An ageing analysis of the trade payables as at the end of reporting date, based on the receipt of goods purchased, was as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current or less than 1 month | **5,461** | 211 |
| 1 to 3 months | **1,197** | 15,235 |
| More than 3 months but less than 12 months | **3,131** | 7,666 |
| More than 12 months | **18,762** | 16,368 |
| | **28,551** | 39,480 |

The directors consider that the carrying amount of the Group's trade payables at 31 March 2013 and 2012 approximates their fair values.

## 17. SHARE CAPITAL

| | **Number of shares** | **Amount** |
|---|---|---|
| | *'000* | *HK$'000* |
| **Authorised:** | | |
| As at 1 April, 2011, ordinary shares of HK$0.10 each | 20,000,000 | 2,000,000 |
| Share consolidation *(note i(a))* | (19,000,000) | – |
| Sub-division of ordinary shares *(note i(c))* | 199,000,000 | – |
| As at 31 March 2012 and 2013, ordinary shares of HK$0.01 each | 200,000,000 | 2,000,000 |
| As at 31 March 2012 and 31 March 2013, convertible preference shares of HK$0.01 each (note ii) | 602,000 | 6,020 |

| | **Ordinary share** | |
|---|---|---|
| | **Number of shares** | **Amount** |
| | *'000* | *HK$'000* |
| **Issued and fully paid:** | | |
| As at 1 April 2011, ordinary shares of HK$0.1 each | 9,741,048 | 974,105 |
| Share consolidation *(note i(a))* | (9,253,995) | – |
| Capital reduction *(note i(b))* | – | (969,234) |
| Ordinary shares of HK$0.01 each after capital reorganisation | 487,053 | 4,871 |
| Share issued from conversion of convertible preference shares *(note (iii))* | 200,000 | 2,000 |
| As at 31 March 2012 and 2013, ordinary shares of HK$0.01 each | 687,053 | 6,871 |

| | Convertible preference share | |
|---|---|---|
| | Number of shares | Amount |
| | *'000* | *HK$'000* |
| **Issued and fully paid:** | | |
| As at 1 April 2011, convertible preference shares of HK$0.01 each | – | – |
| Issue of convertible preference shares *(note (iii))* | 601,667 | 425,198 |
| Conversion of convertible preference shares *(note (iii))* | (200,000) | (141,340) |
| As at 31 March 2012 and 2013, convertible preference share of HK$0.01 each | 401,667 | 283,858 |

*Notes:*

(i) A special resolution was passed at a special general meeting held on 30 November 2011 approving the Capital Reorganisation on the basis that:

(a) Every twenty (20) issued and unissued share of HK$0.10 each in the share capital of the Company be consolidated into one (1) share of HK$2.00 (the "Share Consolidation") which effected on 1 December 2011. Following the implementation of the Share Consolidation, the Company's number of authorised share capital of 20,000,000,000 was divided into 1,000,000,000 of HK$2.00 each and its number of issued share capital of 9,741,048,933 was divided into 487,052,447 of HK$2.00 each.

(b) Subject to and forthwith upon the Share Consolidation taking effect, the issued share capital of the Company be reduced by canceling the paid up capital to the extent of HK$1.99 on each of the then issued Consolidated Shares on the effective date (1 December 2011) such that the nominal value of all the issued Consolidated Shares will be reduced from HK$2.00 to HK$0.01 each (the "Capital Reduction"). The Capital Reduction gave reduce to a debit to issued share capital of HK$969,234,000 and the same amount was credit to the share premium account.

(c) Subject to and forthwith upon the Capital Reduction taking effect, each of the authorised but unissued Consolidated Shares (including those arising from the Capital Reduction) be sub-divided into two hundred (200) shares of HK$0.01 each (the "Sub-Division"). Following the implementation of the Sub-Division, the Company's number of authorised share capital of 1,000,000 was split into 200,000,000 of HK$0.01 each.

(ii) Pursuant to an ordinary resolution passed on 30 January 2012, the authorised convertible preference share of the Company was increased to 602,000,000 convertible preference shares of HK$0.01 each.

(iii) On 30 January 2012, 601,166,666 convertible preference shares were issued to the vendors of the Acquisition as disclosed in the financial statements. The issued convertible preference share gave rise to a credit to convertible preference shares of HK$425,198,000. On 30 January 2012, 200,000,000 convertible preference shares were converted into ordinary shares of the Company by crediting the share capital of HK$2,000,000 and share premium of HK$139,332,000.

## 18. CONTINGENT LIABILITIES

At 31 March 2013 and 2012, the Company and the Group did not have any contingent liabilities.

## 19. CAPITAL COMMITMENTS

At 31 March 2013 and 2012, the Group had the following commitments:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital commitments contracted but not provided for: | | |
| Construction in progress | **29,416** | 25,058 |
| Leasehold improvement | **422** | – |
| | **29,838** | 25,058 |

## 20. RELATED PARTY TRANSACTIONS

### (a) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the year was as follows:

| | **Year ended 31 March 2013** | Year ended 31 March 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other short-term employee benefits | **2,467** | 1,036 |
| Post-employment benefits | **15** | 7 |
| | **2,482** | 1,043 |

### (b) Amounts due from/(to) related parties

(i) During the year, the interest expenses on the long term loans from related parties are HK$10,042,000. Amounts due from/(to) related parties are unsecured, interest free and repayable on demand.

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

(iii) Mr. Guo Jiadi, a major shareholder of the Company, has granted a guarantee to a bank for the bank loan with principal amount of HK$181,677,300 at 31 March 2013 obtained by a subsidiary of the Group, in which the guarantee is to fulfill the covenants of bank facilities if the subsidiary has breached the covenants of bank facilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

During the year, the Group recorded a turnover of approximately HK$118.7 million (2012: HK$23.9 million), representing an increase of 397% compared with the year ended 31 March 2012. The increase in turnover was mainly attributable to the post-acquisition revenue generated from the newly acquired property business. The Group's profit attributable to shareholders was approximately HK$155.6 million, representing a basic earnings per share of HK14 cents (2012: loss of HK$632.5 million (restated) representing a basic loss per share of HK108 cents (restated)).

The profit was mainly attributable to the increase in turnover, the gain arising from changes in fair value of the Group's biological assets of approximately HK$166.2 million, the gain arising from changes in fair value on financial assets at fair value through profit or loss of approximately HK$63.5 million and gains arising from changes in fair value on investment property of approximately HK$52 million.

## DIVIDEND

The Board does not recommend any final dividend for the year (2012: HK$Nil).

## EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 31 March 2013 has been modified but without qualification, an extract of which is follow:

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2013 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 3(b) to the financial statements which indicate that as at 31 March 2013, the Group's current liabilities exceeded its current assets by approximately HK$258 million. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## BUSINESS REVIEW

The Directors had identified the property business which provides an invaluable opportunity for the Group to diversify its business and participate in the properties' related business in the PRC, and also to broaden its asset and earning base. The directors are pleased to report that the property business continued to contribute profit to the Group for the financial year under review.

On the other side regarding the Group's traditional ecological forestry business, the running costs of traditional resources business kept rising. The granting of harvesting permit was very limited, and therefore the revenue from the Group's ecological forestry business has been declining. The Directors are considering to dispose of it by various means including public tendering.

As of the date of this report, the Company has entered into a letter of intent (the "LOI") with a potential purchaser for the possible disposal of the entire forestry business operations. It should however be noted that the parties have no legal obligation to enter into the formal sale and purchase agreement and the possible disposal may or may not be consummated.

### The property investment business

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

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

During the year, the Group recorded the rental income of approximately HK$43.7 million and property management and related fee income of approximately HK$75 million. The plaza had an occupancy rate of approximately 81% which represent a decrease in the occupancy rate as compared to last year of fully occupied. The decrease in occupancy rate is due to the persistent fiscal and monetary tightening measures implemented by the Chinese Government, and also the continuous competitions from other shopping malls and new plaza also posted a negative impact to the occupancy rate. Nevertheless, the board is confident on this property investment business and believes it will continuously bring a positive and stable return to the Group in future.

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

**The ecological forestry business**

*(i) Forest land and timber business*

As at 31 March 2013, the total area of traditional forest land use right owned by the Group amounted to approximately 5 million Chinese Mu. Such forest land is mainly located in Hunan, Chongqing, Yunnan and Guizhou. It would be difficult to yield a reasonable return from the production and sales of traditional timber products under the current market conditions where production cost increases greatly and capital expenditure of road construction in forest farms is high. In addition, due to the environmental issues in the PRC, the grant of harvesting permit was very limited and difficult to obtain. Therefore, the Group did not carry out any harvesting activities during the year.

*(ii) Biomass energy*

Biomass energy in China is a clean burning alternative fuel, produced from renewable and sustainable resources. As at 31 March 2013, the Group owned Jatropha estate of approximately 160,000 Chinese Mu in Yunnan Province. Due to insufficient supply of raw materials and high fluctuation of energy price, the Biomass energy project was not progressing smoothly.

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

## PROSPECTS

The Group has positioned the property investment as its core business. Looking forward, the Directors expect that the property investment business will increase the income stream of the Group, bring additional stable earnings to the Group, increase the return on equity of the Group and bring a long term benefit to the Group.

The Group is rather conservative about the forestry business growth in the coming years even though there was surging demand on resources in PRC. The Group is aimed to strengthen its competitive edge by optimizing its forest portfolios, and by seeking appropriate business partners and associates to assist the Group to obtain harvesting permits so as to increase revenue.

Apart from the ways to improve the forestry business itself, the Group has been seeking opportunity to dispose the ecological forestry business by way of any possible means including but not limited to public tender so as to reduce the expenditure in forestry business and improve the Group’s working capital.

## OPERATING RESULTS AND FINANCIAL REVIEW

### Revenue

The increase in sales for the year is mainly attributable to the rental income received from a furniture shopping mall which was acquired in February 2012 (through the acquisition of the Target Groups).

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

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

### Other net gains and losses

Other net gains for the current year mainly attributable to the fair value gain on financial assets at fair value through profit or loss of HK$63.5 million (2012: loss of HK$113.9 million) and net realised gain on disposal of financial assets at fair value through profit or loss of HK$12.8 million (2012: HK$2 million).

### Change in fair value of investment property

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

### Write-off of biological assets and prepaid lease payments

The Group decided to write off certain forest lands with fair value of HK$25 million and related prepaid lease payments with carrying value of HK$3 million as at 31 March 2013, because those forest right certificates are highly probable to be cancelled by the Government.

### Other operating expenses

The Group's other operating expenses for the year in the amount of approximately HK$50 million mainly included various administrative and selling expenses. Increase in other operating expenses were mainly due to the addition of a furniture shopping mall which was acquired in February 2012 (through the acquisition of the Target Groups) which resulted in more operating expenses being spent.

### Finance costs

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

**Biological assets**

The biological assets of the Group included Jatropha and other forest assets.

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

The net increase in value was mainly due to the gain arising from changes in fair value of HK$166.2 million. The movements of biological assets were as follows:

| | **Jatropha** | **Other forest assets** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| As at 1 April 2012 | 147,659 | 1,139,323 | 1,286,982 |
| Plantation expenditure incurred | 9,444 | 299 | 9,743 |
| Exchange adjustment | 1,336 | 8,963 | 10,299 |
| Gain/(loss) arising from changes in fair value less costs to sell | (32,737) | 198,933 | 166,196 |
| Write-off | – | (25,406) | (25,406) |
| As at 31 March 2013 | 125,702 | 1,322,112 | 1,447,814 |

**LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 March 2013, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately a total of HK$120.7 million. The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose. As at 31 March 2013, the Group had bank borrowing approximately amounted to HK$734.9 million and therefore, the Group's gearing ratio is 22.4%, measured on the basis of total borrowings as a percentage of total shareholders' funds (31 March 2012: 22.0% (restated)).

The Group's currently available liquidity resources are sufficient to meet its capital commitments. As at 31 March 2013, the Group's net current liabilities amounted to approximately HK$258.0 million (31 March 2012: HK$377.0 million (restated)). The Group's current ratio, being the percentage of its current assets in its current liabilities, amounted to 55.4% (31 March 2012: 29.2% (restated)).

As at 31 March 2013, the share capital of the Company is consisted of 687,052,446 ordinary shares of HK$0.01 each and 401,666,666 convertible preference shares of HK$0.01 each. Apart from the ordinary shares and convertible preference shares in issue, the Company has issued convertible notes as alternative financing instruments.

## SIGNIFICANT EVENT AFTER THE END OF THE REPORTING PERIOD

During the year, the Company made several announcements on 5 November 2012, 7 January 2013 and 8 March 2013 for the possible disposal of the entire interest in Success Standard Investments Limited ("SSIL") by way of public tender. SSIL, together with its subsidiaries, are principally engaged in the tree plantation and management, manufacture and distribution of forestry products and ecological activities.

On 18 June 2013, the Company entered into a letter of intent with a potential buyer in relation to the above possible disposal. Later on 25 June 2013, the Company and the potential buyer have entered into a supplemental letter of intent which extend the period for the potential buyer to conduct the due diligence investigation to six months from the date of the supplemental letter of intent.

## CHARGE ON THE GROUP'S ASSETS

As at 31 March 2013, investment property with respective fair value of approximately HK$3,695 million were pledged to secure a subsidiary's bank loan.

## CONTINGENT LIABILITIES

As at 31 March 2013, the Group did not have any material contingent liabilities.

## CAPITAL COMMITMENTS

As at 31 March 2013, capital commitments in respect of leasehold improvement amounted to approximately HK$29.8 million (2012: HK$Nil). Moreover, as at 31 March 2012, capital commitments in respect of construction costs, contracted but not provided for, amounted to approximately HK$25 million.

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

## EMPLOYEES

As at 31 March 2013, the Group employed a total of approximately 154 employees of which 6 were employed in Hong Kong. In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Group.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") in respect of the securities dealing by the Directors. The Company has made specific enquiry of all Directors in respect of the securities dealing by the Directors and is not aware of any non-compliance with the Model Code during the year ended 31 March 2013.

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

There was no purchase, redemption or sale of shares of the Company by the Company or its subsidiaries during the year ended 31 March 2013.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

## CORPORATE GOVERNANCE

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

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

### Code Provision A.2.1

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

## AUDIT COMMITTEE

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

The Audit Committee has reviewed with management and the external auditors, the Group's annual results for the year ended 31 March 2013, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited (**www.hkexnews.hk**) and on the website of the Company (**www.chinasandi.com.hk**). The annual report of the Company for the year ended 31 March 2013 will be despatched to shareholders of the Company and will be published on the same websites in due course.

## APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers and employees for their continued support.

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

Hong Kong, 28 June 2013

*As at the date of this announcement, the Board comprises Mr. Chi Chi Hung, Kenneth and Ms. Zhang Jianchan, being the executive directors of the Company, and Dr. Wong Yun Kuen, Mr. Chan Chi Yuen, Mr. Yu Pak Yan, Peter, Mr. Zheng Jinyun and Mr. Zheng Yurui, being the independent non-executive directors of the Company.*