Sustainable Forest Holdings Limited
永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 723)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL SUMMARY

- Revenue from the continuing operations for the year ended 31 March 2011 amounted to approximately HK$866.7 million (2010: HK$263.1 million), representing an increase of approximately 229% as compared with the preceding year.

- Net profit for the year ended 31 March 2011 amounted to approximately HK$341.5 million (2010: HK$274.3 million), representing an increase of approximately 24% as compared with the preceding year.

- The Board recommends the payment of a final dividend of HK0.45 cent per ordinary share (2010: Nil) and HK0.084 cent per convertible preference share of the year ended 31 March 2011 (2010: Nil).

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of Sustainable Forest Holdings Limited (the "Company") hereby present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
CONTINUING OPERATIONS			
REVENUE	*5*	**866,655**	263,063
Cost of sales		**(362,156)**	(144,197)
GROSS PROFIT		**504,499**	118,866
Other income	*6*	**501**	4,089
Other net (loss)/gain	*6*	**(145,927)**	233
Selling and distribution costs		**(3,352)**	(3,191)
Administrative expenses		**(88,003)**	(42,760)
Other operating expenses	*7*	**(179)**	(6,059)
Change in fair value of biological assets less costs to sell	*8*	**250,243**	369,980
PROFIT FROM OPERATIONS		**517,782**	441,158
Finance income		**63**	957
Finance costs		**(10,831)**	(11,912)
Net finance costs	*9(a)*	**(10,768)**	(10,955)
PROFIT BEFORE TAXATION	*9*	**507,014**	430,203
Income tax	*10*	**(150,482)**	(132,833)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**356,532**	297,370
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*11*	**(15,039)**	(23,027)
PROFIT FOR THE YEAR		**341,493**	274,343

CONSOLIDATED INCOME STATEMENT *(cont'd)*
For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ATTRIBUTABLE TO:			
Owners of the Company		**341,486**	273,303
Non-controlling interests		**7**	1,040
		341,493	274,343
Earnings per share			
From continuing and discontinued operations	*13*		
— Basic		**9.86 cents**	19.64 cents
— Diluted		**5.30 cents**	6.60 cents
From continuing operations	*13*		
— Basic		**10.30 cents**	21.37 cents
— Diluted		**5.53 cents**	7.18 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**341,493**	274,343
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	**86,014**	792
Reclassification adjustment for exchange difference relating to disposal of overseas subsidiaries	**—**	(3,185)
	86,014	(2,393)
Income tax relating to components of other comprehensive income	**—**	—
Other comprehensive income/(loss) for the year, net of tax	**86,014**	(2,393)
Total comprehensive income for the year	**427,507**	271,950
Total comprehensive income attributable to:		
Owners of the Company	**427,493**	270,898
Non-controlling interests	**14**	1,052
	427,507	271,950

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**231,846**	201,293
Intangible assets		**—**	—
Biological assets	*8*	**1,173,150**	833,323
Goodwill	*14*	**1,686,883**	1,686,883
Deposit for purchase of property, plant and equipment		**30,336**	9,541
		3,122,215	2,731,040
CURRENT ASSETS			
Inventories	*15*	**241,980**	253,050
Trade and other receivables	*16*	**519,289**	14,290
Cash and cash equivalents		**23,679**	36,820
		784,948	304,160
Assets classified as held for sale	*17*	**279,828**	303,036
		1,064,776	607,196
CURRENT LIABILITIES			
Trade and other payables	*18*	**199,286**	125,059
Loans and borrowings		**18,230**	209
Consideration payables		**—**	93,933
Finance leases payables		**100**	—
Provision for taxation		**49,456**	7,354
Promissory notes		**—**	24,617
		267,072	251,172
Liabilities associated with assets classified as held for sale	*17*	**70,856**	98,923
		337,928	350,095
NET CURRENT ASSETS		**726,848**	257,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,849,063**	2,988,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*
At 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Loans and borrowings	**88**	297
Amounts due to shareholders	**131,527**	117,936
Amounts due to related companies	**—**	54,091
Finance leases payables	**350**	—
Promissory notes	**6,388**	—
Deferred tax liabilities	**454,341**	309,187
	592,694	481,511
NET ASSETS	**3,256,369**	2,506,630
CAPITAL AND RESERVES		
Share capital	**359,324**	322,855
Reserves	**2,896,969**	2,183,713
Total equity attributable to the owners of the Company	**3,256,293**	2,506,568
Non-controlling interests	**76**	62
TOTAL EQUITY	**3,256,369**	2,506,630

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company comprise tree felling service and sustainable forest management.

2. STATEMENT OF COMPLIANCE

These financial statements had been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure provision of the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") that are first effective for the current accounting period.

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IAS 32 (Amendments)	Classification of Right Issues
IAS 39 (Amendments)	Eligible Hedged Items
IFRIC-Int 17	Distributions of Non-cash Assets to Owners
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008

For the year ended 31 March 2010, the Group has early applied IFRS 3 (revised in 2008) *Business Combinations* and IAS 27 (revised in 2008) *Consolidated and Separate Financial Statements* in advance of their effective dates.

Except as described below, the adoption of new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting period.

Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

The application of the amendments to IAS 7 has not resulted in a change in the presentation of cash outflows.

Amendments to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

IFRS 2 (Amendments), Group Cash-settled Share-based Payment Transactions

IFRS 2 (Amendments) become effective from 1 April 2010. In addition to incorporating IFRIC 8, "Scope of IFRS 2", and IFRIC 11, the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation.

Amendments to IAS 39 Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the Board of the Company for the purposes of resource allocation and performance assessment.

The Group manages its business by business lines and has presented the following reportable segments. These segments are managed separately.

Continuing operations

Tree felling service: provision of tree felling and clearing.

Sustainable forest management: sustainable management of and investment in natural forests, timber and wood processing, timber trading and timber sales and marketing.

Discontinued operations

Chita forests operations: logging, timber and wood processing, timber trading and timber sales and marketing.

Building materials: the construction work of building and construction project of building material.

Real estate: the development and sale of commercial premises and residential properties.

In accordance with IFRS 8, segment information disclosed in this consolidated financial statements has been prepared in a manner consistent with the information used by the Board of the Company for the purposes of assessing segment performance and allocating resources among segments. In this regard, the Board of the Company monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets with the exception of certain unallocated corporate assets to an individual reportable segment.

All liabilities are allocated to reportable segments other than current, deferred tax liabilities and unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or, which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Sales between segments are carried out in the ordinary course of Group's business on terms determined by the management of the Group. The revenue from external parties reported to the Board of the Company is measured in a manner consistent with that in the income statement.

The reportable segment profit represents the profit from each segment which excluded those items not specifically attributed to an individual reportable segment, such as corporate administrative expenses. To arrive at reportable segment profit, management additionally provided the segment information concerning interest income, finance costs and major non-cash items such as depreciation, amortisation and impairment losses derived from reportable segments.

(a) Segment results, assets and liabilities

An analysis of the Group's reportable segment is reported below:

	2011				
	Continuing operations			Discontinued operations	
	Tree felling service *HK$'000*	Sustainable forest management *HK$'000*	Sub-total *HK$'000*	Chita forests operation *HK$'000*	Total *HK$'000*
Revenue from external customers	343,671	522,984	866,655	—	866,655
Inter-segment revenue	52,542	—	52,542	—	52,542
Reportable segment revenue	396,213	522,984	919,197	—	919,197
Reportable segment profit/(loss) before tax	32,253	503,896	536,149	(15,634)	520,515
Change in fair value of biological assets less costs to sell	—	250,243	250,243	—	250,243
Depreciation	(5)	(1,119)	(1,124)	—	(1,124)
Write-off of other receivables	—	(28)	(28)	(396)	(424)
Write-off of inventories	(272,482)	—	(272,482)	—	(272,482)
Write-down of inventories	—	—	—	(1,000)	(1,000)
Loss on disposal of property, plant and equipment	—	(45)	(45)	—	(45)
Write-off of intangible assets	—	—	—	(9,926)	(9,926)
Waiver of liabilities by creditors	108,274	—	108,274	—	108,274
Interest income	1	62	63	—	63
Interest expense	—	(9,985)	(9,985)	—	(9,985)
Reportable segment assets	240,841	3,662,618	3,903,459	279,828	4,183,287
Additions to non-current segment assets	116	21,323	21,439	—	21,439
Reportable segment liabilities	50,546	297,106	347,652	70,856	418,508

An analysis of the Group's reportable segment is reported below (cont'd):

	2010							
	Continuing operations			Discontinued operations				
	Tree felling service *HK$'000*	Sustainable forest management *HK$'000*	Sub-total *HK$'000*	Building materials *HK$'000*	Real estate *HK$'000*	Chita forests operation *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
Revenue from external customers	237,073	25,990	263,063	77,381	123	2,013	79,517	342,580
Reportable segment profit/(loss) before tax	117,842	341,398	459,240	1,076	(442)	(13,126)	(12,492)	446,748
Change in fair value of biological assets less costs to sell	—	369,980	369,980	—	—	—	—	369,980
Depreciation	—	(306)	(306)	(50)	—	(2,201)	(2,251)	(2,557)
Write-off of other receivables	—	(137)	(137)	—	—	—	—	(137)
Write-down of inventories	—	—	—	—	(206)	—	(206)	(206)
Amortisation of land leases payment	—	—	—	—	(3)	—	(3)	(3)
Amortisation of intangible assets	—	—	—	—	—	(6,540)	(6,540)	(6,540)
Interest income	—	924	924	—	5	—	5	929
Interest expense	—	(4,489)	(4,489)	(41)	—	(666)	(707)	(5,196)
Reportable segment assets	235,441	2,776,116	3,011,557	—	—	303,036	303,036	3,314,593
Additions to non-current segment assets	—	4,951	4,951	15	—	1,881	1,896	6,847
Reportable segment liabilities	90,272	299,692	389,964	—	—	98,923	98,923	488,887

(b) **Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:**

(i) Revenue

	2011	2010
	HK$'000	*HK$'000*
Reportable segment revenue	**919,197**	342,580
Elimination of inter-segment revenue	**(52,542)**	—
Consolidated revenue	**866,655**	342,580

(ii) Profit

	2011	2010
	HK$'000	*HK$'000*
Reportable segment profit before tax	**536,149**	459,240
Unallocated corporate income	**—**	283
Depreciation and amortisation	**(326)**	(345)
Unallocated corporate expenses	**(27,963)**	(21,585)
Unallocated interest income	**—**	33
Unallocated interest expense	**(846)**	(7,423)
Profit before tax (continuing operations)	**507,014**	430,203

(iii) Assets

	2011	2010
	HK$'000	*HK$'000*
Segment assets for reportable segments from continuing operations	**3,903,459**	3,011,557
Segment assets for reportable segment from discontinued operations *(Note 17)*	**279,828**	303,036
	4,183,287	3,314,593
Unallocated:		
— Unallocated corporate assets	**3,704**	23,643
Total assets per consolidated statement of financial position	**4,186,991**	3,338,236

(iv) Liabilities

	2011	2010
	HK$'000	*HK$'000*
Segment liabilities for reportable segments from continuing operations	**347,652**	389,964
Segment liabilities for reportable segments from discontinued operations *(Note 17)*	**70,856**	98,923
Total segment liabilities	**418,508**	488,887
Unallocated:		
— Provision for taxation	**49,456**	7,354
— Deferred tax liabilities	**454,341**	309,187
— Unallocated corporate liabilities	**8,317**	26,178
Total liabilities per consolidated statement of financial position	**930,622**	831,606

(c) Revenue from major products and services:

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Tree felling service income	**343,671**	237,073	**—**	—	**343,671**	237,073
Sales of forestry and timber products	**522,984**	25,990	**—**	1,637	**522,984**	27,627
Revenue from construction contracts	**—**	—	**—**	77,381	**—**	77,381
Service fee income	**—**	—	**—**	376	**—**	376
Sales of properties	**—**	—	**—**	123	**—**	123
	866,655	263,063	**—**	79,517	**866,655**	342,580

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the customers reside. The Group's non-current assets include property, plant and equipment, biological assets, intangible assets and goodwill. The geographical location of property, plant and equipment and biological assets is based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, the allocation is based on the location of operation.

	Revenue from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Europe	**1,756**	9,743	**—**	—
North America	**2,562**	3,505	**—**	—
South America	**346,314**	237,803	**3,119,965**	2,729,208
Asia Pacific (other than Hong Kong)	**516,023**	10,542	**101**	110
Hong Kong (place of domicile)	**—**	1,470	**2,149**	1,722
	866,655	263,063	**3,122,215**	2,731,040
Discontinued operations				
Asia Pacific (other than Hong Kong)	**—**	57,541	**—**	—
Hong Kong (place of domicile)	**—**	21,976	**—**	—
	—	79,517	**—**	—
	866,655	342,580	**3,122,215**	2,731,040

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Customer A — revenue from tree felling service — Brazil	**343,671**	237,073
Customer B — revenue from sales of forestry and timber products — China	**174,634**	—
Customer C — revenue from sales of forestry and timber products — China	**170,653**	—
Customer D — revenue from sales of forestry and timber products — China	**165,407**	—
Discontinued operations		
Customer E — revenue from building materials — Macau	**—**	53,162
Customer F — revenue from building materials — Hong Kong	**—**	15,010
Customer G — revenue from building materials — Hong Kong	**—**	5,650

5. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and revenue from tree felling services, construction contracts and other services.

An analysis of revenue is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Tree felling service income	**343,671**	237,073	**—**	—	**343,671**	237,073
Sales of forestry and timber products	**522,984**	25,990	**—**	1,637	**522,984**	27,627
Revenue from construction contracts	**—**	—	**—**	77,381	**—**	77,381
Service fee income	**—**	—	**—**	376	**—**	376
Sales of properties	**—**	—	**—**	123	**—**	123
	866,655	263,063	**—**	79,517	**866,655**	342,580

6. OTHER INCOME AND OTHER NET (LOSS)/GAIN

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other income						
Rental income	**23**	270	**529**	171	**552**	441
Others	**478**	3,819	**783**	5,936	**1,261**	9,755
	501	4,089	**1,312**	6,107	**1,813**	10,196
Other net (loss)/gain						
Net exchange gain	**18,281**	233	**671**	2,499	**18,952**	2,732
Write-off of timber logs *(note i)*	**(272,482)**	—	**—**	—	**(272,482)**	—
Waiver of liabilities by creditors *(note ii)*	**108,274**	—	**—**	—	**108,274**	—
	(145,927)	233	**671**	2,499	**(145,256)**	2,732

Notes:

(i) In December 2009, a decree was issued by the state government of Rondonia, Brazil, allowing round logs relating to the tree felling services contract for the construction of hydropower plants in Rondonia to be exported overseas without any processing. The Group planned to export the round logs overseas. Contrary to the decree by the Rondonia state government, during the year ended 31 March 2011, Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovaveis ("IBAMA"), the Brazilian Ministry of the Environment's Enforcement Agency, notified the Group that logs of all sizes obtained from the abovementioned tree felling services contract must be processed before export citing forestry laws in connection with restrictions on exportation of logs from sustainably managed forests. The Group disagreed with IBAMA's position and contested. However, after numerous attempts and negotiations, IBAMA maintained its position. After the assessment of the higher processing costs, management believes that the estimated net realizable value of certain logs should be zero and therefore, the Group decided and wrote off those logs with a total carrying amount of approximately HK$272 million in the year ended 31 March 2011.

(ii) During the year ended 31 March 2011, upon notification by IBAMA of the export restriction described in note (i) above, the Group negotiated with the contractor and the subcontractor which carried out tree felling services for the Group to waive the accrued related fees. The total accrued fees waived were HK$108 million.

7. OTHER OPERATING EXPENSES

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss on disposal of property, plant and equipment	**151**	—	**—**	7	**151**	7
Write-off of other receivables	**28**	137	**396**	—	**424**	137
Write-off of intangible assets	**—**	—	**9,926**	—	**9,926**	—
Acquisition of subsidiaries related costs	**—**	5,922	**—**	—	**—**	5,922
Write-down of inventories	**—**	—	**1,000**	206	**1,000**	206
	179	6,059	**11,322**	213	**11,501**	6,272

8. BIOLOGICAL ASSETS

	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**833,323**	—
Acquisition of subsidiaries	**—**	461,747
Changes in fair value less costs to sell	**250,243**	369,980
Exchange movement	**89,584**	1,596
At end of the year	**1,173,150**	833,323

The Group's forest assets, acquired through the business combination of Amplewell Holdings Limited ("Amplewell") and its subsidiaries ("Amplewell Group"), are located in the Northwest of Brazil, the State of Acre, Amazon Region (the "Brazil Forest"). At 31 March 2011 and 2010, the biological assets represent natural tropical forests. The total area of the Brazil Forest is approximately 44,500 hectares. Under the environmental laws in Brazil, 15% or 6,675 hectares of the Brazil Forest area is the permanent preservation area and therefore is restricted from logging. At least 80% of the remaining area is designated as the sustainable forest management area and the balance is the permissible clear cut area that has no restriction on felling under the environmental laws of Brazil. In the sustainable forest management area, minimum impact logging techniques are used and forests are managed in a sustainable manner which means that the harvesting rate is below the overall natural growth of the forest. The main objective in sustainable forest management program is to ensure the substance of the forests be preserved. The maximum logging rate allowed under relevant regulations governing sustainable forest management is 30 cubic meters per hectare, an average, over a 25 to 30 year harvesting cycle.

The Group did not carry out any harvesting activities during the year.

The Brazil Forest was independently valued by Greater China Appraisal Limited ("GCA"). GCA has experience in valuing similar forestry assets. GCA has adopted a discounted cash flow methodology in valuing the Brazil Forest. The following are the major assumptions used in the valuation:

- a logging volume of 21.5 m^3 (2010: 21.5 m^3) per hectare in the sustainable forest management program area.

- a discount rate of 16.6% (2010: 14%) based on the data and factors relevant to the economy of Brazil, the industry of forest business and the harvestable resources in the Brazil Forest, and the weighted average cost of capital.

- harvesting activities for the first 30-year cycle will begin from the calendar year of 2011 and complete in 8 years (2010: 4 years). Revenue or costs from subsequent harvesting cycle are not taken into account.

- average logs price growth at a rate of 3% per annum (2010: 3% per annum) in the next 7 years (2010: 4 years) which is the expected long term growth rate was estimated by reference to the Consumer Price Index in USA.

- the Group will obtain Forest Stewardship Council (the "FSC") certification in 2012. FSC certification demonstrates fulfillment of social and ecological criteria, while increasing the prices achievable for timber products. Based on current market practices, the Directors estimate that the Group can enjoy a price premium of 15% over non FSC timber products from 2012 when the Group obtains the FSC certification.

The Group is exposed to a number of risks related to its natural forest.

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in Brazil in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. The Directors are not aware of any environmental liabilities as at 31 March 2011.

(ii) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of logs. When possible the Group manages this risk by controlling its harvest volume, according to market conditions. Management performs regular industry trend analysis to ensure the Group's pricing policy is comparable to the market and the projected harvesting volumes are consistent with the expected demand.

9. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(a) Net finance costs						
Finance income on financial assets not at fair value through profit or loss	**(63)**	(957)	**—**	(5)	**(63)**	(962)
Finance costs						
Interest on loans and other borrowings wholly repayable within five years	**4,338**	32	**—**	707	**4,338**	739
Interest on promissory note	**847**	7,423	**—**	—	**847**	7,423
Interest on amounts due to shareholders	**4,937**	2,638	**—**	—	**4,937**	2,638
Interest on amounts due to related companies	**703**	1,819	**—**	—	**703**	1,819
Finance charges on obligations under finance leases	**6**	—	**—**	—	**6**	—
Total interest expenses on financial liabilities not at fair value through profit or loss	**10,831**	11,912	**—**	707	**10,831**	12,619
	10,768	10,955	**—**	702	**10,768**	11,657
(b) Staff costs (including directors' remuneration)						
Salaries, wages and other benefits	**29,570**	18,068	**—**	3,101	**29,570**	21,169
Pension scheme contributions	**360**	136	**—**	23	**360**	159
Equity-settled share-based payment expenses	**23,319**	2,157	**—**	—	**23,319**	2,157
	53,249	20,361	**—**	3,124	**53,249**	23,485

	Notes	Continuing operations 2011 HK$'000	Continuing operations 2010 HK$'000	Discontinued operations 2011 HK$'000	Discontinued operations 2010 HK$'000	Consolidated 2011 HK$'000	Consolidated 2010 HK$'000
(c) Other items							
Cost of inventories*	*15*	**521,384**	26,835	**1,000**	6,807	**522,384**	33,642
Depreciation	*4*	**1,038**	556	**—**	343	**1,038**	899
Amortisation of land lease premium	*4*	**—**	—	**—**	3	**—**	3
Amortisation of intangible assets	*4*	**—**	—	**—**	6,540	**—**	6,540
Minimum lease payments under operating leases for land and buildings (including directors' quarters)		**3,170**	1,882	**72**	647	**3,242**	2,529
Auditor's remuneration							
— audit services		**1,203**	1,295	**315**	784	**1,518**	2,079
— other services		**485**	653	**—**	—	**485**	653
		1,688	1,948	**315**	784	**2,003**	2,732
Write-off of deposit paid to a supplier		**44**	—	**—**	—	**44**	—
Equity-settled share-based payment expenses for consultants		**7,835**	—	**—**	—	**7,835**	—

* *Cost of inventories includes depreciation of HK$412,000 (2010: HK$2,003,000), and staff costs of HK$4,605,000 (2010: HK$6,436,000), the amount of which is also included in the respective total amounts disclosed separately above.*

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	Continuing operations 2011 HK$'000	Continuing operations 2010 HK$'000	Discontinued operations 2011 HK$'000	Discontinued operations 2010 HK$'000	Consolidated 2011 HK$'000	Consolidated 2010 HK$'000
Current tax						
— Hong Kong Profits Tax						
— Provision for the year	**42,102**	7,354	**—**	—	**42,102**	7,354
Current tax — Overseas						
— Over provision in respect of prior years	**—**	—	**—**	(742)	**—**	(742)
Deferred tax						
— Origination and (reversal) of temporary differences	**108,380**	125,479	**(595)**	(1,191)	**107,785**	124,288
	150,482	132,833	**(595)**	(1,933)	**149,887**	130,900

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) of the estimated assessable profits arising in Hong Kong.

Brazil income tax has been provided at the rate of 34% (2010: 34%) of the estimated assessable profits arising in Brazil.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. DISCONTINUED OPERATIONS

(a) For the year ended 31 March 2011

In February 2010, management of the Group have commenced negotiations to dispose of the Chita forests operation in Russia. On 1 March 2010, Amplewell, a wholly owned subsidiary of the Company, entered into a letter of intent with Source Bright Limited, an independent third party to dispose of the Group's entire equity interest in issued share capital of a subsidiary, namely OOO "Zabaikalskaya Lesnaya Kompaniya" ("ZLK") which held 99.95% equity interest in OOO "Novoles" ("Novoles") (collectively the "ZLK Group"). ZLK Group was principally engaged in forestry business in Russia.

As at 31 March 2011, the disposal of ZLK Group was yet to complete due to a delay caused by events beyond the Group's control. Since the Group remains committed to its plan to dispose of ZLK Group, no reclassification has been made therefor.

(b) For the year ended 31 March 2010

(i) On 1 August 2009, Anex Properties Holdings Limited, a wholly owned subsidiary of the Company, entered into an agreement with Mr. Tse Chun Fai, an independent third party, to dispose of its entire equity interest in Joyful Rise Investments Limited and Beijing Joyful Rise Investment Consulting Company Limited (collectively the "Joyful Rise Group") for a consideration of HK$1. Joyful Rise Group was principally engaged in the real estate operations. The disposal was completed on 1 August 2009.

(ii) On 22 September 2009, the Company entered into a sale and purchase agreement with Mr. Goh Ee Bin, an independent third party, to dispose of the entire equity interest in Leadprime Limited and its subsidiaries, Anex Properties Holdings Limited and Ancen Properties Limited, (collectively the "Leadprime Group") for a consideration of HK$18,182,000. Leadprime Group was principally engaged in the real estate operations. The disposal was completed on 30 September 2009.

(iii) On 15 December 2009, Anex Construction and Engineering Holdings Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with United Marble Company Limited, a non-controlling shareholder of two subsidiaries, United Anex Engineering Limited and United Anex (Macau) Limited, to dispose of its entire equity interest in Anex Far East Limited and its subsidiaries (collectively the "Anex Far East Group") for a consideration of HK$8,280,000. Anex Far East Group was principally engaged in the building material business. The disposal was completed on 24 March 2010.

(iv) On 31 December 2009, the Company entered into a sale and purchase agreement with Mr. Chan Tsz Kin, an independent third party, to dispose of the entire equity interest in Idealboom Group Limited and its subsidiaries, Ever Think Holdings Company Limited and Ever Think Technology Limited, (collectively the "Idealboom Group") for a cash consideration of HK$4,000,000. Previously, Idealboom Group was principally engaged in the building material business and it was dormant since the financial year ended 31 March 2009. The disposal was completed on 28 February 2010.

(v) In February 2010, management of the Group have commenced negotiations to dispose of the Chita forests operation in Russia. On 1 March 2010, Amplewell entered into a letter of intent with Source Bright Limited, an independent third party to dispose of the Group's entire equity interest in ZLK Group.

The operations of Joyful Rise Group, Leadprime Group, Anex Far East Group, Idealboom Group and ZLK Group are classified as discontinued operations and the loss arising from discontinued operations is analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss on discontinued operations for the year	**(15,039)**	(10,559)
Loss on disposal of discontinued operations	**—**	(12,468)
	(15,039)	(23,027)

The results of the discontinued operations which have been included in the consolidated income statement up to the dates of disposals are as follows:

		2011	2010			
	Notes	**Chita forests operation HK$'000**	Building materials HK$'000	Real estate HK$'000	Chita forests operation HK$'000	Total HK$'000
Revenue	5	**—**	77,381	123	2,013	79,517
Cost of sales		**—**	(73,771)	(10)	(15,487)	(89,268)
Gross profit/(loss)		**—**	3,610	113	(13,474)	(9,751)
Other income	6	**1,312**	1,026	29	5,052	6,107
Other net gain	6	**671**	—	—	2,499	2,499
Selling and distribution costs		**—**	—	—	(183)	(183)
Administration expenses		**(6,295)**	(3,519)	(383)	(6,347)	(10,249)
Other operating expenses	7	**(11,322)**	—	(206)	(7)	(213)
		(17,617)	(3,519)	(589)	(6,537)	(10,645)
(Loss)/profit from operations		**(15,634)**	1,117	(447)	(12,460)	(11,790)
Finance income		**—**	—	5	—	5
Finance costs		**—**	(41)	—	(666)	(707)
Net finance (costs)/income	9(a)	**—**	(41)	5	(666)	(702)
(Loss)/profit before tax		**(15,634)**	1,076	(442)	(13,126)	(12,492)
Income tax	10	**595**	742	52	1,139	1,933
		(15,039)	1,818	(390)	(11,987)	(10,559)
Loss on disposal of discontinued operations before tax		**—**	(3,246)	(9,222)	—	(12,468)
Income tax		**—**	—	—	—	—
Loss on disposal of discontinued operations, net of tax		**—**	(3,246)	(9,222)	—	(12,468)
Loss from discontinued operations		**(15,039)**	(1,428)	(9,612)	(11,987)	(23,027)
Attributable to:						
Owners of the Company		**(15,029)**	(2,545)	(9,500)	(11,987)	(24,032)
Non-controlling interests		**(10)**	1,117	(112)	—	1,005
		(15,039)	(1,428)	(9,612)	(11,987)	(23,027)

12. DIVIDENDS

Dividends payable to the owners of the Company attributable to the year:

	2011	2010
	HK$'000	*HK$'000*
Final dividend proposed after the end of the reporting period of HK0.45 cent per ordinary share (2010: Nil cent per ordinary share)	**22,804**	—
Final dividend proposed after the end of the reporting period of HK0.084 cent per convertible preference share (2010: Nil cent per convertible preference share)	**7,481**	—
	30,285[#]	—

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

[#] The calculation of dividends payable was based on the number of ordinary shares and convertible preference shares as at the date of this announcement.

13. EARNINGS PER SHARE

(a) For continuing and discontinued operations

The calculation of basic and diluted earnings per share is based on the following data:

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share — Profit attributable to the owners of the Company	**341,486**	273,303

	2011	2010
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,462,624**	1,391,453
Effect of dilutive potential ordinary shares arising from conversion of convertible preference shares	**2,977,901**	2,749,320
Effect of dilutive potential ordinary shares arising from share options	**6,499**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,447,024**	4,140,773

The share options had no dilutive effect because the average market price of ordinary shares did not exceed the exercise price of the share options for the year ended 31 March 2010.

(b) For continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to the owners of the Company	**356,515**	297,335

	2011	2010
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,462,624**	1,391,453
Effect of dilutive potential ordinary shares arising from conversion of convertible preference shares	**2,977,901**	2,749,320
Effect of dilutive potential ordinary shares arising from share options	**6,499**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,447,024**	4,140,773

The share options had no dilutive effect because the average market price of ordinary shares did not exceed the exercise price of the share options for the year ended 31 March 2010.

(c) For discontinued operations

(i) Basic loss per share

Basic loss per share for the discontinued operations is HK0.44 cent per share (2010: HK1.73 cents per share) which is based on the loss from the discontinued operations of HK$15,029,000 (2010: HK$24,032,000) and the denominators used are same as those detailed above for basic and diluted earnings/(loss) per share from continuing and discontinued operations.

(ii) Diluted loss per share

Diluted loss per share is equal to the basic loss per share for the both years ended 31 March 2010 and 2011 because the outstanding convertible preference shares and share options had an anti-dilutive effect on the basic loss per share.

14. GOODWILL

	HK$'000
Cost	
At 1 April 2009	—
Arising from acquisition of subsidiaries	1,686,883
At 31 March 2010, 1 April 2010 and 31 March 2011	1,686,883
Carrying amount	
At 31 March 2010 and 31 March 2011	1,686,883

Goodwill was allocated to the Group's cash-generating unit identified according to the operating segment. The goodwill as at 31 March 2011 and 2010 was attributable to the cash-generating unit that comprises the sustainable forest management segment. The recoverable amount of the sustainable forest management segment was determined to be higher than its carrying amount, therefore, there was no impairment loss.

The recoverable amount of the sustainable forest management segment cash-generating unit was based on value in use and was determined with the assistance of an independent valuer.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. The calculation of the value in use was based on the following key assumptions:

— Cash flows were projected based on past experience and financial budget approved by management. Management estimated that the cash flows after 9 years (2010: 5 years) are immaterial to the overall recoverable amount of the unit because the management planned to complete the harvesting and selling activities for the first 30-year cycle of the Brazil Forest within 9 years. Therefore, cash flows after 9 years (2010: 5 years) are not included in the value in use calculations. Cash flows from year 5 to year 8 are extrapolated using an estimated weighted average growth rate of 3%, which is consistent with the expected long term growth rate of Consumer Price Index in USA. Management estimated that there would be a negative growth of 64% in year 9 as a result of the completion of harvesting and selling activities for the first 30-year cycle of the Brazil forest.

— Revenue was projected based on management's past experience and their expectations for market development and the harvesting plan.

— Timber product average price growth at 3% per annum (2010: 3% per annum). The expected long term growth rate was estimated by reference to the Consumer Price Index in USA.

— A pre-tax discount rate of 21.2% (2010: 20.3%) based on the data and factors relevant to the economy of Brazil, the forest industry, the timber products in the Brazil Forest, and the weighted average cost of capital.

— The Group will obtain FSC certification in 2012. FSC certification demonstrates fulfillment of social and ecological criteria, while increasing the prices achievable for timber products. Based on current market practices, the Directors estimate that the Group can enjoy a price premium of 15% over non FSC timer products from 2012 when the Group obtains the FSC certification.

15. INVENTORIES

	Note	2011 HK$'000	2010 HK$'000
Timber logs	*(a)*	**240,383**	235,424
Raw materials	*(b)*	**865**	1,603
Work in progress	*(b)*	**490**	11,391
Finished goods	*(b)*	**242**	4,632
		241,980	253,050

(a) The timber logs were harvested during the provision of tree felling services.

(b) These inventories were held for further processing or sale.

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	2011 HK$'000	2010 HK$'000
Carrying amount of inventories sold	**248,902**	33,436
Write-down of remaining unsold inventories	**1,000**	206
Write-off of timber logs *(Note 6(i))*	**272,482**	—
	522,384	33,642

16. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**513,693**	3,435
Other receivables	**1,480**	4,788
Prepayments and deposits	**4,116**	6,067
	519,289	14,290

All the trade and other receivables are expected to be recovered within one year.

The trade receivables as of 31 March 2011 related primarily to sales to customers completed in March for logs and sawn timber from Brazil, Africa and United States on ex-mill or ex-yard basis.

Due to the size of the orders, goods will have to be shipped in multiple shipments. While the Group is not responsible for arranging or the costs of transportation, the Group has agreed to defer part of the payment and match the payment terms according to the anticipated shipment dates. As of the date of this announcement, approximately 14% of those sales has been collected. Further collections will be made as goods are scheduled for shipment.

Trade receivables

The aging analysis of the trade receivables as of the reporting date, based on invoice date, was as follows:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**512,845**	1,974
31 to 60 days	**—**	975
61 to 90 days	**827**	—
Over 90 days	**21**	486
	513,693	3,435

The Group's trading terms with its customers are mainly on credit and letters of credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 180 days after issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

17. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In February 2010, the Directors commenced negotiations to dispose of the Chita forests operation in Russia as part of its ongoing strategy to seek forest assets or operations with better return on investments, hence improving the value they bring to shareholders. On 1 March 2010, Amplewell entered into a letter of intent with Source Bright Limited (the "Purchaser"), an independent third party, to dispose of the Group's entire equity interest in issued share capital of ZLK Group. ZLK Group was principally engaged in forestry operations in Russia. The assets and liabilities attributable to the forestry operation in Russia which are expected to be sold within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position. Pursuant to the letter of intent, the selling price of the disposal shall be not less than the book value, as such, the Directors expected that the proceeds of the disposal are greater than the net carrying amount of the relevant assets and liabilities and therefore no impairment is necessary.

The major classes of assets and liabilities of Chita forests operation in Russia, which have been classified as held for sale at the end of the reporting period, are as follows:

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Property, plant and equipment		**74,019**	71,498
Intangible assets		**152,506**	161,947
Inventories		**—**	1,022
Trade and other receivables		**505**	1,907
Amount due from a non-controlling shareholder	*(i)*	**52,797**	66,660
Cash and bank balances		**1**	2
Assets classified as held for sale		**279,828**	303,036
Trade and other payables		**26,639**	26,391
Bank loans, secured	*(ii)*	**—**	10,416
Other loans, secured	*(iii)*	**4,131**	6,550
Other loans, unsecured	*(iv)*	**2,517**	2,424
Consideration payable		**—**	5,000
Finance lease payables		**—**	10,095
Deferred tax liabilities		**37,569**	38,047
Liabilities associated with assets classified as held for sale		**70,856**	98,923

(i) Amount due from a non-controlling shareholder

The amount is unsecured and interest-free. In the opinion of the Directors, the amount is expected to be realised within twelve months from the end of the reporting period.

Under the repayment agreement entered between the non-controlling shareholder and Amplewell, the non-controlling shareholder agrees to dispose part of his shares in Winner Global Holdings Limited ("Winner Global"), a substantial shareholder of the Company, and ordinary shares in the Company for repayment of the amount due to the Group. The amount is also guaranteed by a related company, Assure Gain International Limited ("Assure Gain") which owns 43.38% interests in Winner Global. Under the guarantee agreement, the related company agrees to dispose sufficient shares in the Company to repay the outstanding amount in the event of default by the non-controlling shareholder.

(ii) Bank loans, secured

Associated with assets held for sale as at 31 March 2010, there were total banking facilities of HK$10,416,000 which has been utilized. The loans were secured by the subsidiary's machinery and construction in progress with carrying amount of HK$1,334,000 and HK$881,000 respectively and the personal assets given by a non-controlling shareholder. The loans are bearing fixed interest rate at 16% to 17% per annum and repayable within one year.

During the year ended 31 March 2011, the loans were fully repaid.

(iii) Other loans, secured

The loans were secured by the subsidiary's building with carrying amount of HK$3,139,000 (2010: HK$3,023,000) and the personal assets given by a non-controlling shareholder. The loans are bearing fixed interest rate at 3% to 5% per annum. During the year ended 31 March 2010, the ZLK Group failed to repay the loans on maturity dates and the amounts of loans became due as at 31 March 2011 and 2010.

(iv) Other loans, unsecured

Out of the amount of HK$2,517,000 (2010: HK$2,424,000), HK$1,368,000 (2010: HK$1,317,000) ("Loan A") is bearing fixed interest rate at 5% per annum, HK$164,000 (2010: HK$158,000) ("Loan B") is interest free and the remaining HK$985,000 (2010: HK$949,000) ("Loan C") is bearing fixed interest rate at 16% per annum.

During the year ended 31 March 2010, the ZLK Group failed to repay the Loan A, Loan B and Loan C on maturity dates and became due as at 31 March 2011 and 2010.

(v) Litigation

(i) On 9 August 2010, the Arbitration Court of Zabaykalsky region of Russia (the "Court") initiated a procedure of observation (bankruptcy) (the "Observation") for ZLK. Within the period for the Observation, the Court received certain claims from the several creditors against ZLK to repay approximately 24 million Russian rubles (approximately HK$6.5 million) of liabilities. These liabilities were included in the liabilities associated with assets held for sale. During the year ended 31 March 2011, ZLK settled certain parts of these liabilities. The Directors represented that the ZLK and the Purchaser are at the stage of negotiations with the creditors about the conclusion of the settlement agreements for the liabilities. According to the legal opinion issued by a legal advisor, the Directors are in the opinion that the risk of negative consequences of the Observation is low because the Directors believe that the settlement agreements with the creditors can be concluded.

(ii) On 11 February 2011, a lender (the "Lender") of loans submitted a claim to the Court against ZLK to repay the alleged defaulted loan principal, interests with penalties of approximately 40 million Russian rubles (approximately HK$11 million) (the "Claim"), which is different from the balance of approximately 21 million Russian rubles (approximately HK$5.8 million) in the records of the Company. According to the legal opinion issued by a legal advisor, the Court would probably validate the total loan principal with interests of approximately 21 million Russian rubles (approximately HK$5.8 million) which is the same as the records of the Company. These amounts were included in the liabilities associated with assets held for sale. Subsequent to the end of the reporting period, the Claim has not been settled and the Company is in the process of finalizing a settlement agreement with the Lender.

18. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**180,231**	91,054
Cash consideration payable for acquisition of biological assets	**—**	26,598
Other payables and accruals	**19,055**	7,315
Amount due to a director	**—**	92
Financial liabilities measured at amortised costs	**199,286**	125,059

All of the trade and other payables are expected to be repaid within one year.

Trade payables

An aging analysis of the Group's trade payables as at the end of the reporting period, based on invoiced date, was as follows:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**130,566**	90,545
Over 90 days	**49,665**	509
	180,231	91,054

19. CONTINGENT LIABILITIES

(a) Litigations in relation to ZLK Group

As at 31 March 2011, ZLK Group had two outstanding litigations and the details are disclosed in note 17(v).

(b) Claims against the Company

A third party (the "Plaintiff") asserted claims against the Company for salaries in amounts equivalent in the aggregate to US$901,539, together with certain other employment benefits, by reason of the alleged breach by the Company of two separate but concurrent contracts of employment that the Plaintiff asserted were entered into between the Plaintiff and the Company in April 2009. The Company disputed the existence of any contracts, whether of employment or otherwise, between itself and the Plaintiff. Arbitration proceedings commenced on 30 October 2009 and hearing was scheduled for the week of 19 September 2011. The Company is defending itself vigorously in those proceedings. In the opinion of the Directors, the claims were at a preliminary stage and no provision has been made in respect of such claims.

(c) Corporate guarantee

As at 31 March 2011, the Company had given unconditional guarantee to a financial institution to secure finance leases payables granted to a subsidiary to the extent of HK$500,000. The extent of the finance leases payables utilised by the subsidiary at the end of the reporting period amounted to approximated HK$450,000.

In the opinion of the Directors, the fair value of the financial guarantee contract of the Company is insignificant at initial recognition and, the Directors consider that the possibility of default by the subsidiary is remote and, in case of default in payments, the net realisable value of the net assets of the subsidiary can recover the repayment of the outstanding principals of the finance leases payables together with the accrued interest and penalty. Accordingly, no provision has been made in respect of such guarantee.

20. SUBSEQUENT EVENTS

(a) On 21 March 2011, the Company, Amplewell and an independent third party (the "Vendor") entered into an agreement (the "Acquisition Agreement"), pursuant to which, Amplewell has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Originate Tech Global Investments Limited (the "Target Company") at a consideration of HK$380,000,000 (subject to adjustment) (the "Acquisition") which shall be satisfied by the allotment and issue, credited as fully paid, of a maximum of 769,230,769 new shares (the "Consideration Shares") to the Vendor by the Company in three tranches.

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. The Target Company indirectly hold the entire equity interest of Susfor-Oasis Timber (Zhongshan) Co. Ltd. ("Susfor-Oasis") which is a wholly-foreign owned enterprise established in China. The principle activities of Susfor-Oasis include the manufacturing and sale of timber products (including but not limited to wooden door, furniture and wooden floor panels).

The maximum consideration payable by the Company to the Vendor is HK$380,000,000, which shall be satisfied by way of allotment and issue, credited as fully paid, of the Consideration Shares to the Vendor at the HK$0.494 per Consideration Share. The Consideration Shares will be allotted and issued to the Vendor in three tranches as follows:

(i) the first tranche comprising 100,000,000 new shares (the "First Tranche Consideration Shares") will be issued by the Company to the Vendor at the date of completion of the Acquisition (the "Completion").

(ii) the second tranche comprising 280,000,000 new shares (the "Second Tranche Consideration Shares") will be issued by the Company to the Vendor at Completion and the Vendor shall deliver upon Completion, such Second Tranche Consideration Shares to an escrow agent for holding them in escrow. The Second Tranche Consideration Shares will be released by the escrow agent to the Vendor within 5 business days after obtaining by the escrow agent of a written notification from Amplewell of the fulfillment of the profit guarantee as described below.

(iii) subject of the fulfillment of the profit guarantee as described below, the third tranche comprising 389,230,769 new shares (the "Third Tranche Consideration Shares") will be issued by the Company to the Vendor on the fifth business day after the fulfillment of the profit guarantee.

The Vendor has irrevocably warranted and guaranteed to Amplewell that the aggregate audited consolidated net profits after taxation of the Target Company for the three years ending 31 March 2012, 31 March 2013 and 31 March 2014 (the "Guarantee Period") as reflected in the audited consolidated financial statements of the Target Company prepared in accordance with International Financial Reporting Standards shall not be less than HK$300,000,000 and that the consolidated results of the Target Company as reflected in the audited consolidated financial statements for any of the financial years during the Guarantee Period will not be a net loss after taxation (the "Profit Guarantee").

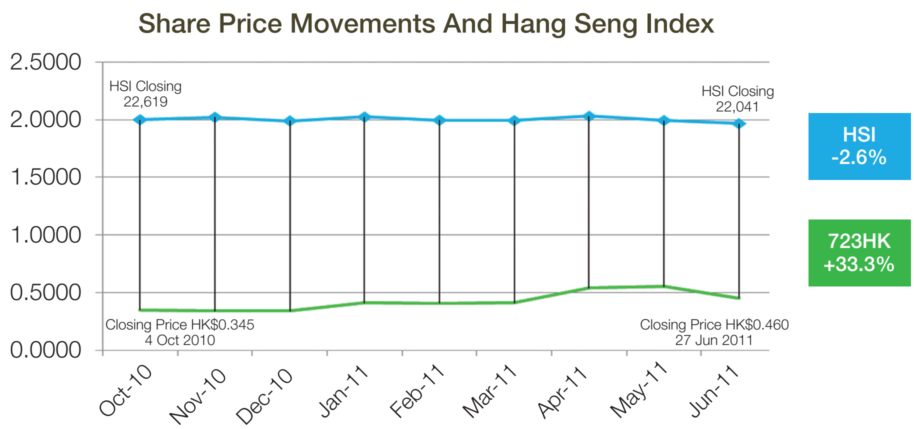
In the event that the Profit Guarantee is not met by the Target Group, the Company will not issue the Third Tranche Consideration Shares to the Vendor and the escrow agent shall dispose of the Second Tranche Consideration Shares in the open market or authorise a placing agent to be appointed by Amplewell to conduct a placing of the Second Tranche Consideration Shares. The net proceeds from the disposal or placing shall be returned to the Company and retained by it for its own benefits.

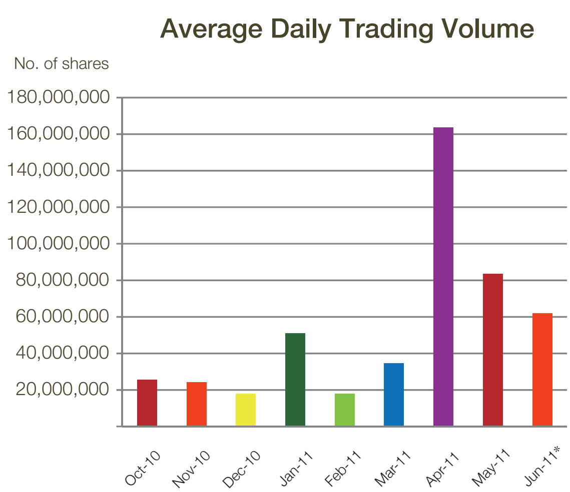
Up to the date of this announcement, the Acquisition has not been completed.

(b) Subsequent to the end of the reporting period, an aggregate of 548,296,968 new ordinary shares of HK$0.0533 each were issued upon the conversion of 2,924,250,499 convertible preference shares of HK$0.01 each.

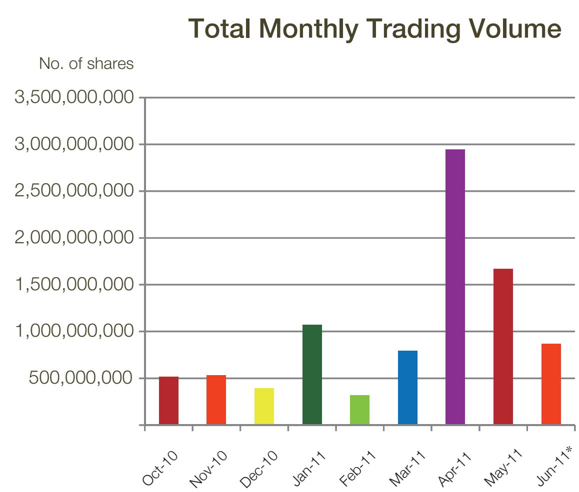
SHARE PERFORMANCE

Share Price (as of 27 June 2011)	HK$0.46
52-Week High	HK$0.61
52-Week Low	HK$0.32
Market Capitalization (as of 27 June 2011)	HK$2,331,078,000





(Source: Bloomberg)



(Source: Bloomberg)

* *Trading volume up to 27 June 2011*

FINANCIAL PERFORMANCE

For the year ended 31 March 2011, revenue totaled HK$866.7 million and net profit after tax was HK$341.5 million, representing increases of 229% and 24%, respectively.

Total revenue comprised service income from tree felling services in Rondonia, Brazil, and sales of forestry and timber products.

(Amount in HK$'000)	**For Year Ended 31 March 2011**	For Year Ended 31 March 2010
Revenue	**866,655**	263,063
Service income	***343,671***	*237,073*
Sales of timber	***522,984***	*25,990*
Costs of sales	**(362,156)**	(144,197)
Gross profit	**504,499**	118,866
Net operating expenses (exclusive of net write off)	**(58,429)**	(42,629)
Operating profit before tax & interests	**446,070**	76,237
Net finance costs	**(10,768)**	(10,955)
Operating income before tax	**435,302**	65,282

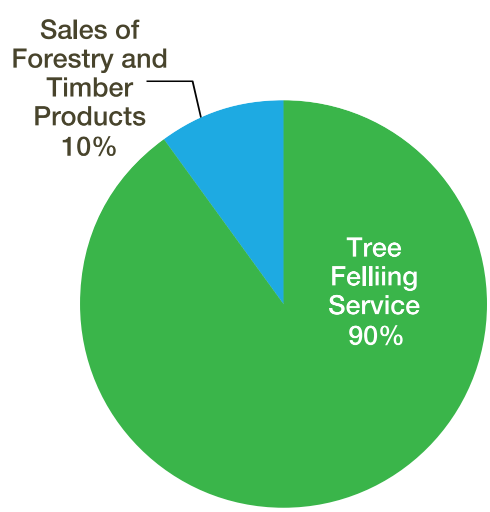
In the year ended 31 March 2011, the proportion of income from sales of forestry and timber products increased more than 20 folds. The Group expects tree felling service as a percentage of total revenue to continue to decrease as it expands its forest resources and supply network in Brazil, United States, Africa, Russia and other parts of the world.

Volume of Logs and Sawn Timber

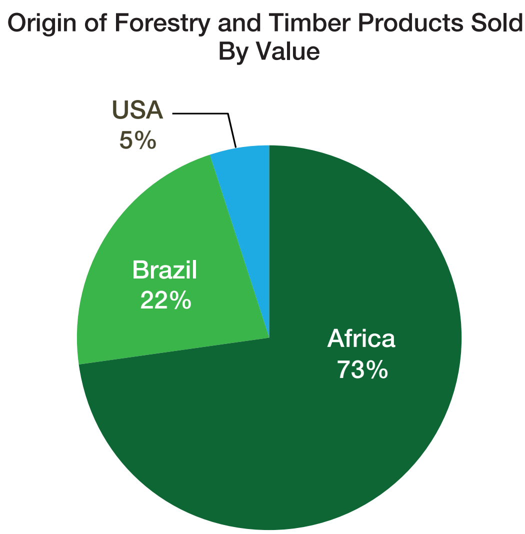
	Logs	**Sawn Timber**
FYE 3/2010	—	2,496m^3
FYE 3/2011	139,330m^3	7,679m^3

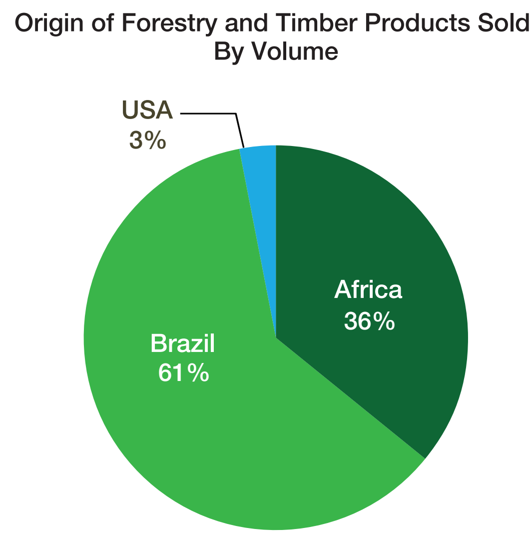
Revenue FYE 31 March 2011

Revenue FYE 31 March 2010



During the year ended 31 March 2011, we expanded our supply network to include United States and Africa. The breakdown of the sales of forestry products by their origin is as follows:





Gross profit margin for the full year ended 31 March 2011 was 58%, improving from 45% the year before. During the first half of fiscal year ended 31 March 2011, we reported a gross margin of 70%. This unusually high gross margin was primarily because majority of the income during the first half of the current year was attributable to the tree felling services, and the cutting costs for such clearing projects are generally lower than that of sustainably managed forest operations. During second half of the current year, our tree felling services operations was completely halted due to industrial actions in the hydropower plants unrelated to our operations. As such, for the second half of the financial year ended 31 March 2011, there was no contribution from tree felling services and income was derived solely from sales of forestry and timber products. The overall blended gross margin for the current year was 58%. Going forward, the Group expects gross margin to be similar to the level in the previous year as sales of forestry and timber products segment grows.

Change in fair value of biological assets was HK$250.2 million for the year ended 31 March 2011. The increase in fair value was primarily due to increase in timber prices over the period. This is a non cash item and may change up or down from period to period. Management expects price increases to moderate in calendar year 2011 to 2012.

GENERAL ECONOMIC TRENDS

To understand the environment that the Group operates in, it is important to put into perspective some macro economic trends and factors in 2010 and 2011 globally, as well as in the countries that we operate in.

Story of Unbalanced Growth

Sustainable Growth In China At 9.6% In 2011 And 9.5% In 2012

Globally, year 2010 was a year of recovery with growth at 5.0% following a year of negative growth in 2009 at -0.5%. Advanced economies grew by a mere 3.0% in 2010 while overall emerging countries grew by 7.4%, with China and India leading with growth of 10.4% and 10.3% respectively.

Following similar trends in 2010, economic expansion remained unbalanced in the first quarter of 2011. Growth in many advanced economies remains weak while growth in most emerging and developing economies continues strong. Overall, the global economy expanded at an annualized rate of 4.3% in the first quarter of 2011.

Economic recovery in Asia as a whole was rapid at overall 8.3% in 2010, fueled by both exports and domestic demand. IMF projected growth to continue at a more moderate but also more sustainable pace in 2011 and 2012, led by China and India. Though at a slower pace, China and India are projected to grow by 9.6% and 8.2%, respectively, in 2011.

Latin America recovered quickly and strongly from the global financial crisis rebounding from -1.7% growth in 2009 to a growth of 6.1% in 2010 with Brazil as the star growing at 7.5%. IMF cited in a report published in June 2011 that prudent, countercyclical policies in the years leading up to the crisis allowed the deployment of macroeconomic stimulus to counteract its effects on activity for Latin American countries. High commodity prices, easy external financing conditions, and accommodative macroeconomic policies stimulated domestic demand. Like China and India, IMF projected Latin America's growth to moderate to about 4.5% in 2011 over the next two years. The expansion will continue to be led by domestic demand.

GDP Growth

	Actual		**Projections**	
	2009	**2010**	**2011**	**2012**
	%	%	%	%
World	-0.5	5.1	4.3	4.5
Advanced Economies	-3.4	3.0	2.2	2.6
United States	-2.6	2.9	2.5	2.7
Euro Area	-4.1	1.8	2.0	1.7
Japan	-6.3	4.0	-0.7	2.9
Emerging and Developing Economies	2.8	7.4	6.6	6.4
Russia	-7.8	4.0	4.8	4.5
Developing Asia	7.2	9.6	8.4	8.4
China	9.2	10.3	9.6	9.5
India	6.8	10.4	8.2	7.8
Latin America and the Caribbean	-1.7	6.1	4.6	4.1
Brazil	-0.6	7.5	4.1	3.6

(Source: International Monetary Fund)

Despite overall slowdown in the world's economies during the second quarter of 2011 as a result of the devastating earthquake and tsunami in Japan, and weaker than expected economy in the United States, IMF remains positive about overall growth in 2011 and 2012 especially in Asia and Latin America. It stated in its June 2011 report that Asia's growth will decelerate only slightly from the very high levels of last year. Disruptions to regional production networks due to supply constraints from Japan appear contained. Latin America will be bolstered by commodity exports and domestic demand, but the pace of growth will ease in some economies where policies have been tightening more aggressively to reduce risks of overheating.

Rising Individual Wealth

According to the Merrill Lynch Global Wealth Management and Capgemini Annual World Wealth Report, the global population of ultra-high net worth individuals or individuals with investable assets more than US$30 million grew by 10.2% in 2010 and its wealth by 11.5%.

980,000 Millionaires Added In China between 2005-2010

Asia-Pacific surpasses Europe for the first time in both high net worth individuals[1] ("HNWI") population and wealth. Asia-Pacific posted the strongest regional rate of HNWI population growth in 2010. While HNWI wealth had already overtaken Europe in 2009, Asia-Pacific has now surpassed Europe in terms of HNWI population, expanding 9.7% to 3.3 million. Now the second largest region for both HNWI wealth and population, Asia-Pacific is second only to North America. Overall, HNWI's wealth has surpassed levels before the financial crisis.

China ranked 4th while Brazil and India ranked 11th and 14th, respectively, in world in terms of the number of HNWI. The number of millionaire households grew by 980,000[2] in China between 2005 and 2010.

GLOBAL TIMBER MARKET

Supplies of logs and sawn timber from natural forests continued to be restrained due to exportation ban imposed by various African countries and strong local demand of its own timber production in Brazil. As such, both logs and sawn timber saw price increases during 2010 and first half of 2011.

Japan's supply was devastated as severe damages were suffered by mills along the north-eastern coast due to the earthquake and tsunami. Remaining mills were affected by shortage in electricity supply.

Timber markets in the United States and Europe markets were still soft due to slump in housing market during 2010 and first half of 2011. China remained the largest consumer and importer for timber and other forestry products.

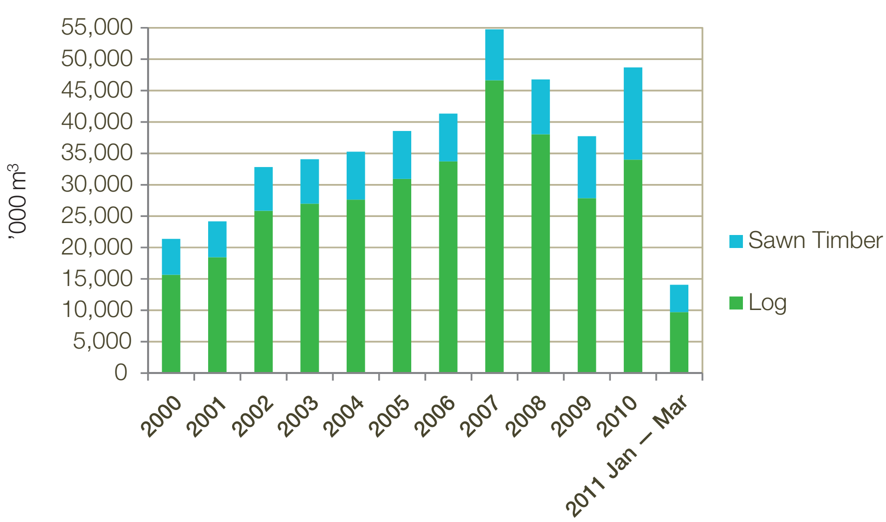
[1] *Individuals with investable assets more than US$1 million.*

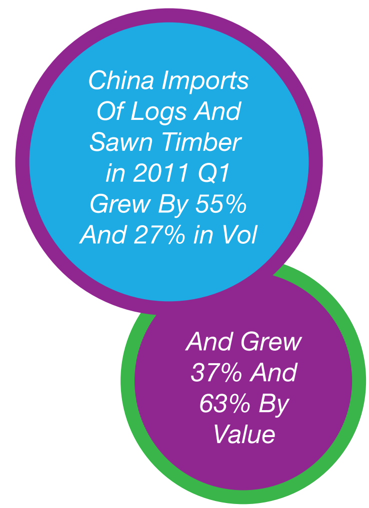
[2] *Source: Boston Consulting Group, BCG Global Wealth Survey*

During calendar year 2010, China imported 14.7 million m^3 of sawn timber (valued at US$3.8 billion), 49% and 65% growth in volume and value respectively when compared with 2009. In addition, in 2010, China imported 3.43 million m^3 of logs (valued at US$6.1 billion), 22% and 49% growth in volume and value respectively over 2009.

9.7 million m^3 of logs were imported in first three months in 2011 (valued at US$1.7 billion), with 6.93 million m^3 in softwood. China imported some 4.35 million m^3 of sawn timber in the first three months of 2011 worth US$1.1 billion. These represented growth of 55% in volume and 37% in value for logs and 27% in volume and 63% in value for sawn timber when compared with the same period in 2010.

China's Imports of Logs and Sawn Timber

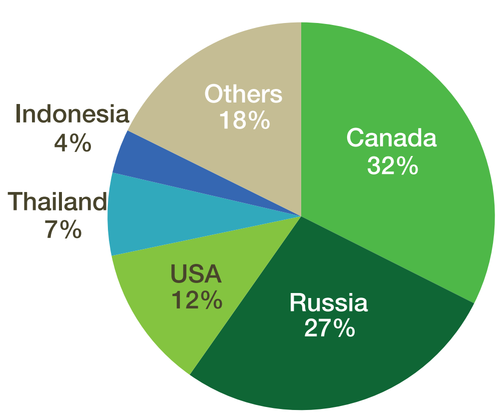




(Source: China Customs)

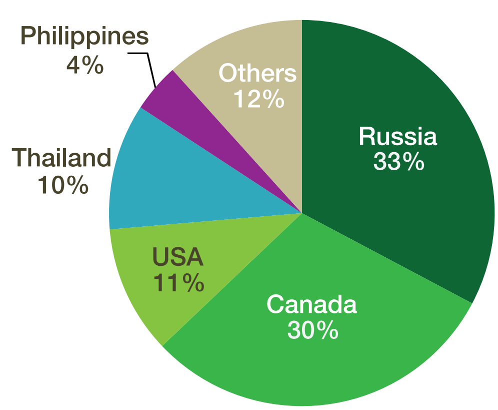
China's imports of sawn timber were mainly from North America, Russia and Southeast Asian countries. During first quarter of 2011, the top five suppliers of sawn timber by volume to China were Canada, Russia, United States, Thailand and Indonesia.

China's Top 5 Suppliers Of Sawn Timber By Volume In 2011 Q1



(Source: China Customs)

China's Top 5 Suppliers of Sawn Timber By Volume in 2010



(Source: ITTO Tropical Timber Market Report)

% Increase Of Sawn Timber Imports By China By Volume and Value During 2011 Q1

Supplier	% Increase (in m³)	% Increase (in US$)
Canada	45.5%	116.7%
Russia	61.0%	72.0%
USA	104.9%	93.5%
Thailand	-2.5%	12.6%

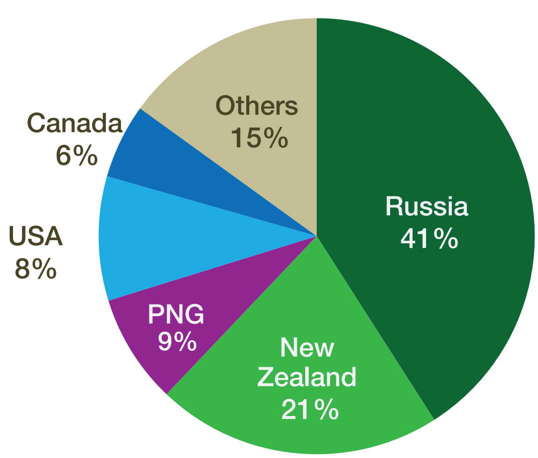
(Source: China Customs)

% Increase Of Sawn Timber Imports By China By Volume and Value During 2010

Supplier	% Increase (in m³)	% Increase (in US$)
Russia	40.0%	49.8%
Canada	65.0%	108.2%
USA	54.2%	77.8%
Thailand	37.6%	71.9%

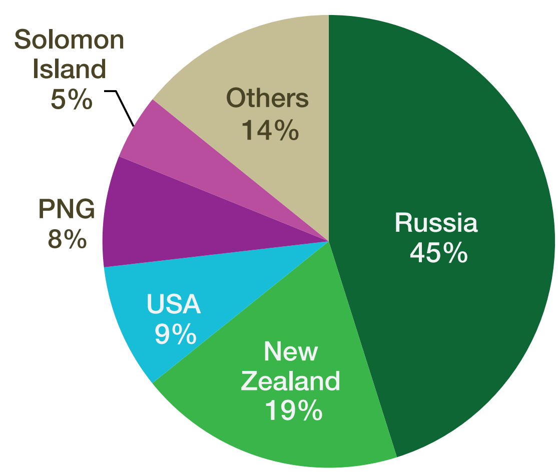
(Source: ITTO Tropical Timber Market Report)

China's Top 5 Suppliers of Log By Volume in 2011 Q1



(Source: China Customs)

China's Top 5 Suppliers of Log By Volume in 2010



(Source: ITTO Tropical Timber Market Report)

Russian logs exported to China picked up slightly in the first quarter of 2011 but does not compare to the increase of imports of Canadian softwood logs.

MARKET OUTLOOK

The Group expects demand for its products in the short and long term to remain robust especially in China due to urbanization of the population and rising wealth. Some four to five million buildings with gross floor area of 40 billion m² are projected to be constructed from now to 2025[3].

[3] *Source: Mckinsey Consulting (3/2009)*

Prices are also expected to remain stable to upward trending as supplies for natural forest products cannot be expanded easily due to climatic reasons and the long cycle of growth for natural forests. Furthermore, natural forest products cannot be replaced by plantation products entirely. This is evidenced by the fact that despite China having the largest plantation area in the world, it still needs to import growing amount of natural forest products.

BUSINESS REVIEW

Our Goals

Since the transformation of the Group into a forestry company in July 2009, management has set out various short and long-term goals in various areas in its business plan. Some of those key targets include:

Areas	Goals	Statuses
Financial	• Achieve immediate profitability in the first year of operations as forestry company for the Group	• The Group reported net profit after tax of HK$274.3 million for the year ended 31 March 2010, turning around 4 years of net losses
	• Maintain high growth in profitability	• Net profit for year ended 31 March 2011 grew by 24% over the year before
	• Become a dividend paying company within first 3 years of operations as a forestry company	• The Group announced to pay cash dividend of HK0.45 cent per ordinary share and HK0.084 cent per convertible preference share after the second annual result announcement since July 2009
Resources	• Expand our product offerings to cover different species of soft and hard wood	• During the year ended 31 March 2011, the Group expanded its supply of forestry and timber products from Africa and United States
	• Reach 2–3 million hectares equivalent of natural forest resources in 24–36 months	• Management is in the process of reviewing various opportunities, on an ongoing basis, to secure forest resources through long-term procurement, management contracts and/or partnership, and for potential acquisitions. It believes that the target set out is achievable in the said time frame

Areas	Goals	Statuses
Market share/Sales	• Consolidation of market share in China	• Signed agreement to acquire Susfor-Oasis (see note 20) through which the Group will set up the largest wholesale timber market in Zhongshan, which together with its neighboring cities are the largest manufacturing base for solid wood furniture and flooring in China
	• Expansion of distribution to markets such as India and others	• In June 2011, the Group has opened a sales office in the United States for export of flooring to the United States. It is expected to generate sales in the fiscal year ending 31 March 2012

Brazil

In Brazil, the Group's forest and field operations are located in the northern part of the country where the Amazon forest is situated, namely Acre, Rondonia and Para states.

New Branches

During the year ended 31 March 2011, we added a branch office in Manaus state, also in the Amazon, as the Group's centralized logistics center responsible for coordinating transportation and logistical issues for our Brazilian operations. The Manaus Free Trade Zone is the production base for many large multi-national companies and as a result, most international ocean liners and shippers have representation in Manaus making it ideal for our logistics center.

In addition, the Group is moving its financial and administration functions for Brazil to Sao Paulo from each Amazona location. Sao Paulo is the financial and banking center for Brazil. The move allows the Group to better recruit and retain talents in the financial, accounting and administration areas, as well as to better access capital. Also, some costs savings are expected as a result of the centralization.

Acre Operations

Harvesting operations in our 45,000-hectare Acre forest will begin in July 2011. Longer than expected rainy season in 2010 caused delays to the commencement of our harvesting. Approximately 60,000 to 100,000 m^3 of logs are expected from the Acre operations in a stablilized year subject to amongst other factors the length of rainy season.

Rondonia Operations

The Group recorded service income of HK$344 million in connection with our tree felling service contract for the hydropower plants in Rondonia for the year ended 31 March 2011. The entire amount of income was attributable to services rendered during the first six months of the year. When compared with the previous year, total service income although increased by 45% in current year, it was still somewhat disappointing. The Rondonia operations came to a complete halt during the second half of fiscal year ended 31 March 2011 as a result of large scale industrial actions by various unions and workers inside the hydropower plants. These actions were targeting entirely the hydropower plants. While our Group did not suffer any major actual losses or liabilities due to the delays resulted from these uncontrollable events, nonetheless our operations were greatly affected. Our workers were not able to enter any of the sites and the hydropower plants were not able to provide us with new areas for clearing. Industrial actions relating to large scale constructions are common in Brazil.

Planning of resources allocation and operational forecasts from period to period for such clearing projects can be challenging. Unlike sustainably managed forests, the speed of cutting can be greatly affected by external factors such as industrial actions, changes of plan by hydropower plants, etc. Management is currently carrying out detailed evaluation on the operations and discussions with the hydropower to come up with mitigating solutions. When the study is completed, findings and recommendations will be reported.

During the year ended 31 March 2011, the Group had a net write off of HK$164.2 million of logs inventory from the tree felling service operations. The Group had obtained state approval to export logs from the hydropower projects from the start of the operations. Unfortunately in May 2011, IBAMA, the federal environmental agency in Brazil, contradicted the state's earlier decision citing forestry laws that, in the Group's opinion, are not applicable to clearing projects. As such, the Group decided to write off from inventory logs under certain size and of certain species that will incur losses after considering the costs of processing in Brazil and the potential selling prices.

Africa

Congo Basin is the second largest tropical rain forest in the world after the Amazon. In line with its business plan, the Group expanded its supply network to the Congo forest. It began procuring logs and sawn timber from Democratic Republic of Congo, Africa.

A number of investment opportunities located in various different countries in the continent of Africa were reviewed by the management during the year. However, due to geo-political and other risks for Africa, management adopts a cautious and disciplined approach when evaluating potential opportunities.

Acquisition of Susfor–Oasis

In March 2011, the Group signed an agreement to acquire the entire capital of Susfor-Oasis Timber (Zhongshan) Company Limited ("Susfor-Oasis"), a company registered in the People's Republic of China, for a total consideration of HK$380,000,000. The entire acquisition is to be paid for by issuance of up to 769,230,769 listed ordinary shares the Company. Of which, 100,000,000 shares will be issued at closing, 280,000,000 shares will be issued at closing but held in escrow until three years from the acquisition completion to ensure net profit guarantee provided is met, and the remaining shares will be issued when net profit guarantee is met. As part of the acquisition, the vendor guaranteed that audited net profit after tax on IFRS basis will not be less than HK$300,000,000 for the three years after completion.

Susfor-Oasis will focus on three primary business areas covering wholesale, commercial and retail markets in China. The three core areas are:

- Commercial — Distribution and installation of flooring and other wood products directly to large scale property developers in Southern China. Clients include 碧桂園集團, 廣州富力地產股份有限公司, etc.
- Retail — Selling of flooring products via the franchise network
- Wholesale — Operation of wholesale timber exchange in Zhongshan, the only of such timber market in Zhongshan

Acquisition of Susfor-Oasis will allow the Group to:

- Access new clientele and expand distribution network in China
- Strengthen presence in China
- Provide better customer service to existing customers
- Collect better market intelligence from larger base of market participates through the wholesale timber market
- Acquire an experienced sales team
- Enjoy Susfor-Oasis' excellent reputation and established brand name

Chita Operations

In last year's annual report, the Group disclosed that it was in discussion with interested party to dispose of the Chita (Siberia) operations. As of the date of this report, the Group is nearing the conclusion of the negotiation and expects to proceed to binding agreement within the year ending 31 March 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the Group had cash and cash equivalents amounted to HK$23.7 million (2010: HK$36.8 million).

The Group's gearing ratio expressed as a percentage of total interest bearing borrowings, excluding the interest bearing borrowings classified under liabilities held for sale, over equity attributable to the owners of the Company, decreased from 1.0% as at 31 March 2010 to 0.8% as at 31 March 2011.

As at 31 March 2011, the Group had HK$25.2 million (2010: HK$25.1 million) interest bearing borrowings, of which HK$18.3 million were repayable within one year and the remaining HK$6.9 million were repayable after one year. The total interest bearing borrowings consisted of HK$18.3 million in bank and other borrowings, HK$6.4 million in promissory notes and HK$0.5 million in finance leases payable. As at 31 March 2011, the Group's working capital was approximately HK$726.8 million (2010: HK$257.1 million).

On 26 May 2010, the Company entered into a subscription agreement with NWS Financial Management Services Limited (the "Subscriber"), a subsidiary of NWS Holdings Limited who is an independent third party to the Group, pursuant to which the Company has agreed to allot and issue to the Subscriber, the subscription shares of 412,000,000 at HK$0.50 per subscription share. The Company completed the subscription of 412,000,000 shares on 2 June 2010. The net proceeds raised from the subscription were approximately HK$190.6 million.

CHARGE ON ASSETS

As at 31 March 2011, general banking facilities granted to the Group were secured by property, plant and equipment of the Group with a carrying value of HK$1.1 million.

CONTINGENT LIABILITIES

The Group's contingent liabilities at 31 March 2011 are disclosed in note 19 to the consolidated financial statements contained in the announcement.

FOREIGN EXCHANGE RISK

The Group's continuing operation mainly operates in Brazil, China and Hong Kong.

During the year ended 31 March 2011, revenue from continuing operations was denominated mainly in United States dollars and the Euro while its costs and expenses were primarily in Brazilian Reais where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies.

In addition, the main operational assets of the Group are located and denominated in local currencies in Brazil while the Group's reporting currency is in Hong Kong dollars. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

The Group did not enter into any arrangements or financial instruments for the purpose of hedging against the potential foreign exchange risks during the year under review. Management believes that the Group's exposure to foreign exchange risks can be mitigated by increasing local sales denominated in Reais to pay for the operating costs and expenses were those currencies to rise substantially against US dollars or the Euro. As for the operational assets of the Group, any foreign exchange gain or losses due to translation of the carrying value of the assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature. As such, active hedging activities are not considered warranted. Nonetheless, management will monitor closely its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2011, the Group had approximately 100 employees (2010: 240) mainly in Hong Kong, China, Brazil and Russia. The total remuneration paid by the Group to its employees (including Directors) for the year was approximately HK$53.2 million (2010: HK$20.4 million).

The Group rewards its employees according to prevailing market practices, individual experience, performance and requirements under applicable labor laws in the Group's operational locations. In addition to the provision of annual bonus, provident fund scheme and medical insurance coverage, discretionary bonuses and share options are also available to employees.

FINAL DIVIDEND

The Board recommends a final dividend for the year ended 31 March 2011 of HK0.45 cent per ordinary share and HK0.084 cent per convertible preference share to the shareholders of the Company (the "Shareholders") whose names appear on the Company's Register of Members on 22 August 2011. The final dividend is subject to approval of the Shareholders in the forthcoming annual general meeting (the "AGM") and is expected to be paid on or around 16 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 August 2011 to Thursday, 25 August 2011 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to ascertain the rights to attend the forthcoming AGM, all shares certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 19 August 2011.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2011, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 to the Listing Rules, except for the deviation mentioned below:

Code Provision A.2.1

Under the Code Provision A.2.1, the roles of chairman ("Chairman") and chief executive officer (the "CEO") should be separated and performed by different individuals. The roles of the Chairman and the CEO of the Company are segregated and are clearly defined to ensure their respective independence, accountability and responsibilities. The Chairman of the Company is responsible for the formulation of the Group's overall business development policies while the CEO of the Company is responsible for the implementation of major decisions of the Board and overall management of the Group's businesses.

Since the commencement of the current financial year up to 17 December 2010, the position of the Chairman has not been appointed by the Board. The functions of the Chairman were, during such period, performed by Mr LEUNG Chau Ping, Paul, the then CEO of the Company, with support from the other executive Directors and senior management of the Company. The Board considers that this structure has not impaired the balance of power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development. On 17 December 2010, Ms LOH Jiah Yee, Katherine was appointed as the Chairman of the Company. Since 17 December 2010 up to the end of this financial year, the role of Chairman of the Company has been performed by Ms LOH Jiah Yee, Katherine and the role of the CEO of the Company has been taken by Mr LEUNG Chau Ping, Paul. Since 6 April 2011, upon which Mr LEUNG Chau Ping, Paul has resigned as the CEO of the Company, and up to the date of this announcement, the position of the CEO has not been appointed. During such period, the functions of the CEO have been performed by the executive Directors with the assistance of the senior management of the Company. The Board considers that such structure does not impair the balance of power and authority between the Board and the management of the Company. The Board will however regularly review the effectiveness of this structure to ensure that such structure is appropriate in view of the Group's prevailing circumstances.

Further information on the Company's corporate governance practices during the year under review will be set out in the section headed "Corporate Governance Report" to be contained in the Company's Annual Report for the year ended 31 March 2011 which will be despatched to the Shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 March 2011.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2011.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprised three independent non-executive Directors namely Mr LEUNG Siu Hung, Joel, Mr John Tewksbury BANIGAN and Mr KEUNG Paul Hinsum. The Audit Committee has reviewed the accounting principles and practice adopted by the Group and the annual results for the year ended 31 March 2011 and discussed the internal controls with the management.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 March 2011 have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited ("Crowe Horwath"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath on the announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.susfor.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report for 2010/11 will be published on the above websites and despatched to the Shareholders in due course.

By order of the Board
Sustainable Forest Holdings Limited
LOH Jiah Yee, Katherine
Chairman

Hong Kong, 28 June 2011

As at the date of this announcement, the Board comprises Ms LOH Jiah Yee, Katherine and Ms FLETCHER Yurk Nam, Sandy as executive Directors; Mr NG Tik Hong and Mr LEUNG Chau Ping, Paul as non-executive Directors; and Mr LEUNG Siu Hung, Joel, Mr John Tewksbury BANIGAN and Mr KEUNG Paul Hinsum as independent non-executive Directors.