CHINA SANDI HOLDINGS LIMITED
中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 00910)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board of directors (the "Board" or "Directors") of China Sandi Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 (the "Period"), being the interim results of the Group for the financial year ending 31 March 2014 of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited and re-presented)
	Notes	***HK$'000***	*HK$'000*
Continuing operations:			
Revenue	*3*	**64,421**	71,224
Change in fair value of derivative financial instrument		**(612)**	(13,603)
Change in fair value of investment property		**593,110**	(15,494)
Other income	*3*	**436**	14
Other net losses	*5*	**(23,518)**	(4,425)
Staff costs		**(4,074)**	(4,267)
Depreciation of property, plant and equipment		**(1,117)**	(497)
Other operating expenses	*6*	**(20,556)**	(19,333)
Finance costs	*8*	**(53,789)**	(42,931)
Profit/(loss) before income tax (expense)/credit	*7*	**554,301**	(29,312)
Income tax (expense)/credit	*9*	**(149,854)**	1,184
Profit/(loss) for the period from continuing operations		**404,447**	(28,128)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

	Notes	For the six months ended 30 September **2013** **(Unaudited)** ***HK$'000***	2012 (Unaudited and re-presented) *HK$'000*
Discontinued operations:			
(Loss)/profit for the period from discontinued operations	*10*	**(1,279,816)**	121,070
(Loss)/profit for the period		**(875,369)**	92,942
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**113,118**	(6,713)
Fair value gain on available-for-sale investments		**360**	–
Total comprehensive income for the period		**(761,891)**	86,229
(Loss)/profit attributable to:			
Owners of the Company	*11*	**(875,369)**	92,942
Non-controlling interests		**–**	–
		(875,369)	92,942
Total comprehensive income attributable to:			
Owners of the Company		**(761,891)**	86,229
Non-controlling interests		**–**	–
		(761,891)	86,229
(Losses)/earnings per share			
From continuing and discontinued operations			
— Basic and diluted	*12*	**HK(80.40) cents**	HK8.54 cents
From continuing operations			
— Basic and diluted	*12*	**HK37.15 cents**	HK(2.58) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	Notes	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Current liabilities			
Trade payables	*20*	**10,787**	28,551
Other payables and accruals		**96,693**	425,243
Bank borrowings	*22*	**38,012**	34,605
Amounts due to related parties	*26(b)*	**10,506**	2,618
Tax payable		**3,579**	87,120
		159,577	578,137
Liabilities of a disposal group classified as held for sale	*13*	**513,735**	–
Total current liabilities		**673,312**	578,137
Net current assets/(liabilities)		**660,821**	(258,046)
Total assets less current liabilities		**5,202,959**	5,789,491
Non-current liabilities			
Long term payables	*21*	**–**	71,660
Convertible notes payable	*18*	**312,397**	294,542
Bank and other borrowings	*22*	**762,904**	700,280
Deferred taxation		**820,448**	653,908
		1,895,749	1,720,390
Net assets		**3,307,210**	4,069,101
Capital and reserves attributable to the Company's owners			
Share capital	*17*	**6,871**	6,871
Convertible preference shares	*17*	**283,858**	283,858
Reserves	*19*	**2,148,418**	3,778,306
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale		**867,997**	–
		3,307,144	4,069,035
Non-controlling interests		**66**	66
Total equity		**3,307,210**	4,069,101

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Share capital *HK$'000*	Convertible preference share *HK$'000*	Share premium and other reserves *HK$'000*	Accumulated losses *HK$'000*	Attributable to owners of the Company *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Balance at 1 April 2013 (Audited)	**6,871**	**283,858**	**4,224,440**	**(446,134)**	**4,069,035**	**66**	**4,069,101**
Loss for the period	**–**	**–**	**–**	**(875,369)**	**(875,369)**	**–**	**(875,369)**
Other comprehensive income	**–**	**–**	**113,478**	**–**	**113,478**	**–**	**113,478**
Total comprehensive income	**–**	**–**	**113,478**	**(875,369)**	**(761,891)**	**–**	**(761,891)**
Balance at 30 September 2013 (Unaudited)	**6,871**	**283,858**	**4,337,918**	**(1,321,503)**	**3,307,144**	**66**	**3,307,210**

For the six months ended 30 September 2012

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2013 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2013 (the "Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the "HKASs") and Interpretations) issued by the HKICPA as disclosed in note 2 to these Interim Financial Statements. The Interim Financial Information has been reviewed by our auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

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

There are no other amended standards or interpretations that are effective for the first time for the accounting period beginning on or after 1 April 2013 that would be expected to have a material impact on the Group.

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

Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
IFRIC-Int 21	Levies[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transaction disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Investment entities[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] 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.

3. REVENUE AND OTHER INCOME

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited and re-presented)
	HK$'000	*HK$'000*
Continuing operations:		
Revenue	**64,421**	71,224
Other income		
Bank interest income	**436**	9
Dividend income from listed investments	**–**	5
	436	14
	64,857	71,238
Discontinued operations:		
Revenue	**–**	17
Other income		
Bank interest income	**64**	30
	64	47

4. SEGMENTAL INFORMATION

Reportable segment

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

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

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

(a) Business Segments

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

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

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

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

(c) Geographical information

During the periods ended 30 September 2013 and 2012, the Group's major operations and assets are situated in the PRC in which all of its revenue was derived.

(d) Major customers

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

5. OTHER NET GAINS/(LOSSES)

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

6. OTHER OPERATING EXPENSES

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

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

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

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

8. FINANCE COSTS

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

9. INCOME TAX EXPENSE/(CREDIT)

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

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

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

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

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

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

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

10. DISCONTINUED OPERATIONS

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

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

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

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

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

	30 September 2013 (Unaudited) ***HK$'000***	30 September 2012 (Unaudited) *HK$'000*
Net cash (outflows)/inflows from operating activities	**(12,543)**	16,801
Net cash outflows from investing activities	**(8,760)**	(6)
Cash and cash equivalent at beginning of period	**30,027**	18,316
Effect of foreign exchange rate changes	**(689)**	(20,375)
Net cash flows incurred by the discontinued operations	**8,035**	14,736

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

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

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

12. (LOSSES)/EARNINGS PER SHARE

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

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

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

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	'000	*'000*
Weighted average number of ordinary shares and convertible preference shares at 30 September for the purpose of calculation of basic (losses)/earnings per share	**1,088,719**	1,088,719
Effect of dilutive potential ordinary shares:		
Convertible notes	**–**	–
Share options	**–**	–
Weighted average number of ordinary shares and convertible preference shares at 30 September for the purpose of calculation of diluted (losses)/earnings per share	**1,088,719**	1,088,719

For the periods ended 30 September 2013 and 2012, the computation of diluted (losses)/earnings per share did not assume the exercise of share options since the exercise price of those share options is higher than the average market price for shares for 2013 and 2012. It also does not assume the exercise of convertible notes as they are anti-dilutive.

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

During the period, additions of property, plant and equipment amounted to approximately HK$1,061,000 (for the six months ended 30 September 2012: HK$1,433,000).

15. TRADE RECEIVABLES

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

	At 30 September 2013 (Unaudited) ***HK$'000***	At 31 March 2013 (Audited) *HK$'000*
Over 90 days	**5,164**	45,812
	5,164	45,812
Less: Impairment loss	**–**	(45,097)
	5,164	715

16. INVESTMENTS HELD FOR TRADING

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

17. SHARE CAPITAL

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

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

	Convertible preference share	
	Number of shares '000	Amount HK$'000
Issued and fully paid:		
As at 31 March 2013 and 30 September 2013, convertible preference shares of HK$0.01 each	401,667	283,858

18. CONVERTIBLE NOTES PAYABLE

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

	Liability component HK$'000	Derivative financial instrument HK$'000
At 1 April 2013	294,542	(6,890)
Imputed interest expense	17,855	–
Change in the fair value	–	612
At 30 September 2013	312,397	(6,278)

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

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

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

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price cover the period same as the remaining life of the convertible notes before date of valuation.

(b) Expected life was the expected remaining life of the options.

(c) The risk free rate is determined by reference to the HKMA Exchange Fund Notes rate at date of valuation.

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

19. RESERVES

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

20. TRADE PAYABLES

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

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

21. LONG TERM PAYABLES

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

22. BANK AND OTHER BORROWINGS

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

22. BANK AND OTHER BORROWINGS (CONTINUED)

(i) The bank loans are secured by the subsidiary's investment property with carrying value of approximately HK$4,383,993,000 (as at 31 March 2013: HK$3,695,341,000). The bank loans include loan principal amounts of HK$183,630,000 and HK$605,979,000 which bear interest at 7.86% per annum and 8.16% per annum respectively and are repayable by instalments up to 26 September 2020 and 29 April 2021 respectively. Mr. Guo Jiadi, a major shareholder of the Company, has granted a guarantee to a bank for the bank loan with principal amount of HK$181,677,300, in which the guarantee is to fulfill the covenants of bank facilities if the subsidiary has breached the covenants of bank facilities.

(ii) The other borrowing is unsecured, interest bearing at 13% per annum and is repayable on 9 June 2015 by one-off payment.

23. CAPITAL COMMITMENTS

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

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

24. OPERATING LEASE ARRANGEMENTS

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

The Group as lessee

At 30 September 2013 and 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases in respect of the Group falling due as follows:

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

The Group as lessor

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

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

25. CONTINGENT LIABILITIES

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

26. RELATED PARTY TRANSACTIONS

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

(a) During the period, there is no interest expenses on the loans from related parties (for the period ended 30 September 2012: HK$9,896,000).

(b) Amounts due from/(to) related parties are unsecured, interest free and repayable on demand.

27. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

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

DIVIDEND

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

BUSINESS REVIEW

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

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

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

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

The property investment business

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

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

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

The property development business

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

The ecological forestry business

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

PROSPECTS

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

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

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

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

Change in fair value of investment property

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

Other net losses

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

Other operating expenses

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

Finance costs

Finance costs mainly represent imputed interest on convertible notes, bank interest expenses on bank loan and interest on borrowings from a financial institute. The increase in the finance costs mainly represents the increase in the interest on bank borrowings and the increase in the imputed interest on convertible notes.

Income tax expense

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2013, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately a total of HK$7.9 million (excluding cash and bank balances held by in the Disposed Group of HK$8.0 million). The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in China and did not use any financial instruments for hedging purpose.

As at 30 September 2013, the Group had bank and other borrowings amounted to HK$800.9 million and therefore, the Group's gearing ratio is 33.42%, measured on the basis of total borrowings as a percentage of total shareholders' funds (as at 31 March 2013: 22.4%).

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

As at 30 September 2013, the share capital of the Company is consisted of 687,052,446 ordinary shares of HK$0.01 each and 401,666,666 convertible preference shares of HK$0.01 each. Apart from the ordinary shares and convertible preference shares in issue, the Company has issued convertible notes as alternative financing instruments.

CHARGE ON THE GROUP'S ASSETS

As at 30 September 2013, investment property with respective fair value of approximately HK$4,384.0 million were pledged to secure certain subsidiaries of Group's banking loan.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

EMPLOYEES

As at 30 September 2013, the Group employed a total of approximately 158 employees of which 6 were employed in Hong Kong. In addition to competitive remuneration package offered to the employees, other benefits included contributions to mandatory provident fund, as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to the directors, executives and employees of the Company to provide them with incentives in the growth of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") in respect of the securities dealing by the Directors. The Company has made specific enquiry of all Directors in respect of the securities dealing by the Directors and is not aware of any non-compliance with the Model Code during the six months ended 30 September 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES BY THE COMPANY

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Period and up to the date of this announcement, 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 period ended 30th September 2013, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices (the "CG Code") under Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the deviation from the code provision A.2.1 and the Board is committed to complying with the CG Code to the extent that the Directors consider it to be practical and applicable to the Company.

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 announcement, 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 auditor, the Group's interim results for the period ended 30 September 2013, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong. The accounting information given in this announcement has not been audited but has been reviewed by the auditor of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.chinasandi.com.hk) and the Stock Exchange (www.hkexnews.hk). The Company's 2013 interim report for the six months ended 30 September 2013 will be published on the above websites and despatched to the shareholders of the Company 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, 22 November 2013

As at the date of this announcement, the Board of Directors of the Company comprises of Mr. Chi Chi Hung, Kenneth and Ms. Zhang Jianchan being the Executive Directors 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.