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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Chi Chi Hung Kenneth
Ms. Zhang Jianchan
(appointed on 11 April 2012)
Mr. Lau Man Tak (resigned on 28 September 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Wong Yun Kuen
Mr. Chan Chi Yuen
Mr. Yu Pak Yan Peter
Mr. Zheng Jinyun
(appointed on 11 April 2012)
Mr. Zheng Yurui
(appointed on 11 April 2012)

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Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit 3309
33/F., West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

COMPANY SECRETARY
Mr. Chi Chi Hung Kenneth

AUDITOR
BDO Limited
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Chiyu Banking Corporation Ltd.
42–44 Mut Wah Street
Kwun Tong
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Hong Kong

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Kowloon
Hong Kong

The Bank of East Asia Limited
10 Des Voeux Road Central
Hong Kong

PRINCIPAL REGISTRARS AND TRANSFER OFFICE
HSBC Securities Services (Bermuda) Limited
(formerly The Bank of Bermuda Limited)
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Hamilton HM 11
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BRANCH REGISTRARS AND TRANSFER OFFICE
Tricor Tengis Limited
26/F., Tesbury Centre
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Hong Kong

STOCK CODE
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WEBSITE
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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of China Sandi Holdings Limited (the "Company"), I would like to express our heartfelt gratitude for your support and confidence in the Company. I hereby report to our shareholders the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2013. The Group recorded a profit for the year of HK$155.6 million, representing an earning of HK14 cents per share during the year ended 31 March 2013, comparing to a loss of HK$632.5 million (restated) for the year ended 31 March 2012 (loss per share of HK108 cents (restated)).

STATUS OF INDUSTRY DEVELOPMENT AND MARKET REVIEW

Despite the persistent fiscal and monetary tightening measures implemented by the Chinese Government and continued competitions from other property developers, the property investment business acquired in February 2012 continued to provide stable rental and property management fee income to the Group. The Group will endeavor to support and develop the property related business in order to generate higher profit margins and more revenue sources to the Group.

On the other hand, the business environment for the ecological forestry business in China was very tough during the year. It was adversely affected by various factors including environmental issues and relevant government policies. Turnover generated from the ecological forestry business continued to decrease due to the restrictions as imposed by the harvesting permits and this trend is expected to be continued in the coming years. Moreover, it should be noted that ecological forestry business is a labor-intensive business which requires a long investment time horizon.

BUSINESS DEVELOPMENT STRATEGIES AND PROSPECTS

The Group has positioned the property investment as its core business. The Group will continue to identify new and appropriate business opportunities in this business sector so as to provide appropriate returns to the shareholders with appropriate business risk.

As to the ecological forestry business, the Group is aimed to strengthen its competitive edge by optimizing its forest portfolios, and by seeking appropriate business partners and associates to assist the Group to obtain harvesting permits so as to increase revenue.

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

APPRECIATION

On behalf of the board, I would like to express our gratitude to the shareholders, customers, suppliers and professional advisors for their support over the past year, and to sincerely thank our management and staff for their dedication and diligence.

Chi Chi Hung Kenneth
Executive Director

Hong Kong, 28 June 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

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

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

DIVIDEND

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

BUSINESS REVIEW

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The property investment business

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

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

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

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

The ecological forestry business

(i) Forest land and timber business

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

(ii) Biomass energy

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

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

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

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

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

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

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

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

Other net gains and losses

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

Change in fair value of investment property

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

Write-off of biological assets and prepaid lease payments

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

Other operating expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

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

Biological assets

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

SIGNIFICANT EVENT AFTER THE END OF THE REPORTING PERIOD

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

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

CHARGE ON THE GROUP'S ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

EMPLOYEES

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board of the Company believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests.

During the year, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("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

The roles of the Chairman and the Chief Executive Officer should be segregated and not exercised by the same individual. The Chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the Chief Executive Officer is responsible for overseeing day-to-day management of the Group's business.

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

RESPONSIBILITIES OF THE BOARD

The Board's primary responsibilities include the formulation of long-term corporate strategies, policy decisions and overseeing the management of the Group's operations. In addition, the Board evaluates the performance of the Group and assesses the achievement of targets periodically set by the Board. In carrying out its duties and projects, the Board delegates certain specific considerations to designated board committees and management task forces. The daily management, administration and operations of the Company are delegated to the Chief Executive Officer, executive Directors and senior management and divisional heads. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. All Directors have full and timely access to all relevant information in discharging their duties, and in appropriate circumstances are normally granted rights to seek independent professional advices at the Company's expense.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

The composition of the Board reflects the necessary balance of skills and experience for effective leadership and independence in decision making. As at the date of this report, the Board comprises 7 directors, whose biographical details are set out in the "Biographical Details of the Directors of the Company and Senior Management of the Group" on pages 21 to 24 of the Report of the Directors. There are 2 executive Directors, namely Mr. Chi Chi Hung Kenneth and Ms. Zhang Jianchan and 5 independent non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Chan Chi Yuen, Mr. Yu Pak Yan Peter, Mr. Zheng Jinyun and Mr. Zheng Yurui. The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of independent non-executive Directors and at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise throughout the year ended 31 March 2013. The Company has received confirmations from all independent non-executive Directors that they did not have any businesses or financial interests with the Group and were independent as at 31 March 2013 in accordance with Rule 3.13 of the Listing Rules.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The Board as a whole is responsible for reviewing its composition, developing and formulating the relevant procedures for the nomination and appointment of Directors; and monitoring their succession. The Board's established policies include procedures for the appointment of Directors nominated by the Company's shareholders. The existing Bye-laws of the Company empower the Board to appoint any person as Director either as an additional member or to fill a casual vacancy.

The term of office for each of the executive Directors and the independent non-executive Director is 3 years. The existing Bye-laws of the Company provide that at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at least once every 3 years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retire may fill the vacated office. In addition, all Directors appointed to fill a casual vacancy or as an additional Director shall retire in the next annual general meeting but eligible for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding directors' securities transactions. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2013. The Model Code also applies to other specified senior management of the Group.

BOARD COMMITTEE

The Company has established 3 Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, each of which is delegated with specific roles and responsibilities by the Board. All the Board committees follow the same principles and procedures as those of the Board. The Board receives the minutes of each committee on a regular basis, including their decision and recommendations.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an Audit Committee, The Audit Committee of the Company presently comprises 3 independent non-executive Directors, namely:

Mr. Chan Chi Yuen *(Chairman)*
Dr. Wong Yun Keun
Mr. Yu Pak Yan, Peter

The Chairman of the Audit Committee possesses the appropriate professional qualification or accounting or related financial management expertise and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors. The primary responsibilities of the Audit Committee include the followings:

(a) To review the Company's financial information including annual report and half-yearly report and the appropriateness of any significant financial reporting judgments contained therein;

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Company's results for the year ended 31 March 2013 and interim results for the six months ended 30 September 2012 have been reviewed by the Audit Committee.

During the year ended 31 March 2013, 3 meetings have been held by the Audit Committee. Attendance of each member at the Audit Committee meeting is set out in the table under section "Meeting Attendance" of this report.

Summary of work

During the year, the Audit Committee reviewed the interim and annual results with the external auditors and its duties in accordance with the Audit Committee's written terms of reference.

The terms of reference of the Audit Committee are available for inspection on the Company's website and the Stock Exchange's website.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(continued)*

Auditors' Remuneration

The Audit Committee has reviewed the remuneration paid/payable to Messrs. BDO Limited, the external auditor of the Company, for the following services provided for the year ended 31 March 2013.

Services Rendered	Remuneration Paid/Payable
Audit services	HK$950,000
Non-audit services	HK$750,000
	HK$1,700,000

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor is reasonable. There has been no major disagreement between the external auditor and the management of the Company for the year ended 31 March 2013.

NOMINATION COMMITTEE

The Company has established a Nomination Committee. The existing Nomination Committee comprises 3 independent non-executive Directors, namely:

Dr. Wong Yun Kuen *(Chairman)*
Mr. Chan Chi Yuen
Mr. Yu Pak Yan Peter

The Nomination Committee is responsible for all matters relating to the appointment of Directors either to fill a casual vacancy or as an addition to the existing Board. Any Director appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next annual general meeting and shall be eligible for re-election at such meeting. Every Director shall be subject to retirement by rotation at least once every 3 years and shall be eligible for re-election in accordance with the Bye-laws of the Company.

The Nomination Committee is responsible for identifying suitable qualified candidates and making recommendations to the Board for consideration. The process of selecting and recommending candidates for directorship includes the consideration of referrals and the engagement of external recruitment professionals. The selection criteria is based mainly on the assessment of their professional qualifications and experience relevant to the Company's businesses.

The Nomination Committee held 1 meeting during the year ended 31 March 2013. Attendance of each member at the Nomination Committee meeting is set out in the table under section "Meeting Attendance" of this report.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(continued)*

Summary of work

During the year, the Nomination Committee reviewed and approved the renewal of service contract of Directors, recommendation to the Board on the re-election of Directors in accordance with the Nomination Committee's written terms of reference.

The terms of reference of the Nomination Committee are available for inspection on the Company's website and the Stock Exchange's website.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee. The Remuneration Committee comprises 3 independent non-executive Directors, namely:

Mr. Yu Pak Yan Peter *(Chairman)*
Dr. Wong Yun Kuen
Mr. Chan Chi Yuen

The principal responsibilities of the Remuneration Committee include making recommendation on the policy and structure for the remuneration of Directors and senior management of the Company, the establishment of a formal and transparent procedure for developing such policy, and the review of specific remuneration packages of all executive Directors and senior management of the Company by reference to corporate goals and objective resolved by the Board from time to time.

The principal elements of the executive Directors' remuneration package include basic salary, benefits in kind, discretionary bonus, retirement benefits and participation in the old share option scheme and new share option scheme adopted by the shareholders of the Company in November 2001 and 2011. The remuneration packages of the executive Directors will be proposed by the Chairman of the Group annually for the review and approval of the Remuneration Committee based on the following factors:

(a) the executive Director's responsibilities and contribution;

(b) the executive Director's individual performance; and

(c) performance of the business unit(s) headed by the executive Director.

The independent non-executive Directors' remuneration includes Directors' fee and participation in the share option scheme, and subject to annual assessment and recommendation by the Remuneration Committee. The Board's authority to fix Directors' remuneration was granted by the Company's shareholders at the Annual General Meeting.

The Remuneration Committee held 2 meetings during the year ended 31 March 2013 and reviewed the existing remuneration policy and structure of the Company and remuneration packages of the Directors and senior management. Attendance of each member at the Remuneration Committee meeting is set out in the table under section "Meeting Attendance" of this report.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(continued)*

Summary of work

During the year, the Remuneration Committee reviewed the remuneration packages of the Directors and the senior management and made recommendations to the Board on the remuneration of the executive Director and Non-executive Directors in accordance with the Remuneration Committee's written terms of reference.

The term of reference of the Remuneration Committee are available for inspection on the Company's website and the Stock Exchange's website.

Pursuant to code provision B1.5 of the CG Code the details of the annual remuneration of the members of the senior management by band for the year ended 31 March 2013 is as follows:

	Number of employee
HK$100,000 – HK$500,000	1

Details of the remuneration of each Director for the year ended 31 March 2013 are set out in the note 18 to the financial statements.

MEETING ATTENDANCE

During the year ended 31 March 2013, 9 board meetings had been held for reviewing business performance, considering and approving the overall strategies and policies of the Company, and other business matters. Attendance of each member, on a named basis, during the year ended 31 March 2013 is set out in the table below.

	Board Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Audit Committee Meetings
Number of meetings	9	2	1	3
Mr. Chi Chi Hung Kenneth	9/9	N/A	N/A	N/A
Ms. Zhang Jianchan	7/9	N/A	N/A	N/A
Dr. Wong Yun Kuen	7/9	2/2	1/1	3/3
Mr. Chan Chi Yuen	7/9	2/2	1/1	3/3
Mr. Yu Pak Yan Peter	7/9	2/2	1/1	3/3
Mr. Zheng Jinyun	7/9	N/A	N/A	N/A
Mr. Zheng Yurui	5/9	N/A	N/A	N/A
Mr. Lau Man Tak*	4/9	N/A	N/A	N/A

* Mr. Lau Man Tak was resigned on 28 September 2012

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the terms of reference equivalent to code provision D.3.1 of the CG Code. During the year, the policies of the corporate governance of the Company were reviewed by the Board. In March 2013, certain new and revised policies were adopted by the Board to cope with the amendments in the Listing Rules and the CG Code.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledged that they are responsible for the preparation of the financial statements of the Group. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

The Statement of the external auditors of the Company about their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 32 and 33.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers, that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged at the expenses of the Company where necessary. From 1 April 2012 to the year ended 31 March 2013, each of the Director has participated in continuous professional development by attending seminars and/or studying materials relevant to Director's duties and responsibility. Their training records have been provided to the Company.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary, Mr. Chi Chi Hung, Kenneth, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

During the year under review, Mr. Chi has attended relevant professional seminars to update his skills and knowledge. He met the training requirement set out in Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

(I) How Shareholders Can Convene A Special General Meeting And Putting Forward Proposals at Shareholders' Meeting

The Directors may, whenever they think fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, if default, may be convened by the requisitionists. On the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, the Directors forthwith proceed duly to convene a special general meeting of the Company. If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

(II) Procedures by which enquiries may be put to the Board

Enquiries of shareholders can be sent to the Company either by email at info@chinasandi.com.hk or by post to the Company's Hong Kong head office at Unit 3309, 33/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Central, Hong Kong. Shareholders can also make enquiries with the Board directly at the general meetings.

INTERNAL CONTROL

The Board acknowledged that they are responsible for maintaining effective internal control system of the Group. Notwithstanding the Audit Committee reviews financial results and the overall internal control environment periodically, the Directors design well defined management structure with limit of authority and segregation of duties, and ensure the whole operation system is in compliance with the relevant regulation and legislation. The Directors regularly review the management and financial reports to ensure that the Company maintains a healthy financial position all the time.

During the year ended 31 March 2013, the Board conducted a review on the effectiveness of the Group's material internal controls, covering financial, operational, compliance and risk management functions. Based on the review undertaken, the Board is of the view that present internal control system of the Group is considered adequate. However, the Board shall remain open to suggestion for further improvement, including recommendation from the external auditors of any potential areas for improvement noted during the audit process.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of the communication with shareholders. In order to maintain and further enhance the investors' relationship with the Company's shareholders, the Company established various channels of communication with its shareholders:

(1) The annual general meeting provides a platform for shareholders to exchange views with the Board. The members of the Board and external auditors will attend the meeting. The Group encourages all shareholders to attend and raise any comment on the performance of the Group. The Board welcomes to exchange views with its shareholders at the meeting.

(2) The Company has regularly met with financial analysts, fund managers and potential investors during year ended 31 March 2013, in order to enhance the understanding the Group's operations and developments.

(3) Information relating to the Company's financial information is provided through publications of annual reports, announcements, circulars and press release.

(4) The Company has established a corporate website which provides regularly updated Company financial information and other corporate information.

Separate resolutions are proposed at shareholders' meeting of the Company on each substantial issue, including the election of individual Director. Poll results will be published on the business day following the shareholders' meeting and posted on the websites of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and at www.chinasandi.com.hk.

REPORT OF THE DIRECTORS

The Directors of the Company herein present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 25 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by principal activities for the year ended 31 March 2013 is set out in note 10 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on pages 34 and 35.

The Board has resolved not to recommend any dividend for the year ended 31 March 2013.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below. The amounts for the year ended 31 March 2013 are those set out in the accompanying financial statements on pages 34 to 120. The amounts for the year ended 31 March 2012 and before are extracted from previously published audited financial statements of the Company as appropriate.

Results

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
REVENUE	**118,674**	23,864	2,761	7,684	685,465
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**155,614**	(632,501)	(1,203,652)	(2,481,488)	(453,204)

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION *(continued)*

Assets, liabilities and non-controlling interests

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**6,047,537**	5,818,661	3,812,351	4,860,650	9,107,891
CURRENT ASSETS	**320,091**	155,453	938,563	844,618	803,624
TOTAL ASSETS	**6,367,628**	5,974,114	4,750,914	5,705,268	9,911,515
CURRENT LIABILITIES	**578,137**	532,408	350,265	405,074	497,709
NON-CURRENT LIABILITIES	**1,720,390**	1,567,134	297,611	477,463	2,833,241
TOTAL LIABILITIES	**2,298,527**	2,099,542	647,876	882,537	3,330,950
NON-CONTROLLING INTERESTS	**66**	66	67	67	67
NET ASSETS	**4,069,101**	3,874,572	4,103,038	4,822,731	6,580,565

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 20 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year ended 31 March 2013 and subsequent thereto are set out in note 34 to the financial statements.

Details of movements in the Company's share options during the year ended 31 March 2013 are set out in note 36 to the financial statements.

CONVERTIBLE NOTES

Details of movements in the Company's convertible notes during the year ended 31 March 2013 are set out in note 39 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a prorata basis to existing shareholders.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution amounted to approximately HK$2,838,724,000 at 31 March 2013.

Under the Companies Act 1981 of Bermuda (as amended), the balances in a company's contributed surplus and share premium accounts are available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus and share premium if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the assets of the company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales to the Group's five largest customers accounted for less than 10% of the total turnover for the year.

During the year, there was no purchase of materials from suppliers. All the cost of products sold represented amortisation of self-owned biological assets, transportation costs, direct labor costs and local harvest tax.

None of the Directors of the Company, any of their associates or any substantial shareholders (which, to the best knowledge of the Directors of the Company, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Chi Chi Hung Kenneth	
Ms. Zhang Jianchan	(appointed on 11 April 2012)
Mr. Lau Man Tak	(resigned on 28 September 2012)

Independent non-executive Directors

Dr. Wong Yun Kuen	
Mr. Chan Chi Yuen	
Mr. Yu Pak Yan Peter	
Mr. Zheng Jinyun	(appointed on 11 April 2012)
Mr. Zheng Yurui	(appointed on 11 April 2012)

In accordance with the Bye-laws 111(A) and 111(B) of the Company, Mr. Chi Chi Hung Kenneth, Dr. Wong Yun Kuen and Mr. Yu Pak Yan Peter shall retire from office by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive Directors

Mr. Chi Chi Hung Kenneth, aged 44, is currently an executive Director, Chief Executive Officer and company secretary of the Company. He has over 19 years of experience in accounting and financial control. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Chi is currently an executive director of Ceneric (Holdings) Limited (formerly known as "Morning Star Resources Limited") (stock code: 542), Guocang Group Limited (formerly known as "Hua Yi Copper Holdings Limited") (stock code: 559) and executive director and chairman of M Dream Inworld Limited (stock code: 8100), and an independent non-executive director of Perfect Shape (PRC) Holdings Limited (stock code: 1830), Noble Century Investment Holdings Limited (formerly known as "Sam Woo Holdings Limited") (stock code: 2322), Hong Kong Life Sciences & Technologies Group Limited (formerly known as "ZMAY Holdings Limited") (stock code: 8085), Aurum Pacific (China) Group Limited (stock code: 8148), China Natural Investment Company Limited (stock code: 8250) and L'sea Resources International Holdings Limited (formerly known as "Goodtop Tin International Limited") (stock code: 195). Mr. Chi was an executive director of Jun Yang Solar Power Investments Limited (formerly known as "China Gogreen Assets Investment Limited") (stock code: 397) from March 2003 to March 2007 and Kingston Financial Group Limited (stock code: 1031) from June 2005 to March 2007, an independent non-executive director of Interchina Holdings Company (stock code: 202) from October 2011 to August 2012. Save as disclosed, Mr. Chi did not hold any directorships in other public company listed in Hong Kong or overseas in the last three years or any other position with the Company or any of its subsidiaries.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP *(continued)*

Executive Directors *(continued)*

Ms. Zhang Jianchan, aged 52, has been appointed as an executive Director of the Company with effect from 11 April 2012. Ms. Zhang is a senior economist, who completed the courses of Renmin University of China as the Master of Business Administration in 2001. Ms. Zhang once worked in an integrated enterprise which is engaged in the businesses such as property development, architectural engineering, construction supervision, beverage manufacturing and investment & financing consultant from 1993 to 2001 and once held positions such as a general manager of a subsidiary and an assistant to the chairman of a group company. She has gained extensive experiences in property development, architectural engineering management and corporate planning. From 2001 to the present, Ms. Zhang joined and worked in Guo Shi Investment Group Company Limited (郭氏投資集團有限公司). She once acted as an assistant to the chairman, responsible for administration work; and a vice president of the group, responsible for project assessment, planning, marketing, sale as well as the management and maintenance of Macalline Fuzhou Sandi Shopping Mall (紅星美凱龍福州三迪商場).

Independent non-executive Directors

Dr. Wong Yun Kuen, aged 55, Dr. Wong received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute.

Dr. Wong is an executive director of UBA Investments Limited (stock code: 768), and an independent non-executive director of Harmony Asset Limited (stock code: 428), Climax International Co., Limited (stock code: 439), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Kong Sun Holdings Limited (stock code: 295), Kingston Financial Group Limited (stock code: 1031), Hong Kong Life Sciences & Technologies Group Limited (formerly known as "ZMAY Holdings Limited") (stock code: 8085), Guocang Group Limited (formerly known as "Hua Yi Copper Holdings Limited") (stock code: 559), New Island Printing Holdings Limited (stock code: 377) and Sincere Watch (Hong Kong) Limited (stock code: 444). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, Superb Summit International Group Limited (formerly known as "Superb Summit International Timber Company Limited") (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010, and an executive director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

Mr. Chan Chi Yuen, aged 46, holds a bachelor degree with honors in Business Administration and a Master of Science degree in Corporate Governance and Directorship. He is a fellow of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP *(continued)*

Independent non-executive Directors *(continued)*

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited (formerly known as "Sam Woo Holdings Limited") (stock code: 2322) an executive director and chairman of Kong Sun Holdings Limited (stock code: 295), and is also an independent non-executive director of New Times Energy Corporation Limited (stock code: 166), Asia Energy Logistics Group Holdings Limited (stock code: 351), China Gamma Group Limited (stock code: 164), Jun Yang Solar Power Investments Limited (formerly known as "China Gogreen Assets Investment Limited") (stock code: 397), Media Asia Group Holding Limited (formerly known as "Rojam Entertainment Holdings Limited") (stock code: 8075) and U-RIGHT International Holdings Limited (stock code: 627). Mr. Chan was also an executive director of Kong Sun Holdings Limited (stock code: 295) from February 2007 to November 2009, Amax Holdings Limited (stock code: 959) from August 2005 to January 2009 and China E-Learning Group Limited (stock code: 8055) from July 2007 to September 2008 and an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145) from October 2009 to February 2011, Richly Field China Development Limited (stock code: 313) from February 2009 to August 2010 and Superb Summit International Group Limited (formerly known as "Superb Summit International Timber Company Limited") (stock code: 1228) from April 2007 to June 2010.

Mr. Yu Pak Yan Peter, aged 62, has over 29 years of experience in real estate and financial services industries. Mr. Yu has a Bachelor Degree in Management from Youngstown State University in Ohio, USA and a Master of Science Degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980–1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America.

Mr. Yu is an executive director of Kong Sun Holdings Limited (stock code: 295), an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), Noble Century Investment Holding Limited (formerly known as "Sam Woo Holdings Limited") (stock coded: 2322) and M Dream Inworld Limited (stock code: 8100).

Mr. Zheng Jinyun, aged 50, has been appointed as an independent non-executive Director of the Company with effect from 11 April 2012. Mr. Zheng has completed the China CEO Management Innovation Executive Program with the relevant certificate of Shanghai Jiao Tong University in 2003 and completed the CEO Innovation Executive Program (總裁高級研修班) with the relevant certificate of Fudan University in 2005. Mr. Zheng has commenced his own international trading business since 1978 and expanded his business to the global market. Mr. Zheng started to expand his business to the development and management of residential and commercial properties in 2006. Mr. Zheng is the committee member of the current Chinese People's Political Consultative Conference of Fujian Province (福建省人民政治協商會議委員) and the honorable citizen of Putian City (莆田市榮譽市民).

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP *(continued)*

Independent non-executive Directors *(continued)*

Mr. Zheng Yurui, aged 58, has been appointed as an independent non-executive Director of the Company with effect from 11 April 2012. Mr. Zheng has graduated from Party School of Central Committee of C.P.C. with undergraduate diploma in 1999, majoring in administration and he is a senior economist. From 1971 to 1998, Mr. Zheng worked in several state-owned companies and private companies including a factory in which he acted as a deputy general manager. From 1998 to the present, Mr. Zheng founded his own footwear manufacturing company, acting the chairman. From 2008 to the present, Mr. Zheng has served as a Director of a property development company concurrently. Mr. Zheng is the representative of the Tenth and Eleventh People's Congress of Fujian Province (福建省第十屆、第十一屆人民代表大會) and the representative of the Fourth, the Fifth, and the Sixth People's Congress of Putian City (莆田市第四屆、第五屆、第六屆人民代表大會).

Senior Management

Mr. Lam Wai Fung, aged 40, is the financial controller of the Company. He joined the Group in November 2012 and is responsible for the finance, accounting and internal control functions of the Group. Prior to joining the Group, Mr. Lam worked for an international accounting firm in Hong Kong for over 7 years for external audit and has been worked in commercial sector including listed company as internal auditor and financial controller for 10 years. Mr. Lam holds a Bachelor of Arts Degree in Accountancy. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the CFA Institute and a certified financial risk manager of the Global Association of Risk Professionals.

DIRECTORS' SERVICE CONTRACTS

Each of Dr. Wong Yun Kuen and Mr. Chan Chi Yuen, being an independent non-executive Director, has each entered into a service contract with the Company for an initial term of three years commencing on 18 September 2009 and the service contract have been renewed for a further term of three years commencing on 18 September 2012.

Mr. Chi Chi Hung Kenneth, being an executive Director, has entered into service contract with the Company for an initial term of three years commencing on 19 May 2010 and the service contract have been renewed for a further term of three years commencing on 19 May 2013.

Mr. Yu Pak Yan Peter, being an independent non-executive Director, has entered into service contract with the Company for a term of three years commencing on 31 December 2011.

Each of Ms. Zhang Jianchan, being an executive Director, Mr. Zheng Jinyun and Mr. Zheng Yurui, being an independent non-executive Director, has each entered into a service contract with the Company for a term of three years commencing on 11 April 2012.

In addition, all Directors of the Company shall be subject to retirement by rotation in accordance with the Bye-laws of the Company. The term of office of each executive Director may also be terminated with three months' notice served by either party on the other.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS *(continued)*

The emoluments of the independent non-executive Directors will be determined by the Board (as to be authorised by the shareholders of the Company at the forthcoming annual general meeting) at its discretion with reference to their duties and responsibilities.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 March 2013, none of the Directors and chief executives of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities of Futures Ordinance (the "SFO")) as recorded in the register required to be maintained under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities transaction by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the Directors of the Company or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 16 September 2011 and the Stock Exchange granting approval of the listing of and permission to deal in the Shares to be issued under the share option scheme (the "New Scheme") on 15 November 2011, the Company has adopted the New Scheme and terminated the share option scheme adopted on 23 November 2001 (the "Old Scheme").

The Old Scheme

The Old Scheme was terminated on 16 September 2011. The outstanding options granted shall continue to be valid and exercisable after the termination of the Old Scheme.

The documented purpose of the Old Scheme is to recognise the contribution of the executives and employees to the Group by granting share options to them as incentives or rewards. The major terms of the Old Scheme are summarised as follows:

1. Eligible participants of the Old Scheme include executive, employee, executive Director and/or non-executive Director (including independent non-executive Director) of the Company and its subsidiaries who is in employment at the time when the option is granted to such person.

2. The total number of shares available for issue upon exercise of all options to be granted under the Old Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Old Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company from time to time.

3. The total number of shares to be issued upon exercise of the options granted and to be granted to each eligible person (including both exercised and outstanding options) in any 12-month period up to and including the date of grant is limited to 1% of the shares of the Company in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in a general meeting of the Company.

4. Any grant of share options to a Director, chief executive or substantial shareholders of the Company or any of their associates are subject to approval in advance by the independent non-executive Directors of the Company.

5. Any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person within the 12-month period up to the date of grant of options representing in aggregate in excess of 0.1% of the shares of the Company in issue and having an aggregate value (based on closing price of the Company's shares at the date of the grant) in excess of HK$5 million, is subject to prior approval by shareholders in a general meeting.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(continued)*

The Old Scheme *(continued)*

6. Unless otherwise determined by the board of Directors in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.

7. The exercise period of the share options granted is not later than 10 years from the date of the grant of the share options.

8. The offer of a grant of option, if accepted, may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

9. The exercise price of the share options is determinable by the Directors of the Company, but may not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

10. The Old Scheme will, unless otherwise cancelled or amended, remain in force for 10 years commencing from the date of adoption on 23 November 2001.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(continued)*

The Old Scheme *(continued)*

Particulars of options movement under the Old Scheme during the year ended 31 March 2013 and remained outstanding up to 31 March 2013 are as follows:

	Number of shares options							
	Beginning of the year	Granted of the year	Exercised of the year	Cancelled of the year	End of of the year	Subscription per share	Date of grant of share option	Exercisable period
Directors								
Mr. Chi Chi Hung Kenneth	1,345,000	–	–	(1,345,000)*	–	HK$5.80	2 March 2010	2 March 2010 to 1 March 2013
Employees and consultants	1,330,000	–	–	–	1,330,000	HK$19.60	27 March 2007	1 April 2007 to 31 March 2017
	300,000	–	–	–	300,000	HK$52.20	2 October 2007	3 October 2007 to 2 October 2017
	5,450,000	–	–	–	5,450,000	HK$7.80	30 September 2008	30 September 2008 to 29 September 2018
	500,000	–	–	–	500,000	HK$4.84	30 October 2008	30 October 2008 to 29 October 2018
	1,000,000	–	–	–	1,000,000	HK$5.72	23 January 2009	23 January 2009 to 22 January 2019
	6,180,000	–	–	–	6,180,000	HK$5.90	9 February 2009	9 February 2009 to 8 February 2019
	27,615,000	–	–	(27,615,000)*	–	HK$5.80	2 March 2010	2 March 2010 to 1 March 2013
Sub-total	42,375,000	–	–	(27,615,000)	14,760,000			
Total	43,720,000	–	–	(28,960,000)	14,760,000			

* At 2 March 2013, such share options were lapsed.

The New Scheme

At the annual general meeting of the Company held on 16 September 2011, the shareholders of the Company approved the adoption of a New Scheme. The purpose of the New Scheme is to provide the Company with a flexible and effective means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Participants. There appears to be no material difference between the terms of the Old Scheme and New Scheme, other than the scope of participants which, under the New Scheme, is more specific than that covered under the Old Scheme. The New Scheme covers any employee (full time and part time) holding salaries, consultants, agents, contractors, consumers and suppliers as the Board in its sole discretion considers eligible. Moreover, in relation to the various circumstances under which an Option will lapse, e.g. death and termination of employment, the periods following such circumstances during which an option-holder may exercise their options are different under the two schemes.

The exercise price, vesting period, the exercisable period and the number of Shares subject to each option will be determined by the Board at the time of grant. No option was granted by the Company under the New Scheme since its adoption to the date of this report.

REPORT OF THE DIRECTORS

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefit scheme in operation for the year ended 31 March 2013 are set out in note 5(o)(i) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2013, so far as was known to the Directors or chief executive of the Company, the following interests of which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of Interest	Number of shares or underlying shares		Approximate % of existing issued share capital in the Company
		Long Position	Short Position	
Mr. Guo Jiadi (Note 1)	Interest of Controlled Corporation	200,000,000	–	29.11%
United Century International Limited (Note 2)	Beneficial Owner	200,000,000	–	29.11%
Mrs. Chu Yuet Wah (Note 3)	Interest of Controlled Corporation	42,500,000	–	6.19%
Best China Limited (Note 4)	Beneficial Owner	42,500,000	–	6.19%

Notes:

1. The beneficial interests of Mr. Guo Jiadi in 200,000,000 Shares comprise corporate interest in 200,000,000 Shares, held through United Century International Limited.

2. The entire issued share capital of United Century International Limited is beneficially owned by Mr. Guo Jiadi.

3. The beneficial interests of Mrs. Chu Yuet Wah in 42,500,000 Shares comprise corporate interest in 42,500,000 Shares, held through Best China Limited.

4. The entire issued share capital of Best China Limited is beneficially owned by Mrs. Chu Yuet Wah.

Saved as disclosed above, as at 31 March 2013, the Company had not notified by any persons (other than the Directors of the Company and the chief executive of the Group) who had interests or short positions in the Shares or underlying shares of the Company which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report accompanying the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each independent non-executive Director, an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all the independent non-executive Directors are independent.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The audit committee currently comprises 3 independent non-executive Directors of the Company, namely, Mr. Chan Chi Yuen, Dr. Wong Yun Kuen, Mr. Yu Pak Yan Peter. The audit committee has reviewed the accompanying financial statements prior to their publication.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements for the year ended 31 March 2013 have been audited by Messrs. BDO Limited. A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. BDO Limited as the auditor of the Company.

On behalf of the Board

Mr. Chi Chi Hung Kenneth
Executive Director

Hong Kong, 28 June 2013

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF
CHINA SANDI HOLDINGS LIMITED
(formerly known as China Grand Forestry Green Resources Group Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Sandi Holdings Limited (formerly known as China Grand Forestry Green Resources Group Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 34 to 120, which comprise the consolidated and company statements of financial position as at 31 March 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

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

EMPHASIS OF MATTER

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

BDO LIMITED
Certified Public Accountants

Lam Pik Wah
Practising Certificate number P05325

Hong Kong, 28 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Revenue	9	**118,674**	23,864
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	27	**166,196**	(1,149,363)
Gain on bargain purchase	44	**–**	977,310
Fair value loss on derivative financial instrument	39	**(20,754)**	(12,459)
Other income	9	**9,173**	6,794
Other net gains and losses	11	**82,906**	(93,811)
Fair value gain on an investment property	21	**51,953**	–
Cost of inventories and forestry products sold		**(21)**	(1,320)
Impairment loss on other receivables	28	**–**	(5,230)
Impairment loss on available-for-sale investments		**–**	(1,270)
Write-off of property, plant and equipment	20	**–**	(38,319)
Write-off of biological assets	27	**(25,406)**	(89,174)
Write-off of prepaid lease payments	23	**(3,098)**	(262,482)
Staff costs	14	**(13,660)**	(10,795)
Depreciation of property, plant and equipment	20	**(9,089)**	(16,295)
Release of prepaid lease payments	23	**(32,648)**	(32,467)
Other operating expenses		**(50,188)**	(41,704)
Finance costs	12	**(100,191)**	(22,147)
Profit/(loss) before income tax	14	**173,847**	(768,868)
Income tax (expense)/credit	13	**(18,233)**	136,366
Profit/(loss) for the year		**155,614**	(632,502)
Other comprehensive income, after tax:	16		
Exchange differences on translating foreign operations		**33,174**	(91,757)
Reversal of/(impairment loss) on available-for-sale financial assets		**5,741**	(1,270)
Reclassification to profit or loss		**–**	1,270
Other comprehensive income for the year, after tax		**38,915**	(91,757)
Total comprehensive income for the year		**194,529**	(724,259)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000 (restated)
Profit/(loss) attributable to:			
Owners of the Company		**155,614**	(632,501)
Non-controlling interests		**–**	(1)
		155,614	(632,502)
Total comprehensive income attributable to:			
Owners of the Company		**194,529**	(724,258)
Non-controlling interests		**–**	(1)
		194,529	(724,259)
			(Restated)
Earnings/(loss) per share	17		
— Basic		**HK14 cents**	HK(108) cents
— Diluted		**HK14 cents**	HK(108) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Non-current assets			
Biological assets	27	**1,447,814**	1,286,982
Investment property	21	**3,695,341**	3,554,530
Property, plant and equipment	20	**38,287**	43,953
Construction in progress	22	**10,569**	8,236
Prepaid lease payments	23	**842,740**	897,161
Available-for-sale investments	32	**5,896**	155
Derivative financial instrument	39	**6,890**	27,644
Total non-current assets		**6,047,537**	5,818,661
Current assets			
Inventories	29	**3,068**	1,203
Trade receivables	30	**715**	773
Prepaid lease payments	23	**18,211**	18,211
Other receivables, deposits and prepayments	28	**4,887**	6,499
Financial assets at fair value through profit or loss	31	**171,971**	97,826
Amounts due from related parties	50(b)	**494**	6,527
Cash and cash equivalents	33	**120,745**	24,414
Total current assets		**320,091**	155,453
Total assets		**6,367,628**	5,974,114
Current liabilities			
Trade payables	41	**28,551**	39,480
Other payables and accruals	38	**425,243**	406,219
Amounts due to related parties	50(b)	**2,618**	–
Bank borrowings	43	**34,605**	–
Tax payable		**87,120**	86,709
Total current liabilities		**578,137**	532,408
Net current liabilities		**(258,046)**	(376,955)
Total assets less current liabilities		**5,789,491**	5,441,706

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Non-current liabilities			
Long term payables	42	**71,660**	672,104
Convertible notes payable	39	**294,542**	262,255
Deferred taxation	40	**653,908**	632,775
Bank borrowings	43	**700,280**	–
Total non-current liabilities		**1,720,390**	1,567,134
Net assets		**4,069,101**	3,874,572
Capital and reserves attributable to owners of the Company			
Share capital	34	**6,871**	6,871
Reserves		**4,062,164**	3,867,635
Equity attributable to owners of the Company		**4,069,035**	3,874,506
Non-controlling interests		**66**	66
Total equity		**4,069,101**	3,874,572

On behalf of the Board

Mr. Chi Chi Hung Kenneth
Director

Ms. Zhang Jianchan
Director

STATEMENT OF FINANCIAL POSITION

at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	25	**3,505,301**	3,515,415
Property, plant and equipment	20	**3,815**	4,746
Available-for-sale investments	32	**5,896**	155
Derivative financial instrument	39	**6,890**	27,644
Total non-current assets		**3,521,902**	3,547,960
Current assets			
Other receivables, deposits and prepayments		**885**	782
Cash and cash equivalents	33	**1,026**	5,272
Total current assets		**1,911**	6,054
Total assets		**3,523,813**	3,554,014
Current liability			
Other payables and accruals	38	**34,004**	38,273
Net current liabilities		**(32,093)**	(32,219)
Total assets less current liability		**3,489,809**	3,515,741
Non-current liability			
Convertible notes payable	39	**294,542**	262,255
Net assets		**3,195,267**	3,253,486
Capital and reserves			
Share capital	34	**6,871**	6,871
Reserves	37	**3,188,396**	3,246,615
Total equity		**3,195,267**	3,253,486

On behalf of the Board

Mr. Chi Chi Hung Kenneth
Director

Ms. Zhang Jianchan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Share capital HK$'000 (note 34)	Convertible preference share HK$'000 (note 35)	Share premium account HK$'000	Share-based compensation reserve HK$'000	Subscription right reserve HK$'000 (note i)	Statutory reserve fund HK$'000 (note ii)	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Conversion option reserve HK$'000 (note iii)	Investment Revaluation reserve HK$'000	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2011	974,105	–	2,176,284	99,156	24,543	137,290	4,069	729,775	–	–	(42,251)	4,102,971	67	4,103,038
Loss for the year	–	–	–	–	–	–	–	–	–	–	(632,501)	(632,501)	(1)	(632,502)
Other comprehensive income	–	–	–	–	–	–	–	(91,757)	–	(1,270)	–	(93,027)	–	(93,027)
Reclassification to profit or loss	–	–	–	–	–	–	–	–	–	1,270	–	1,270	–	1,270
Total comprehensive income	–	–	–	–	–	–	–	(91,757)	–	–	(632,501)	(724,258)	(1)	(724,259)
Capital reorganization	(969,234)	–	969,234	–	–	–	–	–	–	–	–	–	–	–
Issue of convertible preference share (note 35)	–	425,198	–	–	–	–	–	–	–	–	–	425,198	–	425,198
Imputed finance costs arising from the discounting of loan from a related company for funding the construction of an investment property	–	–	–	–	–	–	853	–	–	–	–	853	–	853
Conversion of convertible preference share	2,000	(141,340)	139,340	–	–	–	–	–	–	–	–	–	–	–
Issue of convertible notes (note 39)	–	–	–	–	–	–	–	–	69,742	–	–	69,742	–	69,742
Lapse of share option	–	–	–	(6,932)	–	–	–	–	–	–	6,932	–	–	–
Lapse of warrants	–	–	–	–	(24,543)	–	–	–	–	–	24,543	–	–	–
At 31 March 2012 (restated)	6,871	283,858	3,284,858	92,224	–	137,290	4,922	638,018	69,742	–	(643,277)	3,874,506	66	3,874,572
At 31 March 2012														
As previously reported	6,871	283,858	3,284,858	92,224	–	137,290	4,922	638,018	69,742	–	(398,155)	4,119,628	66	4,119,694
Prior year adjustments (note 4)	–	–	–	–	–	–	–	–	–	–	(245,122)	(245,122)	–	(245,122)
As restated	6,871	283,858	3,284,858	92,224	–	137,290	4,922	638,018	69,742	–	(643,277)	3,874,506	66	3,874,572
Profit for the year	–	–	–	–	–	–	–	–	–	–	155,614	155,614	–	155,614
Other comprehensive income	–	–	–	–	–	–	–	33,174	–	5,741	–	38,915	–	38,915
Total comprehensive income	–	–	–	–	–	–	–	33,174	–	5,741	155,614	194,529	–	194,529
Lapse of share option	–	–	–	(41,529)	–	–	–	–	–	–	41,529	–	–	–
At 31 March 2013	6,871	283,858	3,284,858	50,695	–	137,290	4,922	671,192	69,742	5,741	(446,134)	4,069,035	66	4,069,101

Notes:

(i) Subscription right reserves represents net proceeds received from issue of warrants. All warrants were lapsed in 2012.

(ii) In accordance with the relevant People's Republic of China ("PRC") regulations, the subsidiaries of the Group established in the PRC are required to transfer not less than 10% of the profit after income tax to a statutory reserve fund until the fund aggregate to 50% of their respective registered capital. The statutory reserve fund can be converted into share capital of the subsidiaries, and subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve fund may be used to offset the accumulated losses of the subsidiaries.

(iii) Conversion option reserve represents equity portion of convertible notes issued by the Company and are transferred to the share premium account upon exercise of the conversion rights vested with the convertible note instruments; or directly released to retained profits/accumulated losses when the convertible notes are redeemed.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Cash flows from operating activities			
Profit/(loss) before income tax		**173,847**	(768,868)
Bank interest income		**(909)**	(1,569)
Dividend income from listed investments		**(2)**	(1,738)
Finance costs		**100,191**	22,147
Depreciation on property, plant and equipment		**9,089**	16,295
Gain on bargain purchase	44	**–**	(977,310)
Net realised gain on disposal of financial assets at fair value through profit or loss		**(12,820)**	(1,951)
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(63,489)**	113,899
Fair value loss on derivative financial instrument		**20,754**	12,459
Fair value gain on an investment property		**(51,953)**	–
Release of prepaid lease payments		**32,648**	32,467
Gain on disposal of forest farms		**(6,745)**	(15,229)
Impairment loss on other receivables		**–**	5,230
Write-off of biological assets		**25,406**	89,174
Write-off of prepaid lease payments		**3,098**	262,482
Impairment loss on available-for-sale investments		**–**	1,270
Write-off of property, plant and equipment		**–**	38,319
(Gain)/loss on changes in fair value less costs to sell of biological assets		**(166,196)**	1,149,363
(Gain)/loss on disposal of property, plant and equipment		**(305)**	1,963
Loss on disposal of a subsidiary	45	**–**	920
Effect of foreign exchange differences		**(2,455)**	(17,059)
Operating profit/(loss) before working capital changes		**60,159**	(37,736)
(Increase)/decrease in inventories		**(1,865)**	776
Decrease/(increase) in trade receivables		**58**	(400)
Decrease in other receivables, deposits and prepayments		**1,612**	45,966
Decrease in financial assets at fair value through profit or loss		**2,163**	103,492
Decrease in amounts due from related parties		**6,033**	–
Decrease in trade payables		**(10,929)**	(5,573)
Increase/(decrease) in other payables and accruals		**20,009**	(24,826)
Increase in amounts due to related parties		**2,618**	–
Cash generated from operations		**79,858**	81,699
PRC income tax paid		**(2,705)**	(27)
Net cash generated from operating activities		**77,153**	81,672

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Cash flows from investing activities			
Interest received		**909**	1,569
Dividend income received from listed investments		**2**	1,738
Increase of biological assets due to plantation		**(9,743)**	(10,114)
Purchases of property, plant and equipment		**(3,654)**	(2,107)
Payments to construction of investment properties		**(59,062)**	–
Settlement of payable of acquisition of biological assets (including prepaid lease payments)		**(1,771)**	(2,894)
Increase in construction in progress		**(2,260)**	(1,115)
Net cash outflow on acquisition of subsidiaries	44	**–**	(632,504)
Proceeds from disposal of property, plant and equipment		**852**	3,169
Proceeds from disposal of forest farms		**7,879**	2,574
Proceeds from disposal of a subsidiary	45	**–**	990
Net cash used in investing activities		**(66,848)**	(638,694)
Cash flows from financing activities			
Proceeds from new bank borrowings		**783,273**	–
Repayment of bank borrowings		**(22,203)**	–
Repayment of long term loans from related parties		**(617,784)**	–
Interest paid		**(57,383)**	–
Net cash generated from financing activities		**85,903**	–
Net increase/(decrease) in cash and cash equivalents		**96,208**	(557,022)
Cash and cash equivalents at beginning of year		**24,414**	580,938
Effect of foreign exchange rate changes		**123**	498
Cash and cash equivalents at end of year		**120,745**	24,414
Analysis of balances of cash and cash equivalents at end of year			
Bank and cash balances		**120,745**	24,414

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. GENERAL

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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

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

Notes:

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

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

Amendments to HKFRSs — Annual Improvements 2009–2011 Cycle

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

(i) *HKAS 1 Presentation of Financial Statements*

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

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

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

(iii) *HKAS 32 Financial Instruments: Presentation*

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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

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

Amendments to HKFRSs — Annual Improvements 2009–2011 Cycle *(continued)*

(iv) HKAS 34 Interim Financial Reporting

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

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

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

Amendments to HKFRS 1 — Government Loans

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

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

HKFRS 9 — Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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

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

HKFRS 10 — Consolidated Financial Statements

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

HKFRS 11 — Joint Arrangements

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

HKFRS 12 — Disclosure of Interests in Other Entities

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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

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

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

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

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

HKFRS 13 — Fair Value Measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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

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

HKAS 19 (2011) — Employee Benefits

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

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

3. BASIS OF PREPARATION *(continued)*

(b) Basis of measurement and going concern assumption

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

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

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

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

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

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

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

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

(c) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

4. PRIOR YEAR ADJUSTMENTS

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

4. PRIOR YEAR ADJUSTMENTS *(continued)*

Consolidated statement of financial position as at 31 March 2012:

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

Impact on basic and diluted loss per share:

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

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Business combination and basis of consolidation *(continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Intangible assets

Patent

Patent was stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses. Amortisation of patent is charged to profit or loss on a straight line basis over its estimated useful life unless such life is indefinite. The patent is amortised from the date they are available for use and its estimated useful life is 20 years. Both the period and method of amortisation and any conclusion drawn about the useful life of the patent are reviewed annually.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment other than construction-in-progress are depreciated so as to write-off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	5 years
Turnpike	10 years
Building and construction	5–30 years
Plant and machinery	10 years
Furniture, office equipment and motor vehicles	5–10 years

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment *(continued)*

Construction-in-progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction-in-progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(g) Prepaid lease payments

Prepaid lease payments represent upfront premium paid for use of land. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

(h) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets and agricultural produce, other than paper mulberry saplings and paper mulberry tree stumps, are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing, if applicable.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Biological assets *(continued)*

If an active market exists for a biological asset or agricultural produce with reference to comparable species, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers. The gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arise. Upon the sale of the agricultural produce as forestry products, the carrying amount is transferred to cost of forestry products sold are recognised in profit or loss.

Paper mulberry saplings in the absence of an active open market in which they are traded are stated at their initial cost of acquisition and transferred to the carrying value of stumps upon commencement of plantation.

Plantation expenditure on paper mulberry trees and the purchase cost of saplings for plantation were capitalised as costs for cultivation of stumps. Stumps were stated at cost less accumulated amortisation and accumulated impairment in the absence of an active open market in which they were traded. Stumps were amortised on the straight line basis over their estimated useful lives of 8 years.

(i) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

— Property, plant and equipment
— Intangible assets
— Prepaid lease payment
— Interests in subsidiaries

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of other assets *(continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

(j) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Leasing *(continued)*

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(k) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

(i) Financial assets *(continued)*

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loan and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

(ii) Impairment loss on financial assets *(continued)*

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is reclassified from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group has one category of financial liabilities being financial liabilities at amortised costs. These liabilities, including trade and other payables, are initially measured at fair value, net of directly attributable transaction costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible notes

Convertible notes issued by the Group that contain liability, early redemption option and conversion option component are classified separately into their respective items on initial recognition. The early redemption option represents the Company's option to early redeem before maturity date. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the redemption option component is recognised at fair value and classified as derivative financial instrument.

On initial recognition, the fair value of the liability component is determined using the discounted cash flow at an effective interest rate. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (conversion option reserve).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

(iv) Convertible notes (continued)

In subsequent reporting periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The early redemption option component is measured at fair value with change in fair value recognised in profit or loss. The equity component represented by the option to convert the liability component into ordinary shares of the Company, will remain in the convertible option reserve until the conversion option is exercised, in which case, the convertible option reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. When the notes are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible option reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Convertible preference shares

Convertible preference shares in which the Group has no contractual obligation to redeem and will only be converted to the Group's own equity instruments, which is classified as financial instruments and measured at fair value at initial recognition.

When the convertible preference shares are converted, the convertible preference shares are transferred to ordinary share capital and share premium. Transaction costs relating to issuance of the equity instrument are charged directly to equity.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns and other similar allowances:

(i) Revenue from the sale of goods and forestry products, on the transfer of risks and rewards of ownership, which generally coincides with the time the goods and forestry products are delivered to customers and title has passed;

(ii) Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms;

(iii) Property management income and related fee is recognised when the services are rendered;

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable; and

(v) Dividend income is recognised when the shareholders' rights to receive payment is established.

(n) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Foreign currencies *(continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(o) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Fair value is measured using the Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Employee benefits *(continued)*

(ii) Share-based payments *(continued)*

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

(p) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Received grants that have not yet fulfill the recognition conditions are recognised as deferred revenue in the statement of financial position.

(q) Research and development costs

Research costs are charged to profit or loss in the period in which they are incurred. Development costs are expensed as incurred, except where a specific project is undertaken, the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that the development costs are expected to be recoverable from related future economic benefit. Such development costs are recognised as deferred development costs in the statement of financial position and amortised on a straight-line basis over period over which the deferred development costs is expected to confer economic benefits, commencing from the date the product is available-for-sale. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(r) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(t) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related party

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

(a) Fair values of biological assets

The Group's biological assets are valued by the management at fair value less costs to sell based on a valuation carried out by independent professional valuers. In determining the fair value of the biological assets, the professional valuers apply the income approach and net present value approach which require a number of key assumptions and estimates to be made such as discount rate, log price, plantation costs and harvesting. Any change in the estimates may affect the fair value of the biological assets significantly. The professional valuers and management review the assumptions and estimates periodically to identify any significant change in the fair value less costs to sell of the biological assets.

The Group's forestry business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry laws in the PRC will assist in minimizing exposure. Nevertheless, to the extent that un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or harvest losses in future accounting periods.

(b) Useful lives of property, plant and equipment

Management estimates the expected useful lives for its property, plant and equipment and determines the related depreciation policy. The estimated useful life of the property, plant and equipment and the residual value reflects management's estimates of the number of years that the Group intends to derive future economic benefits from the use of property, plant and equipment. It could change significantly as a result of technological innovations in response to industry cycles. The depreciation expenses in future accounting periods may be adjusted if there are significant changes in those estimates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(c) Recoverability of trade and other receivables

Recoverability of the trade and other receivable are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer and debtor. Judgement is required in assessing the ultimate realisation of these receivables, and the financial conditions of the customers and debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers and debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

(d) Fair value of investment property

Investment property is stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors have exercised their judgements and are satisfied that the assumptions used in the valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the investment property and the corresponding adjustment to the amount of gain or loss would be recognised in profit or loss.

(e) Fair value of convertible notes, early redemption option component, conversion option component and convertible preference shares

The fair value of convertible notes, redemption option component, equity component and convertible preference shares are estimated by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation reports, the directors have exercised their judgements and are satisfied that the assumptions used in the valuation is reflective of the current market conditions. Changes to these assumptions and market conditions would result in changes in fair value of redemption option compontent and the corresponding adjustment to the amount of gain or loss would be recognised in profit or loss.

(f) Income taxes

Determining income tax provisions and deferred taxation involves judgement on the current and future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

7. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. There was no change in capital management policies and objectives from prior periods.

The capital structure of the Group consists of debts, which includes bank borrowings disclosed in note 43, loans from related parties disclosed in note 42, convertible notes payable disclosed in note 39, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, retained earnings and reserves as disclosed in notes 33, 34 and 37 respectively.

The gearing ratio at the year end was as follows:

	2013 HK$'000	2012 HK$'000 (restated)
Net debts	**908,682**	851,700
Total equity	**4,069,101**	3,874,572
Net debts to equity ratio	**22%**	22%

8. FINANCIAL RISK MANAGEMENT

Exposure to credit risk, liquidity risk, interest rate risk and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables except for prepayments, present the Group with credit risk regarding its financial assets. The maximum exposure is the carrying amounts of the respective financial assets at the end of reporting period. The Group has a concentration of credit risk in relation to certain of its major customers.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for balances with recoverability problem.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

8. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has no significant concentrative of credit risk. At 31 March 2012, the Group had a certain concentration of credit risk as 79% and 92% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the ecological forestry business segment.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 30 and 28.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

The Group is exposed to liquidity risk as at 31 March 2013 as its financial assets due within one year were less than its financial liabilities due within one year. At 31 March 2013, the Group had net current liabilities of approximately HK$258,046,000. In the opinion of the directors, the Group should be able to maintain itself as a going concern in the coming year by taking into consideration the proposed arrangements which include, but are not limited to, the following:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

8. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on current rates at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

The Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2013						
Trade payables	**28,551**	**28,551**	**28,551**	**–**	**–**	**–**
Other payables and accruals	**336,081**	**336,081**	**336,081**	**–**	**–**	**–**
Long term payables	**71,660**	**151,585**	**–**	**12,996**	**22,398**	**116,191**
Convertible notes payable	**294,542**	**461,676**	**–**	**–**	**461,676**	**–**
Amount due to related company	**2,618**	**2,618**	**2,618**	**–**	**–**	**–**
Bank borrowings	**734,885**	**1,103,142**	**96,862**	**99,865**	**404,373**	**502,042**
	1,468,337	**2,083,653**	**464,112**	**112,861**	**888,447**	**618,233**
2012 (restated)						
Trade payables	39,480	39,480	39,480	–	–	–
Other payables and accruals	332,923	332,923	332,923	–	–	–
Long term payables	672,104	788,622	–	626,958	30,619	131,045
Convertible notes payable	262,255	461,676	–	–	461,676	–
	1,306,762	1,622,701	372,403	626,958	492,295	131,045

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

8. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

The Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2013						
Other payables and accruals	**34,004**	**34,004**	**34,004**	**–**	**–**	**–**
Convertible notes payable	**294,542**	**461,676**	**–**	**–**	**461,676**	**–**
	328,546	**495,680**	**34,004**	**–**	**461,676**	**–**
2012						
Other payables and accruals	38,273	38,273	38,273	–	–	–
Convertible notes payable	262,255	461,676	–	–	461,676	–
	300,528	499,949	38,273	–	461,676	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from payables for acquisition of certain forest farms, loan from a related company, convertible notes and bank borrowings as disclosed in notes 42, 39, and 43 respectively. These financial instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group has no cash flow interest rate risk as there are no borrowings which bear floating interests rates. The Group has not used any financial instruments to hedge potential fluctuation in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

8. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB") which is not freely convertible into other foreign currencies. Conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The PRC subsidiaries of the Company transact in their functional currency and therefore no currency risk is expected to arise in respect of these subsidiaries. The Company's financial statements are presented in Hong Kong dollar ("HKD") and fluctuations of RMB against HKD will result in adjustment to financial amounts. The Group currently does not utilise any forward contracts, currency borrowings or other means to hedge against its foreign currency exposure.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity instruments classified as financial assets at fair value through profit or loss and available-for-sale equity investment. All of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong and are included in the Hang Seng Index except for the equity securities listed in London held in the available-for-sales investments. Decisions to buy and sell securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the available-for-sale investments had been 10% higher/lower, the Group's reserves would increase/decrease by HK$590,000 (2012: HK$15,500). If the price of the financial assets at fair value through profit or loss had been 10% higher/lower, profit for the year would increase/decrease by HK$17,197,000 (2012: HK$9,783,000) and reserves would increase/decrease by HK$17,197,000 (2012: HK$9,783,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

9. REVENUE AND OTHER INCOME

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

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

10. SEGMENTAL INFORMATION

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

10. SEGMENTAL INFORMATION *(continued)*

i. Business Segments

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

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

Assets and liabilities information

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

10. SEGMENTAL INFORMATION *(continued)*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

10. SEGMENTAL INFORMATION *(continued)*

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

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

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

iii. Geographical information

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

iv. Major customers

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

11. OTHER NET GAINS AND LOSSES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

12. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Imputed interest arising from the discounting of the consideration payables for the acquisitions of certain forest farms	**2,949**	13,297
Interest on loans from related parties	**10,042**	–
Imputed interest on loans from related parties	**–**	4,875
Interest on bank borrowings	**54,913**	–
Imputed interest on convertible notes (note 39)	**32,287**	3,975
	100,191	22,147

13. INCOME TAX

	2013 HK$'000	2012 HK$'000
Overseas tax		
— current	**(2,396)**	(154)
— deferred tax (expense)/credit (note 40)	**(15,837)**	136,520
Income tax (expense)/credit	**(18,233)**	136,366

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

13. INCOME TAX *(continued)*

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

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

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

The income tax expense/(credit) expense on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2013 HK$'000	2012 HK$'000 (restated)
Profit/(loss) before income tax	**173,847**	(768,868)
Tax calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**28,685**	(126,863)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**842**	(117,970)
Tax effect of income that is not taxable in determining taxable profit	**(75,885)**	(180,020)
Tax effect of expense that are not deductible in determining taxable profit	**35,854**	124,282
Utilisation of previously unrecognised tax losses	**–**	(1,109)
Unrecognised temporary differences and tax losses	**26,341**	165,314
Under provision in prior year	**2,396**	–
Income tax expense/(credit)	**18,233**	(136,366)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

14. PROFIT/(LOSS) BEFORE INCOME TAX

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

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

15. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY AND DIVIDEND

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

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

16. OTHER COMPREHENSIVE INCOME, AFTER TAX

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

17. EARNINGS/(LOSS) PER SHARE

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

17. EARNINGS/(LOSS) PER SHARE *(continued)*

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

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

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

18. DIRECTORS' REMUNERATION

The emoluments paid or payable to the Company's directors for years ended 31 March 2013 and 2012 were as follows:

	Year ended 31 March 2013				
	Fees	Basic allowances and bonuses	Retirement benefit schemes contributions	Share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Chi Chi Hung Kenneth	–	1,935	15	–	1,950
Zhang Jianchan (i)	116	–	–	–	116
Independent non-executive directors:					
Wong Yun Kuen	100	–	–	–	100
Chan Chi Yuen	100	–	–	–	100
Yu Pak Yan Peter	100	–	–	–	100
Zheng Jinyun (i)	58	–	–	–	58
Zheng Yurui (i)	58	–	–	–	58
	532	1,935	15	–	2,482

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

18. DIRECTORS' REMUNERATION *(continued)*

	Year ended 31 March 2012				
	Fees	Basic allowances and bonuses	Retirement benefit schemes contributions	Share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Lau Man Tak (ii)	–	–	–	–	–
Chi Chi Hung Kenneth	–	550	2	–	552
Pang Chun Kit (iii)	–	306	5	–	311
Independent non-executive directors:					
Wong Yun Kuen	60	–	–	–	60
Chan Chi Yuen	60	–	–	–	60
Yu Pak Yan Peter	60	–	–	–	60
	180	856	7	–	1,043

(i) Appointed on 11 April 2012
(ii) Resigned on 28 September 2012
(iii) Resigned on 5 August 2011

There was no arrangement under which a director of the Company waived or agreed to waive any emoluments during the year.

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

19. EMPLOYEES' EMOLUMENTS

The emoluments of the five individuals with highest emoluments in the Group for the year included one (2012: two) director(s), details of whose emoluments have been disclosed above.

Details of the emoluments of the remaining four (2012: three) non-directors, highest paid individuals for the year are as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries, allowances and benefits in kinds	**1,652**	766
Retirement benefits scheme contributions	**36**	24
	1,688	790

The emoluments fell within the following bands:

	Number of individuals **2013**	2012
HK$ Nil to 1,500,000	**4**	3

The emoluments paid or payable to the member of senior management were within the following band.

	Number of individuals **2013**	2012
HK$ Nil to 1,500,000	**1**	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

20. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvements HK$'000	Building and construction HK$'000	Turnpike HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2011	3,585	679	57,784	17,657	26,523	106,228
Exchange adjustment	68	256	1,240	398	446	2,408
Transfer from construction in process (note 22)	–	16,292	11,858	5,193	–	33,343
Acquisitions of subsidiaries	–	–	–	–	3,015	3,015
Additions	112	–	–	85	1,910	2,107
Disposals of a subsidiary	–	–	–	–	(3,071)	(3,071)
Disposals/write-off	–	(6)	(58,910)	(10,265)	(10,600)	(79,781)
Reclassification between categories	2,227	8,210	–	(7,414)	(1,490)	1,533
At 31 March 2012	5,992	25,431	11,972	5,654	16,733	65,782
Exchange adjustment	34	212	100	47	100	493
Additions	1,108	–	–	–	2,546	3,654
Disposals/write-off	–	–	–	–	(2,164)	(2,164)
Reclassification between categories	5	–	–	–	35	40
At 31 March 2013	7,139	25,643	12,072	5,701	17,250	67,805
Accumulated depreciation						
At 1 April 2011	1,770	601	14,709	9,561	13,894	40,535
Exchange adjustment	69	95	298	195	289	946
Depreciation	495	3,482	6,782	2,128	3,408	16,295
Disposal of a subsidiary	–	–	–	–	(1,151)	(1,151)
Write back on disposal/write-off	–	–	(20,591)	(7,877)	(7,861)	(36,329)
Reclassification between categories	2,227	4,587	–	(3,781)	(1,500)	1,533
At 31 March 2012	4,561	8,765	1,198	226	7,079	21,829
Exchange adjustment	34	79	11	10	43	177
Depreciation	415	3,473	1,205	1,250	2,746	9,089
Write back on disposal/write-off	–	–	–	–	(1,617)	(1,617)
Reclassification between categories	–	–	–	728	(688)	40
At 31 March 2013	5,010	12,317	2,414	2,214	7,563	29,518
Net book value						
31 March 2013	2,129	13,326	9,658	3,487	9,687	38,287
31 March 2012	1,431	16,666	10,774	5,428	9,654	43,953

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

20. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group has reviewed the residual values used for the purposes of depreciation calculations in the light of the definition of residual value in the accounting standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. These residual values will be reviewed and updated annually in the future.

During the year ended 31 March 2012, the directors assessed the future economic benefits of turnpikes in certain forests. As the turnpikes were not in a good condition and were mostly destroyed, the Group recognized a write off for turnpikes in these forests.

The Company	Leasehold improvements HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost			
At 1 April 2011	2,008	4,548	6,556
Additions	111	39	150
Disposals/write-off	–	(38)	(38)
At 31 March 2012	2,119	4,549	6,668
Additions	–	23	23
At 31 March 2013	2,119	4,572	6,691
Accumulated depreciation			
At 1 April 2011	517	478	995
Depreciation	207	740	947
Disposals/write-off	–	(20)	(20)
At 31 March 2012	724	1,198	1,922
Depreciation	212	742	954
At 31 March 2013	936	1,940	2,876
Net book value			
At 31 March 2013	1,183	2,632	3,815
At 31 March 2012	1,395	3,351	4,746

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

21. INVESTMENT PROPERTY

	2013 HK$'000	2012 HK$'000
At 1 April	**3,554,530**	–
Acquisition of subsidiaries	**–**	3,569,030
Additional costs	**59,062**	–
Fair value gain	**51,953**	–
Exchange adjustment	**29,796**	(14,500)
At 31 March	**3,695,341**	3,554,530

The investment property is located in Taijiang District, Fuzhou, the PRC. It is a 7-storey (plus two basement levels) furniture shopping mall.

The fair value of the investment property at the end of reporting period was assessed by an independent valuer. The valuation was performed by adopting comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

The investment property is held under a medium-term lease.

22. CONSTRUCTION IN PROGRESS

	2013 HK$'000	2012 HK$'000
At 1 April	**8,236**	39,857
Additions	**2,260**	1,115
Transferred to property, plant and equipment (note 20)	**–**	(33,343)
Exchange adjustment	**73**	855
Written off	**–**	(248)
At 31 March	**10,569**	8,236

The construction in progress mainly represents a production factory development project in Shuangbai county of Yunnan province.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

23. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent land use rights in the PRC under a medium term lease. Movements during the year are as follows:

	2013 HK$'000	2012 HK$'000
At 1 April	**915,372**	1,247,495
Exchange adjustment	**8,356**	32,197
Disposals	**(27,031)**	(69,371)
Write-off (note 27)	**(3,098)**	(262,482)
Amount released to profit or loss	**(32,648)**	(32,467)
At 31 March	**860,951**	915,372
Classified as current assets	**18,211**	18,211
Classified as non-current assets	**842,740**	897,161

The above prepaid lease payments comprise the following:

	2013 HK$'000	2012 HK$'000
Land portion from the consideration in respect of the forest acquisitions (note)	**814,475**	868,073
Others	**46,476**	47,299
	860,951	915,372

Note:

It represents the amount allocated as land portion from the consideration in respect of the forests acquired by the Group in the PRC. The Group has obtained forest right certificates granted by local forestry bureaus in respect of prepaid lease payments for total areas of approximately 5 million Chinese Mu. For forests without forest right certificates of approximately 1.4 million Chinese Mu, the Group has lodged applications for forest right certificates to respective forestry bureaus since acquisitions. Due to change of rules and regulations in previous years, the approval process has been suspended as of the date of this report. However, the Group has obtained letters issued by the respective forestry bureaus and the legal opinion confirming the ownerships of these forests.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

24. INTANGIBLE ASSETS

	Goodwill HK$'000	Patent HK$'000	Total HK$'000
Cost:			
At 1 April 2011, 31 March 2012 and 2013	189,607	541,441	731,048
Accumulated amortisation and impairment:			
At 1 April 2011, 31 March 2012 and 2013	189,607	541,441	731,048
Net carrying amount:			
At 31 March 2013	–	–	–
At 31 March 2012	–	–	–

Goodwill

Goodwill acquired in a business combination was allocated, at acquisition, to the following cash-generating units at their carrying amounts, in ecological forestry business segment:

	2013 HK$'000	2012 HK$'000
Paper mulberry trees and other forest assets	**85,511**	85,511
Jatropha plantation and bio-diesel production	**104,096**	104,096
	189,607	189,607
Less: write-off	**(189,607)**	(189,607)
	–	–

In prior years, with reference to an independent valuation performed by an independent valuer on the recoverable amount of both cash-generating units, which had taken into account of the reduction in the development size of both paper mulberry trees business and Jatropha based bio-diesel business, the Group's latest business development strategies and current economic environment, the entire carrying amount of goodwill of HK$189,607,000 was impaired.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

24. INTANGIBLE ASSETS *(continued)*

Patent

The Group's patent is in relation to the technology in the coding protein and application of a Broussonetia Papyrifera Dehydration-Responsive Element Binding transcription factor gene to regulate and enhance the tolerance of Broussonetia Papyrifera to stress conditions such as drought, low temperature and high salt.

Patent amortisation is provided on a straight-line basis over the estimated useful live of 20 years.

The directors have performed impairment assessment of patent in prior years and wrote-off its carrying value as the Group decided to terminate the paper mulberry trees business in view of the Group's latest business development strategies and current economic environment.

25. INTERESTS IN SUBSIDIARIES

	2013 **HK$'000**	2012 HK$'000
Unlisted shares, at cost	**700,689**	700,689
Due from subsidiaries	**2,976,975**	2,987,089
Less: impairment losses	**(172,363)**	(172,363)
	3,505,301	3,515,415

At 31 March 2013 and 2012, the amounts due from subsidiaries principally represent advances which are unsecured and interest-free. These advances are considered as quasi-equity loans to the subsidiaries of which the repayment/settlement is neither planned nor likely to happen in the foreseeable future.

During the year ended 31 March 2012, an impairment was recognised for certain investments in subsidiaries and amounts due from subsidiaries with a carrying amount of HK$172,363,000 (before deducting the impairment loss) because the respective subsidiaries had been loss-making for some time and no future economic benefits was expected.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

25. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's principal subsidiaries as at 31 March 2013 were as follows:

Name	Place of incorporation/ establishment and operation	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Wan Fu Chun Forest Resource Development Company Limited	The PRC	Registered RMB487,181,000	100%	Tree plantation and management, manufacture and distribution of forestry products
Yunnan Shenyu New Energy Company Limited	The PRC	Registered RMB16,000,000	100%	Tree plantation and management, manufacture and distribution of forestry products
Fujian Sinco Industrial Company Limited	The PRC	Registered RMB290,000,000	100%	Property investment

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

26. LONG-TERM PREPAYMENTS

	2013 HK$'000	2012 HK$'000
Long-term prepayments	**116,740**	116,740
Less: Impairment loss	**(116,740)**	(116,740)
	–	–

Long-term prepayments represented deposits paid to relevant PRC local authorities for the construction of forest farms infrastructure in the PRC for the Group.

There are no movements in the provision for impairment of long-term prepayments for the year ended 31 March 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

26. LONG-TERM PREPAYMENTS *(continued)*

In view of the target for proactively addressing climate change and the additional afforestation for boosting "greening" efforts and improving forest carbon sequestration highlighted by the PRC Government, the Group had to recognised its logging operation and reduce its plantation activities and suspend the construction of infrastructure. As a result, the Group suspended the infrastructure work and full impairment had been made in prior years.

27. BIOLOGICAL ASSETS

	Jatropha HK$'000 (note (a))	Other forest assets HK$'000 (note (b))	Total HK$'000
As at 1 April 2011	362,920	2,124,506	2,487,426
Disposals	–	(32,449)	(32,449)
Exchange adjustment	8,480	53,112	61,592
Harvest as agricultural produce	–	(1,164)	(1,164)
Loss arising from changes in fair value less costs to sell	(233,226)	(916,137)	(1,149,363)
Plantation expenditure incurred	9,485	629	10,114
Write-off	–	(89,174)	(89,174)
As at 31 March 2012	147,659	1,139,323	1,286,982
Exchange adjustment	1,336	8,963	10,299
(Loss)/gain arising from changes in fair value less costs to sell	(32,737)	198,933	166,196
Plantation expenditure incurred	9,444	299	9,743
Write-off	–	(25,406)	(25,406)
As at 31 March 2013	125,702	1,322,112	1,447,814

Notes:

(a) Jatropha

The Group's Jatrophaare located in Yunnan Province, the PRC. They were valued by an independent valuer (the "Valuer") as at 31 March 2013 under the Net Present Value approach "NPV" approach.

In valuing the Group's Jatropha, the Valuer employed NPV approach by using a discount rate of 13% (2012: 13%) and the following major assumptions:

— The cash flows are those arising from the current rotation of Jatropha only. No account is taken of revenues or costs from re-establishment following harvest, or of land not yet planted.

— The estimated jatropha seed yield at maturity for the jatropha plantations are 183kg/mu (2012: 183kg/mu) which is estimated to be achieved in 5 years.

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for the year ended 31 March 2013

27. BIOLOGICAL ASSETS *(continued)*

Notes: (continued)

(b) Other forest assets

Other forest assets are standing trees in the natural, man-made and mixed forest farms located in various locations in the PRC.

The Group's other forest assets in the PRC were independently valued by the Valuer as at 31 March 2013. In valuing the Group's other forest assets, the Valuer applied the income expectation approach based on projected wood flows of the Group's forest assets, the projected future after 10% harvest tax cash flows, based on their assessment of current timber log price, and a discounted rate of 11.5% (2012: 11.5%).

The discount rate used in the valuation of the forest assets in the PRC was determined by reference to published discount rates, weighted average cost of capital analysis, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions in the Asia Pacific region over a period of time, with more weight given to the weighted average cost of capital.

The principal valuation methodology and assumptions adopted are as follows:

- A forest estate approach is employed whereby all stands are recognised collectively to achieve some desired result from the total forest resources.
- The cash flows are those arising from the current rotation of trees only. No account is taken of revenues or costs from re-establishment following harvest, or of land not yet planted.
- The cash flows do not take into account income tax and finance costs.
- The cash flows have been prepared in real terms and have not therefore included inflationary effects.
- The impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not taken into account.
- Costs are current average cost. No allowances has been made for cost improvements in future operations.

On 14 September 2012, the Group received a decision letter dated 6 September 2012 issued by Tongdao Dong Autonomous County People's Government (通道侗族自治縣人政府) and was being informed that five of the forest right certifications on the forests located at Xia Xiang Xiang Suo Li Cun, Tongdao Dong Autonomous County, Hunan Province, China (中國湖南通道侗族自治縣下鄉鄉所里村) granted by the relevant government authority of China to the Company's subsidiary, Wan Fu Chun Forest Resources Development Company Limited, in 2007 were being cancelled. Details of which are set out on the announcement dated 19 September 2012.

The fair value of the biological assets of the related forest lands was HK$25,406,000 and the carrying value of prepaid lease payments was HK$3,098,000 as at 31 March 2013, the Group decided to write off the forest lands in consideration of highly probable on the cancellation of those forest right certificates. The Group is still in the process of contest the decision on such cancellation to the relevant local government or court.

During the year ended 31 March 2012, the Group recognized a write-off of biological assets and prepaid lease payments of HK$89,174,000 and HK$262,482,000 respectively because the Group, having considered the likelihood of surrendering certain forest farms to the local authorities and the difficulties in obtaining harvesting permit, concluded that no future economic benefits can be generated from these forest farms.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Other receivables	**79,259**	80,260
Deposits	**878**	854
Prepayments	**302**	313
	80,439	81,427
Less: Impairment loss	**(75,552)**	(74,928)
	4,887	6,499

Included in the Group's other receivables as at 31 March 2013 were receivables of HK$54,158,000 (2012: HK$52,182,000) arising from the disposal of several forest farms to the third parties in prior years. Full impairment had been made in prior years.

Movements in the provision for impairment of other receivables are as follows:

	2013	2012
	HK$'000	HK$'000
At 1 April	**74,928**	67,665
Impairment losses recognised	**–**	5,230
Exchange adjustment	**624**	2,033
At 31 March	**75,552**	74,928

Included in the above impairment loss is a full provision for individually impaired other receivables of approximately HK$75,552,000 (2012: HK$74,928,000). The individually impaired other receivables relate to other debtors that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of the remaining other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

29. INVENTORIES

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

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

30. TRADE RECEIVABLES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

30. TRADE RECEIVABLES *(continued)*

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

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

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

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 **HK$'000**	2012 HK$'000
Equity securities listed in Hong Kong, at fair value	**171,971**	97,826

The above equity securities were designated as financial assets at fair value through profit or loss on initial recognition by the directors of the Company. Changes in fair values of financial assets at fair value through profit or loss are recorded in profit or loss as other net gains and losses (note 11).

32. AVAILABLE-FOR-SALE INVESTMENTS

	The Group and the Company	
	2013 **HK$'000**	2012 HK$'000
Equity securities listed in London, at fair value	**5,896**	155

The above investments represent investments in listed equity securities which are designated as available-for-sale investments by the directors. They offer the Group and Company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities is based on quoted market prices as at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

33. CASH AND CASH EQUIVALENTS

At 31 March 2013, the cash and cash equivalents denominated in RMB amounted to approximately HK$95 million (2012: HK$17 million). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. The remaining balance of the cash and cash equivalents of the Company was denominated in Hong Kong dollar.

34. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
As at 1 April, 2011, ordinary shares of HK$0.10 each	20,000,000	2,000,000
Share consolidation (note i(a))	(19,000,000)	–
Sub-division of ordinary shares (note i(c))	199,000,000	–
As at 31 March 2012 and 2013, ordinary shares of HK$0.01 each	200,000,000	2,000,000
As at 31 March 2012 and 31 March 2013, convertible preference shares of HK$0.01 each (note ii) (note 35)	602,000	6,020

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

34. SHARE CAPITAL *(continued)*

	Convertible preference share	
	Number of shares	Amount
	'000	HK$'000
Issued and fully paid:		
As at 1 April 2011, convertible preference shares of HK$0.01 each	–	–
Issue of convertible preference shares (note (iii))	601,667	425,198
Conversion of convertible preference shares (note (iii))	(200,000)	(141,340)
As at 31 March 2012 and 2013, convertible preference share of HK$0.01 each (note 35)	401,667	283,858

Notes:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

35. CONVERTIBLE PREFERENCE SHARES

On 30 January 2012, the Company issued 601,666,666 convertible preference shares as part of the consideration for the business combination as disclosed in note 44 to the financial statement. Convertible preference share of notional value of HK$3 each shall be convertible into one new ordinary share, subject to adjustment in the customary manner, including share consolidations, share subdivision, capitalisation issues, capital distributions, rights issues and issues of other securities for cash as discount of more than 20%. The convertible preference shares will rank (a) in priority to the ordinary shares of the Company and any other class of shares to return of capital; and (b) pari passu with ordinary shares of the Company as to any dividends accumulated on the convertible preference shares. The holder of each convertible preference share shall not have any voting rights. The convertible preference shares shall be non-redeemable and will not be listed on any stock exchange. The fair value of the convertible preference shares, at the initial recognition, amounted HK$425,198,000 was credited to convertible preference share.

During the year ended 31 March 2012, 200,000,000 convertible preference shares have been converted into 200,000,000 ordinary shares. There is no convertible preference shares converted during the year.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations. Pursuant to this objective, on 25 October 1998, the Company adopted a share option scheme (the "Scheme 1998") whose eligible participants include directors and employees of the Company and its subsidiaries as determined by the directors of the Company.

In compliance with the amendments to the Listing Rules, the directors of the Company consider that it is in the interest of the Company to terminate the Scheme 1998 and to adopt a share option scheme (the "Old Scheme"). An ordinary resolution was passed at the annual general meeting of the Company held on 23 November 2001 for the approval of the said adoption of the Old Scheme and termination of the Scheme 1998.

Eligible participants of the Old Scheme include directors and employees of the Company and its subsidiaries. The Old Scheme was terminated on 16 September 2011. The outstanding options granted shall continue to be valid and exercisable after the termination of the Old Scheme.

At the annual general meeting of the Company held on 16 September 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") and the termination of the Old Scheme. The purpose of the New Scheme is to provide the Company with a flexible and effective means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Participants. There appears to be no material difference between the terms of the Old Scheme and New Scheme, other than the scope of participants which, under the New Scheme, is more specific than that covered under the Old Scheme. The New Scheme covers any employee (full time and part time) holding salaries, consultants, agents, contractors, consumers and suppliers as the Board in its sole discretion considers eligible. Moreover, in relation to the various circumstances under which an Option will lapse, e.g. death and termination of employment, the periods following such circumstances during which an option-holder may exercise their options are different under the two schemes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

The exercise price, vesting period, the exercisable period and the number of Shares subject to each option will be determined by the Board at the time of grant. No option was granted by the Company under the New Scheme since its adoption to the date of this report.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the New SO Scheme, if earlier.

On 30 November 2011, a special resolution was passed at a special general meeting to approve the Capital Reorganisation effective on 1 December 2011. The exercise prices and the number of shares which may be issued upon exercise of share options granted have been adjusted subsequent to the implementation of the Share Consolidation and Capital Reduction as disclosed in note 34 to the financial statement.

On 27 March 2007, a total of 9,255,000 share options were granted to the directors and employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$19.60 per share. The option shall be vested in the following manner:

Starting from	1 April 2007	Not more than 40%
	2 April 2007 to 1 April 2008	Not more than 70%
	2 April 2008 to 1 April 2009	The outstanding balance

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

On 2 October 2007, a total of 450,000 shares options were granted to the directors of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$52.20 per share. The option shall be vested in the following manner:

Starting from	3 October 2007	Not more than 40%
	4 October 2007 to 3 October 2008	Not more than 70%
	4 October 2008 to 3 October 2009	The outstanding balance

On 30 September 2008, a total of 7,450,000 shares options were granted to the directors and employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$7.80 per share. The option shall be exercisable in the following manner:

Starting from	30 September 2008	100%

On 30 October 2008, a total of 600,000 shares options were granted to the employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$4.84 per share. The option shall be vested in the following manner:

Starting from	30 October 2008	Not more than 40%
	1 November 2008 to 30 October 2009	Not more than 70%
	1 November 2009 to 30 October 2010	The outstanding balance

On 23 January 2009, a total of 1,000,000 shares options were granted to the directors of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$5.72 per share. The option shall be vested in the following manner:

Starting from	23 January 2009	Not more than 40%
	24 January 2009 to 23 January 2010	Not more than 70%
	24 January 2010 to 23 January 2011	The outstanding balance

On 9 February 2009, a total of 15,330,000 shares options were granted to the directors and employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$5.90 per share. The option shall be vested in the following manner:

Starting from	10 February 2009	Not more than 40%
	11 February 2009 to 10 February 2010	Not more than 70%
	11 February 2010 to 10 February 2011	The outstanding balance

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

On 2 March 2010, a total of 32,905,000 shares options were granted to the directors, consultants and employees of the Group at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$5.80 per share. The option shall be vested in the following manner:

For director

Starting from	2 March 2010	100%

For employee and consultants

Starting from	2 March 2010	Not more than 42%
	3 March 2010 to 2 March 2011	The outstanding balance

(a) The terms and conditions of the share options that existed at 31 March 2013 and 2012 is as follows:

Date of grant	Vesting period	Exercise period	Contractual exercise price	Contractual life of options	Number of options 2013	2012
Options granted to ex-directors:						
27 March 2007	2 years from the date of grant	1 April 2007 to 31 March 2017	HK$19.60	10 years	**300,000**	300,000
30 September 2008	Immediately	30 September 2008 to 29 September 2018	HK$7.80	10 years	**300,000**	300,000
9 February 2009	2 years from the date of grant	9 February 2009 to 8 February 2019	HK$5.90	10 years	**500,000**	500,000
Options granted to directors:						
2 March 2010	Immediately	2 March 2010 to 1 March 2013	HK$5.80	3 years	**–**	1,345,000
Options granted to employees and consultants:						
27 March 2007	2 years from the date of grant	1 April 2007 to 31 March 2017	HK$19.60	10 years	**1,030,000**	1,030,000
2 October 2007	2 years from the date of grant	3 October 2007 to 2 October 2017	HK$52.20	10 years	**300,000**	300,000
30 September 2008	Immediately	30 September 2008 to 29 September 2018	HK$7.80	10 years	**5,150,000**	5,150,000
30 October 2008	2 years from the date of grant	30 October 2008 to 29 October 2018	HK$4.84	10 years	**500,000**	500,000
23 January 2009	2 years from the date of grant	23 January 2009 to 22 January 2019	HK$5.72	10 years	**1,000,000**	1,000,000
9 February 2009	2 years from the date of grant	9 February 2009 to 8 February 2019	HK$5.90	10 years	**5,680,000**	5,680,000
2 March 2010	1 year from the date of grant	2 March 2010 to 1 March 2013	HK$5.80	3 years	**–**	27,615,000
					14,760,000	43,720,000

NOTES TO THE FINANCIAL STATEMENTS

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36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(a) *(continued)*

At the end of reporting period, the Company had 14,760,000 share options outstanding under the Scheme, which represented approximately 2% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 14,760,000 additional ordinary shares of the Company and additional share capital of HK$147,600 and share premium of HK$128,707,200 (before issue expenses).

(b) The number and weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at beginning of year	**6.79**	**43,720,000**	6.70	48,165,000
Forfeited during the year	**5.80**	**(28,960,000)**	5.81	(4,445,000)
Outstanding at end of year	**8.73**	**14,760,000**	6.79	43,720,000
Exercisable at end of year	**8.73**	**14,760,000**	6.79	43,720,000

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.52 years (2012: 2.81 years).

(c) **Fair value of share options and assumptions**

There was no grant of equity-settled share options and no equity-settled share-based payment was charged to profit or loss during the years ended 31 March 2013 and 2012.

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37. RESERVES

The Company

	Convertible Preference Share HK$'000 (note 35)	Share premium account HK$'000	Subscription right reserve HK$'000 (note i)	Conversion option reserve HK$'000 (note ii)	Share-based compensation reserve HK$'000 (note iii)	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011	–	2,176,284	24,543	–	99,156	–	(304,344)	1,995,639
Loss and total comprehensive income for the year	–	–	–	–	–	–	(211,198)	(211,198)
Other comprehensive income	–	–	–	–	–	(1,270)	–	(1,270)
Reclassification to profit or loss	–	–	–	–	–	1,270	–	1,270
Total comprehensive income for the year	–	–	–	–	–	–	(211,198)	(211,198)
Capital reorganization	–	969,234	–	–	–	–	–	969,234
Issue of convertible preference share (note 35)	425,198	–	–	–	–	–	–	425,198
Conversion of convertible preference share	(141,340)	139,340	–	–	–	–	–	(2,000)
Lapse of share options	–	–	–	–	(6,932)	–	6,932	–
Lapse of warrants	–	–	(24,543)	–	–	–	24,543	–
Issue of convertible notes (note 39)	–	–	–	69,742	–	–	–	69,742
At 31 March 2012	283,858	3,284,858	–	69,742	92,224	–	(484,067)	3,246,615
Loss and total comprehensive income for the year	–	–	–	–	–	5,741	(63,960)	(58,219)
Lapse of share options	–	–	–	–	(41,529)	–	41,529	–
At 31 March 2013	283,858	3,284,858	–	69,742	50,695	5,741	(506,498)	3,188,396

Notes:

(i) Subscription right reserve represents net proceeds received from issue of warrants. During the year 2012, the warrants were lapsed.

(ii) Conversion option reserve represents equity portion of convertible notes issued by the Company.

(iii) Share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees, directors and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments.

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38. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income	**62,183**	58,605	**–**	–
Other payables and accruals	**75,546**	93,235	**4,216**	8,485
Deposits received from tenants	**15,823**	2,454	**–**	–
Accrued bank loans interest	**29,638**	–	**–**	–
Received in advance	**26,979**	14,691	**–**	–
Consideration payables for the acquisition of subsidiaries	**49,788**	49,788	**29,788**	29,788
Consideration payables for the acquisition of forest farms	**165,286**	187,446	**–**	–
	425,243	406,219	**34,004**	38,273

39. CONVERTIBLE NOTES PAYABLE

The Company issued convertible notes with an aggregate principal amount of HK$461,676,000 as part of consideration of the acquisition as disclosed in note 44 to the financial statements. The convertible notes carry zero-coupon interest rate. The convertible notes have a maturity period of 5 years from the date of issue.

The holders are entitled to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK$3 per conversion share at any time during the period commencing from the date of issuance of the convertible notes. The conversion price is subject to adjustments upon the occurrence of, among other matters, subdivision or consolidations of shares, capitalisation issues, rights issues, issues of shares at discount of more than 20% and other dilutive events in accordance with the terms and conditions of the convertible notes.

The Company shall have the right to redeem any portion of the convertible notes outstanding at an amount equals to the principal amount of the convertible notes in its sole and absolute discretion at any time and from time to time prior to the date falling on the seventh business day prior to the maturity date by giving to the holders not less than 10 business days' prior written notice.

The holders shall have the right at any time before the date falling on the seventh business day prior to the maturity date to request the Company to redeem the whole or part of the outstanding principal amount of the convertible notes at a price equal to 100% of the amount to be redeemed, provided that the Company, having regard to the financial situation of the Group, accepts the request of the holders for early redemption.

The fair value of the convertible notes, at the initial recognition, was HK$287,919,000, comprising liability component of HK$258,280,000, conversion option component of HK$69,742,000 and early redemption option of HK$40,103,000. The conversion option component was credited to conversion option reserve and the early redemption option was recorded in derivative financial instrument under non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

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39. CONVERTIBLE NOTES PAYABLE *(continued)*

The Group and the Company movement of the liability and derivative financial instrument components are as follows:

	Liability component HK$'000	Derivative financial instrument HK$'000
At 1 April 2011	–	–
Convertible note to be issued	258,280	(40,103)
Imputed interest expense (note 12)	3,975	–
Change in the fair value	–	12,459
At 31 March 2012	262,255	(27,644)
Imputed interest expense (note 12)	32,287	–
Change in the fair value	–	20,754
At 31 March 2013	294,542	(6,890)

The liability component was calculated by an independent valuer using discounted cash flow at an effective interest rate of 12.3% at 15 February 2012, date of completion of the acquisition as disclosed in note 44 to the financial statements. The liability component carried on amortised cost basis until extinguished on conversion or redemption.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

39. CONVERTIBLE NOTES PAYABLE *(continued)*

The Company determined the fair value of the conversion option component and the early redemption option is based on the valuation preformed by an independent valuer using the Binomial Tree Pricing Model. The major inputs into the models were as follows:

	At 31 March 2013	At 31 March 2012	At 15 February 2012 (Note d)
Conversion price	HK$3.00	HK$3.00	HK$3.00
Expected volatility (note a)	64%	77.80%	78.32%
Expected life (note b)	4 years	5 years	5 years
Risk free rate (note c)	0.42%	0.55%	0.61%

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.

(d) 15 February 2012 was used for the calculation of the components of the convertible notes as this is the date of completion of the acquisition as disclosed in note 44 to the financial statements.

During the year, loss of HK$20,754,000 (2012: loss of HK$12,459,000) was recognised as a change in fair value of derivative financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

40. DEFERRED TAXATION

(a) The following are the deferred tax liabilities recognised by the Group and the Company and movements thereon during the current and prior years:

The Group

	Notes	Fair value of biological assets over procurement cost HK$'000	Fair value change on investment property HK$'000	Total HK$'000
At 1 April 2011		135,526	–	135,526
Acquisition of subsidiaries		–	633,688	633,688
Deferred tax credited to profit or loss	13	(138,074)	1,554	(136,520)
Exchange adjustment		2,548	(2,467)	81
At 31 March 2012		–	632,775	632,775
Deferred tax charged to profit or loss	13	–	15,837	15,837
Exchange adjustment		–	5,296	5,296
At 31 March 2013		–	653,908	653,908

(b) Deferred income tax assets were recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$338,887,000 (2012: HK$435,760,000) to be carried forward for offset against future taxable income which included tax losses of HK$207,692,000 may be carried forward against future taxable income for a period of five years in accordance with the PRC tax law. The remaining tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

41. TRADE PAYABLES

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

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

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

42. LONG TERM PAYABLES

	The Group	
	2013 **HK$'000**	2012 HK$'000 (Restated)
Consideration payables for acquisition of certain forest farm (note i)	**71,660**	58,245
Loans from related parties (note ii)	**–**	613,859
	71,660	672,104

Notes:

(i) The consideration payables for the acquisition of certain forest farms of the Group represent the present value of unpaid biological assets and prepaid lease payments, and their related imputed interest arisen from the discounting of such consideration payables.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

43. BANK BORROWINGS

	The Group	
	31 March 2013 HK$'000	31 March 2012 HK$'000
Bank loans — secured	**734,885**	–
Total current and non-current bank borrowings were repayable as follows:		
Bank loans repayable:		
Within one year	**34,605**	–
More than one year, but not exceeding two years	**41,878**	–
More than two years, but not exceeding five years	**232,925**	–
After five years	**425,477**	–
	734,885	–
Portion classified as current liabilities	**(34,605)**	–
Portion classified as non-current liabilities	**700,280**	–

Note:

The amounts due are based on the scheduled repayment dates in the loan agreements. The loan agreements do not contain any repayment on demand clause.

The bank loans are secured by the subsidiary's investment property with carrying value of approximately HK$3,695,341,000. As at 31 March 2013, the bank loans include loan principal amounts of HK$181,677,300 and HK$599,411,500 which bear interest at 7.86% and 8.16% 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.

44. BUSINESS COMBINATION

(a) Financial effect of business combination

On 15 February 2012, the Group, through Grand Supreme Limited, a wholly owned subsidiary, completed the acquisition of the entire shareholdings of Great Peace Global Group Limited, a company incorporated in the British Virgin Islands and the entire shareholdings of Grandbiz Holdings Limited, a company incorporated in the British Virgin Islands, who hold in aggregate 100% equity interest in Fujian Sinco Industrial Co., Ltd. ("Fujian Sinco") (the "Acquisition"). Fujian Sinco holds a shopping mall in Fuzhou as described in note 21 to the financial statements.

The primary reason for the business combination of the Group is to broadening its revenue source because the revenue from the Group's forestry business has been declining.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

44. BUSINESS COMBINATION *(continued)*

(a) Financial effect of business combination *(continued)*

Fair value of assets and liabilities recognised at the date of Acquisition:

	Acquiree's fair value HK$'000 (restated)
Net assets acquired:	
Investment properties	3,569,030
Property, plant and equipment	3,015
Deposits and prepayments	968
Other receivable	45,137
Amounts due from related companies/parties	6,527
Cash and cash equivalents	2,496
Trade payables	(27,046)
Amounts due to related companies/parties	(6,033)
Loan from a related company	(612,021)
Other tax receivables	1,171
Received in advance	(20,498)
Tax payable	(3,631)
Deferred taxation	(633,688)
	2,325,427

Gain on bargain purchase on Acquisition

	HK$'000 (restated)
Consideration transferred (note (c))	1,348,117
Less: fair value of identified net assets acquired	(2,325,427)
Gain on bargain purchase	(977,310)

Post-acqusition contribution to revenue and net profit of Fujian Sinco as included in the Group's consolidated statement of comprehensive income for the year ended 31 March 2012 is HK$17,504,000 and HK$6,170,000 respectively. If the Acquisition had incurred on 1 April 2011, the revenue and net profit of the Group for the year ended 31 March 2012 would have been HK$17,596,000 and HK$8,674,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

44. BUSINESS COMBINATION *(continued)*

(b) Analysis of the net outflow of cash and cash equivalents as a result of the acquisition is as follows:

	HK$'000
Cash paid	635,000
Cash and cash equivalents acquired	(2,496)
	632,504

(c) Analysis of the components of purchase consideration as at the date of acquisition

	Notes	HK$'000
Cash paid		635,000
Fair value of convertible preference shares issued	35	425,198
Fair value of convertible notes to be issued		
— Liability component	39	258,280
— Early Redemption Option	39	(40,103)
— Conversion option reserve	39	69,742
		1,348,117

The aggregate consideration of the Acquisition has been settled in the following manner:

— HK$635,000,000 of the consideration in cash;

— Issuance of 601,666,666 convertible preference shares; and

— Issuance of convertible notes with principal amount of HK$461,676,000

According to the acquisition agreements, the consideration is subject to the adjustment based on the aggregated net assets value of Fujian Sinco as at the completion date ("Net Assets Value"). The Net Assets Value is defined as the net asset value of Fujian Sinco plus the deferred tax liability. The vendors and a guarantor have jointly and severally undertaken to the Company and guarantee that the Net Assets Value of Fujian Sinco as shown in the completion accounts will not be less than HK$3,140,000,000 (the "Guaranteed Amount"). As at the completion date, the Net Assets Value of Fujian Sinco was HK$2,902,000,000. The above consideration has reflected the shortfall between the Net Assets Value of Fujian Sinco at the completion date and the Guaranteed Amount.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

45. DISPOSAL OF A SUBSIDIARY

On 30 August 2011, the Group disposed of its 100% equity interest in a subsidiary, Fancy Spirit Limited for a consideration of approximately HK$1,199,000.

The net assets of the subsidiary disposed of at the date of disposal were as follows:

	HK$'000
Bank balances and cash	209
Property, plant and equipment	1,920
Other payables and accruals	(10)
Net assets disposed of	2,119
Loss on disposal of a subsidiary	(920)
Total consideration	1,199
Net cash inflow arising on disposal:	
Cash consideration received	1,199
Bank balances and cash disposed of	(209)
	990

46. NON CASH TRANSACTION

As disclosed in note 44 to the financial statements, the consideration for the business combination was partly settled by the issuing of convertible notes and convertible preference shares of the Company.

47. CONTINGENT LIABILITIES

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

48. LEASES

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

The Group as lessee

The lease payment recognised as an expenses are as follows:

	Note	**2013** **HK$'000**	2012 HK$'000
Minimum lease payments	14	**3,004**	4,314

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

48. LEASES *(continued)*

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**1,108**	808
In the second to fifth years, inclusive	**77**	12
More than five years	**233**	250
	1,418	1,070

The Group as lessor

The Group's shopping mall was leased to a number of tenants for varying terms.

	Group	
	2013 **HK$'000**	2012 HK$'000
Not later than one year	**36,445**	36,827
Later than one year and not later than five years	**24,083**	27,229
Later than five years	**54,611**	73,814
	115,139	137,870

49. CAPITAL COMMITMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

50. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

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

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

(b) Transactions/balances with related parties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

51. NATURAL RISK

One of the Group's business segment is ecological forestry segment. It generates revenue based on the ability to harvest wood which may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting in the concessions, or otherwise impede the Group's logging operations or the growth of the trees in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and in a timely manner.

Moreover, bad weather may adversely affect the condition of the Group's transportation infrastructure, which is critical for the Group to supply timber to the Group's customers. The Group has developed a strategy for utilising different transportation modes and stockpiling, but its daily operations may be unfavourably affect by interruption of transportation due to bad weather or other reason.

52. CONTINGENCIES

The Group has been informed that there were uncertainties of several forest land use rights that dispute may arise between forest land vendors and the Group. Legal advice received supports the directors' belief that the forest land use rights were still retained at year end. The directors will continue to seek legal advice and negotiate with forest land vendors. The carrying amount of related prepaid lease payment on the forest land use rights and the biological assets held at year end were HK$4,622,000 (2012: HK$3,301,000) and HK$15,649,000 (2012: HK$10,125,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

53. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as at 31 March 2013 and 2012 are categorized as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Financial Assets		
At fair value through profit or loss		
— held for trading	**171,971**	97,826
— derivative financial instrument	**6,890**	27,644
Available-for-sale investment measured at fair value	**5,896**	155
Loan and receivable (including cash and bank balances)	**126,841**	38,213
Financial Liabilities		
Financial liabilities measured at amortised cost	**1,468,337**	1,306,762

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

HKFRS 7 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data. This level includes the unlisted investment fund with quote issued by respective fund administrator.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

53. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(continued)*

31 March 2013

	Group			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss — listed	**171,971**	**–**	**–**	**171,971**
Available-for-sale investments — listed	**5,896**	**–**	**–**	**5,896**
Derivative financial instrument	**–**	**6,890**	**–**	**6,890**

31 March 2012

	Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss — listed	97,826	–	–	97,826
Available-for-sale investments — listed	155	–	–	155
Derivative financial instrument	–	27,644	–	27,644

During both years, there was no significant transfer between level measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

54. EVENTS AFTER THE REPORTING PERIOD

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

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

55. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2013.