OMNICORP

OMNICORP LIMITED

兩儀控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code:94

Annual Report 2009

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Wong Kin Chi* *(Chairman)*
Sung Yan Wai, Petrus#
(Acting Managing Director and Acting Chief Executive Officer)
Hui Tung Wah, Samuel#
Chau Chi Piu, Alex#
(resigned on 11 January 2010)
Wong Che Keung, Richard*
Tong Yee Yung, Joseph*

Executive Director
* *Independent non-executive Director*

AUDIT COMMITTEE

Wong Che Keung, Richard *(Chairman)*
Tong Yee Yung, Joseph
Wong Kin Chi

REMUNERATION COMMITTEE

Tong Yee Yung, Joseph *(Chairman)*
Wong Che Keung, Richard
Wong Kin Chi

COMPANY SECRETARY

Chow Miu Fan

AUTHORIZED REPRESENTATIVES

Sung Yan Wai, Petrus
Chow Miu Fan

INDEPENDENT AUDITORS

Moore Stephens

SOLICITORS

Sit, Fung, Kwong & Shum

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suites 1801-03, 18/F.
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong
Tel: (852) 2877 2989
Fax: (852) 2511 8998

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

PRINCIPAL REGISTRAR & TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM DX
Bermuda

BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

http://www.omnicorplimited.com

INVESTOR RELATIONS

info@omnicorplimited.com

STOCK CODE

94

Chairman's Statement

2009 is an eventful and challenging year. The global financial crisis and the economic crisis that followed dampened the global demand of forest products made the Group's forestry and timber division a very difficult start for the Year 2009.

However, helped by the enormous stimulus program implemented by the governments all over the world, the global economy has now recovered and stabilized from the economic crisis. The forest product markets, in particular in China, began to revive since the second half of 2009. Our forestry and timber business also started to pick up, with both selling prices and volume recording strong rebound.

For the whole year, the Group made considerable progress and recorded a total revenue of HK$11,226,000 (2008: HK$4,773,000), an increase of 135.2% from last year and a gross profit of HK$5,814,000 (2008: HK$807,000), an increase of 6.2 times from last year. Despite still reporting a loss for the Year, the Group emerged as a stronger market player with strengthening market share and presence and enhanced operation efficiency and capacity. Positive contributions from our product sales are expected to have more significant positive impact as the sales volume of our products increases. Our Suriname operation has now become one of the leading exporting forestry products companies in that country.

The Group's corporate policy of being a sustainable corporation sets a strong commitment to develop and implement environmental, social and economic sustainability strategies. We evaluate our success not only based on financial bottom-lines but also in terms of social and environmental development targets.

The Group intends to stay committed to forest certification in preparation to meet current and future market demands for certified wood products. Furthermore, Sustainable Forestry Management and Reduced Impact Logging remain the key policies of our forestry and timber business to ensure our wood products are always well accepted.

Through our subsidiaries in Suriname, the Group provides local village communities with employment opportunities, training and other services with the aim to improve the local community living standards. We hold regular meetings with the representatives from the local villages to understand their needs and provide direct support for them. For examples, during the Year, we constructed and repaired several access roads and bridges to shorten the commuting time between the villages and the main trunk road, and we also provided subsidies to build facilities for the villages.

Chairman's Statement

Significant improvements and investments were made in 2009 in strengthening the sales, logistics and operational aspects of our forest and timber division.

OUTLOOK

After several years of sustained investments, the Board is confident that the fundamentals of our forestry and timber business fundamentals are strong, primarily as a result of the unique high valued Suriname tropical hardwood, established sales network in China and our hands-on experiences in operating forest concessions under sustainable forestry management.

The Group has seen its China customers stepping up their orders along with the gradual recovery of the global economy commencing from the second half of 2009. This trend is further accelerating in the beginning of 2010. In addition to the traditional use of the tropical hardwood, such as flooring, parquet, decking, furniture etc, the rising energy costs and environmental awareness create growing needs for green buildings, which favor wood as building materials, and alternate fuels, including wood biomass. In fact, Japan has recently passed a bill to raise the use of wood from sustainable sources in low rise public buildings from the present level of 7.5% to 20-30%. Many European countries governments are also promoting green buildings through laws and programs, as well as procurement policies. The Board believes this initiative in the public sector will have a knock-on effect on the private sector leading to greater use of wood in buildings thereby driving potential huge upside for tropical hardwood, which is in general more durable and therefore more suitable for the construction of green buildings.

Seen in these terms and the diminishing supply due to deforestation in the past and the stricter environmental constraints and requirements now practiced by an increasing number of countries in the world, the prospects of the Group, as a sustainable forestry management wood supplier company, is promising.

Our long term corporate mission is to build the Group into a world leading hard wood supplier. To fast track our growth, we are also actively looking for acquisition opportunities. With the support of Sino-Forest Corporation which became the single largest shareholder of the Company during the Year and holds most of the convertible bonds and the solid foundation secured by the Group, we will accelerate the expansion pace through acquisitions and future expansion in production and logistic capacity to strengthen our position in the forestry and timber industry.

Chairman's Statement

Looking ahead for 2010, it is expected that the China economy and most of the emerging countries will continue their growth momentum while the rest of the world is gradually recovering. The tropical hardwood market remains strong. The Group will adopt an expansion strategy coupled with our usual fiscal prudence. We will continue our efforts to strengthen our market position, improve operating efficiency and minimize external borrowings where possible to maintain financial stability and develop the Group into a leader in the hardwood business.

The Group will also continue to explore investments opportunities in other areas to provide satisfactory return to the Group's resources.

APPRECIATION

Finally I would like to take this opportunity to extend my gratitude to my fellow Directors, our executives and staff for their dedication and hard work. Together we should be able to achieve satisfactory Triple Bottom Lines not only for our Business, but also for the Environments and Society.

Wong Kin Chi
Chairman

Hong Kong, 26 March 2010

Management Discussion and Analysis

BUSINESS REVIEW

Despite the very challenging economic condition which prevailed over the course of 2009 ("the Year"), the Group secured solid growth of revenue and gross profit. During the Year, the Group recorded total revenue of HK$11,226,000 (2008: HK$4,773,000), representing an increase of 135.2% from last year and gross profit of HK$5,814,000 (2008: HK$807,000), representing an increase of 6.2 times from last year.

The notable improvement of revenue and gross profit was mainly contributed by our forestry and timber division. Revenue of the forestry and timber division for the Year was HK$10,755,000 (2008: HK$2,914,000), representing a growth of 2.7 times from last year. The corresponding gross profit margin turnarounded from a negative 2% for 2008 to 49.7% for the Year. The high growth in this segment was mainly due to the Group's success in penetrating into the China market by building up its own sales team, a process started near the end of 2008 and the successful promotion of certain lesser known species to the market. As the global financial crisis seems to have bottomed out towards the end of the year, the global demand for wood products is forecasted to continue to rise throughout 2010. The impact of this on the tropical hardwood log market was further heightened by the log export ban policy recently announced by Gabon, one of the major tropical hardwood exporting countries in the world. In fact, we have seen our customers stepping up their orders along with some upward prices adjustments since the beginning of 2010. With the upturn of the demand of our logs, the Group will continue to make investment to raise our productivity and improve operation efficiency to enhance supply and delivery to the market.

Other income of the Group amounted to HK$1,137,000 for the Year, a decrease of HK$9,687,000 compared with HK$10,824,000 for 2008. The decrease is mainly due to the one-off gain of approximately HK$6,313,000 recorded last year arising from the deconsolidation of Lik Hang Electronic Components Limited ("Lik Hang") which entered into creditors winding up procedures in December 2008. Lik Hang was an indirectly owned subsidiary of Omnitech Holdings Limited ("OHL"), a company listed in the Australian Securities Exchange and the holding company of our electronic components division. OHL was also disposed of in December 2009. As all the Group's investment and interest in OHL had been fully provided for and written off in prior years, there was no material impact on the results and the financial position of the Group as a result of the disposal. Upon completion of the disposal, the Company ceased to have any interest in OHL.

Management Discussion and Analysis

Selling and distribution costs, represented mainly the trucking, barging and ocean freight costs incurred for our export of logs and forestry products, increased by HK$4,267,000 to HK$4,731,000 for the Year. The significant increase in selling and distribution costs as a percentage of sale in the Year was mainly due to the continuing increase of ocean freight charges in the second half year of 2009 and the expenses paid for chartering of external tug boats for short term barging to meet the increase in demand of our products. As a long term strategy, we will continue to make investment in our equipments and vessels so as to raise our logistic capacity and optimize profitability.

Other operating expenses increased significantly to HK$34,362,000 for the Year from HK$9,833,000 for the last year. Such increase was mainly attributable to the share option expenses of HK$24,334,000 arising from the share options granted by the Company to our staff and other eligible persons during the Year. After taking out the effect of the share option expense which is non-recurring and non-cash, the Group's other operating expenses for the Year amounted to HK$10,028,000 which is more or less in line with the level of other operating expenses incurred for last year.

The share of results of associates recorded a loss of HK$1,725,000 (2008: HK$50,982,000), reflecting our share of the operational loss of the associates.

The Group's finance costs of HK$20,883,000 mainly represented interest paid for its Convertible Bonds. Pursuant to the supplemental agreement entered into between the Company and the Convertible Bondholders, the maturity date of the Convertible Bonds is extended to 9 November 2010 exclusively. After comparing the discounted present value of the remaining cash flows of the Convertible Bonds with the discounted present value of the cash flows under new terms, the effect of such alteration is considered as not substantial and no adjustment is made on the carrying amount of the Convertible Bonds.

Whilst the Group has yet to record an operating profit, it is clear that the Group has made considerable progress. The loss attributable to the equity holders of the Company for the year fell to HK$86,247,000 compared with HK$103,783,000 for 2008.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to sustain a good liquidity position.

As written confirmation was obtained from Sino-Forest, which is the ultimate beneficial owner of HK$212,328,000 Convertible Bonds after its acquisition of HK$167,631,000 Convertible Bonds from the original bondholders on 6 February 2009, for its agreement to enter into discussion with the Company which may result in Sino-Forest supporting the Company in proposing to the holders of the Convertible Bonds a modification to the existing terms of the Convertible Bonds, which may include a further extension of the maturity date of the Convertible Bonds from 9 November 2010 to a date not earlier than 9 November 2011. Pursuant to the Convertible bond instrument, alteration of terms could be induced upon obtaining consents from bondholders with over 50% of beneficial interest of the Convertible Bonds, as such, the total balance of the Convertible Bonds was classified as non-current liabilities as at 31 December 2009.

After taking into account the above, the Group's current assets and current liabilities as at 31 December 2009 were HK$52,096,000 and HK$28,778,000 (31 December 2008: HK$120,844,000 and HK$55,939,000, respectively). The Group also maintain cash and bank balances of approximately HK$40,916,000 (31 December 2008: HK$111,589,000) with no bank borrowings outstanding (31 December 2008: Nil).

As at 31 December 2009, the Group's gearing ratio, which was calculated on the basis of bank borrowings and other loan to shareholders' fund, was Nil (31 December 2008: Nil).

The Group has limited exposure to the foreign exchange fluctuation risks as most of its sales are denominated in Hong Kong dollars and United States ("US") dollars, being the same currencies in which the Group's related costs and expenses are denominated. The Directors considered that the recent depreciation of the US dollars will not have material impact to the Group. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instruments outstanding as at 31 December 2009.

As at 31 December 2009, there were 314,539,152 shares in issue.

CHARGES ON GROUP ASSETS

As at 31 December 2009, the Group pledged 4,599,000,000 ordinary shares of no par value, representing 60% of the issued share capital of Greenheart Resources Holdings Limited ("Greenheart"), a 60.39% indirectly owned subsidiary of the Company, and all indebtedness owing by Greenheart and its subsidiaries ("Greenheart Group") to the Group (other than the Greenheart Group) as securities in favour of the holders of the Convertible Bonds.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the Year, the Group spent approximately HK$2,630,000 (31 December 2008: approximately HK$7,716,000) on acquisition of property, plant and equipment.

Management Discussion and Analysis

SHARE OPTION SCHEME

As at 31 December 2009, there were options for 35,120,000 ordinary shares of HK$0.01 each in the share capital of the Company granted by the Company pursuant to the option scheme, as adopted by the shareholders of the Company on 22 March 2002, which were valid and outstanding. 1,364,000 options lapsed or were forfeited during the Year.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2009, the number of employees of the Group was about 138. Employees' cost (including directors' emoluments) amounted to approximately HK$36,752,000 for the Year. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group has set up the Mandatory Provident Fund Scheme for the Hong Kong employees and has made contributions to the pension scheme for the staff in Suriname. The Group also has a share option scheme to motivate valued employees.

PROSPECTS

Due to the concerted efforts of various countries and massive stimulus packages in combating the economic downturn triggered by the financial tsunami in the second half of 2008, the world economy seems to have recovered and stabilized at least temporarily.

For the Group, the Year has been a year of consolidation, reengineering and continued investments, to prepare for further expansion in 2010 and beyond.

The Group will continue to expand its sales network in China. China is a major consumption market for the timber and hardwood products, and the demand will be even stronger amid the government's fiscal expansion policy. The Group will also benefit from increase in sales price with the overall increase in GDP and improvement in living standards in China.

To support the strong demand of our forestry and timber products, the Group budgets further capital investments, including building our own jetty, further investment in logging and transportation equipment, together with the planned new sawmill and better infrastructure in our camp site. Under the current market condition, the Group will of course be very cautious in deciding the allocation of the financial resources and will continue to maintain a balance between the investment requirements of the business and the need to maintain a strong and healthy financial position.

In addition to organic growth, the Group is also actively exploring certain investment opportunities. With the support of Sino-Forest, our single largest shareholder, the Group is planning to accelerate our expansion plan through mergers and acquisitions to build up and transform the Group into a world leading hard wood supplier.

Biographical Details of Directors

Mr. Wong Kin Chi, aged 58, is the Chairman and an independent non-executive director of the Company. He joined the Board in September 2004 with an MBA degree from the University of Durham of United Kingdom. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Chartered Institute of Management Accountants of the United Kingdom and the Society of Management Accountants of Canada over 10 years. Mr. Wong is currently running a company rendering financial and educational management services for clients. He had over 20 years of experience serving as financial controller and senior executive in a number of multi-national corporations and as an auditor in an international accounting firm. Mr. Wong is a non-executive director of Omnitech Holdings Limited ("Omnitech") whose shares are listed on Australian Securities Exchange and had been an independent non-executive director of A-S China Plumbing Products Limited from 30 September 2004 to 15 December 2009 whose shares were listed but withdrawn from the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") with effect from 15 December 2009.

Mr. Sung Yan Wai, Petrus, aged 49, is the Acting Managing Director and Acting Chief Executive Officer and an executive director of the Company. Mr. Sung joined the Board in March 2003. He is also an executive director of Omnitech. He is the co-founder and President of ScalaSoft Limited, a company specialized in Information Technology ("IT") system development, WEB software engineering and strategic technology planning. Prior to that, Mr. Sung had been the Vice President of IT at Morgan Stanley, IT Consulting Manager of Sun Microsystems, System Design Engineer with Amdahl Corporation in Silicon Valley, United States of America ("USA") and Senior System Analyst of Nomura Research Institute Hong Kong Limited. Mr. Sung received his Bachelor of Science degree in Electrical Engineering and Computer Science from University of California, Berkeley.

Mr. Hui Tung Wah, Samuel, aged 55, is an executive director of the Company. Mr. Hui joined the Board in June 2005. He was an executive director of the Company from 9 July 2001 to 28 May 2003. After serving 2 years as senior vice president for Sino-Forest Corporation, a company listed on the Toronto Stock Exchange, Mr. Hui rejoined the Company as Deputy Chief Executive Officer from 1 May 2005. Mr. Hui comes from a strong financial and general management background with over 30 years working experience in senior management of major international and local banks, and companies in Hong Kong, Australia and Canada. He is a seasoned executive and has extensive management experience. He is currently a non-executive director of Cafe de Coral Holdings Limited whose shares are listed on the main board of the Stock Exchange, and a non-executive director of WLS Holdings Limited whose shares are listed on the GEM. Mr. Hui holds a Bachelor Degree in Social Sciences from the University of Hong Kong and a Master Degree in Business Administration from the Brunel University in the United Kingdom.

Mr. Wong Che Keung, Richard, aged 64, is an independent non-executive director of the Company. Mr. Wong joined the Board in June 2000. Mr. Wong is the Honorary Consul of The Republic of Tunisia in Hong Kong and a fellow member of the Canadian Institute of Bankers. He is also the Chief Executive of Regency Investments & Management Co., Ltd. which engages in direct business investments both locally and overseas.

Mr. Tong Yee Yung, Joseph, aged 55, is an independent non-executive director of the Company. Mr. Tong joined the Board in May 2001. He graduated from Southern Illinois University in the USA with a Bachelor of Science degree and obtained a MBA from the University of East Asia. Mr. Tong has over 20 years of experience in corporate finance and management for different listed companies in Hong Kong. Currently, Mr. Tong is an executive director and partner of Kelston Holdings (Hong Kong) Limited.

Corporate Governance Report

The Board of Directors ("Board") and the management of the Group emphasize on corporate governance and are committed to maintaining high standard of corporate governance which is reviewed and strengthened from time to time. The Company has applied and complied with all the provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

THE BOARD

The Board comprises five directors, including two Executive Directors, namely Mr. Sung Yan Wai, Petrus and Mr. Hui Tung Wah, Samuel; and three Independent Non-Executive directors ("INED"), namely Mr. Wong Kin Chi (Chairman of the Board), Mr. Wong Che Keung, Richard, and Mr. Tong Yee Yung, Joseph. All INEDs have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The Directors consider that all the three INEDs are independent under these independence criteria and are capable to effectively exercise independent judgment. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current board size as adequate for its present operations.

Detailed biographies outlining each Director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of Biographical Details of Directors. The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day to day operation of the Group, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision. During the year under review, the Board has reviewed, inter alia, the performance and formulated business strategy of the Group; reviewed and approved the annual and interim results of the Group for the year ended 31 December 2008 and the six months ended 30 June 2009 respectively; approved disposals of equity interest in subsidiaries of the Group; approved the grant of share options; approved the connected transactions in relation to the extension of the exercise period of the call option to acquire the remaining 39.61% of Greenheart Resources Holdings Limited, whose 60.39% issued shares are owned by the Group, and the extension of the repayment period of the convertible bonds and certain other conditions; reviewed internal controls taken by the Group; and other significant operational, financial and compliance matters.

Corporate Governance Report

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. The Board totally held 7 board meetings during the year under review. The Board has delegated responsibility for day to day management of the Group to the executive directors of the Company. Board meetings for exercising share options or daily operation of the Company are delegated to meetings of executive directors, therefore those board meetings have not been counted in the directors' attendance statistics. In the board meetings, sufficient notices for regular board meetings and reasonable days for non-regular board meetings were given to all directors so as to ensure that each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner. If necessary, The Directors are enabled, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's costs. During the intervals between Board meetings, Directors are kept appraised of all major changes that may affect the Group's business. The draft minutes of Board meetings are prepared by the secretary of the meetings and circulated to all Directors for comments within a reasonable time. The approved minutes of the Board meetings are maintained by the Company Secretary and available for inspection by all Directors at request. The number of board meetings attended by each director during the year under review is set out in the following table.

Name of director	No. of Directors' meetings held whilst in office	Number of Directors' meetings attended
Mr. Wong Kin Chi	7	7
Mr. Sung Yan Wai, Petrus	7	7
Mr. Hui Tung Wah, Samuel	7	7
Mr. Chau Chi Piu, Alex*	2	2
Mr. Wong Che Keung, Richard	7	7
Mr. Tong Yee Yung, Joseph	7	7

* Mr. Chau was appointed and resigned as director of the Company on 14 August 2009 and 11 January 2010, respectively.

The Board provides separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties, where necessary.

Appropriate insurance cover has been arranged in respect of any possible legal action against its Directors.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors, together with the other Directors of the Company are subject to retirement by rotation and re-election in accordance with the Company's bye-laws and Listing Rules at each annual general meeting. They are expected to scrutinize the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of the board authority is within the powers conferred to the Board under its bye-laws and applicable laws, rules and regulations. All fees paid to Non-Executive Directors for their services to the Group are subject to annual review and approval by the Remuneration Committee.

NOMINATION OF DIRECTORS

For nomination, the Board will take into consideration of the nominee's qualifications, capabilities and potential to make contribution to the Company. The Board considers that the existing human resource policy in recruitment of new senior staff is also applicable to nomination of a new director. Furthermore, as the Board is responsible for selection and approval of candidates for appointment as directors to the Board, the Company has not established a nomination Committee for the time being.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for securities transactions and dealing (the Code of Conduct) by Directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules. Specific enquiry has been made to all Directors of the Company who have confirmed their compliance with the Code of Conduct regarding securities transactions during the year under review.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the representations contained in the financial statements of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards. Having made appropriate enquiries, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The financial statements of the Group for the year ended 31 December 2009 have been reviewed by the Audit Committee and audited by the external auditors, Messrs. Moore Stephens. For the year ended 31 December 2009, the audit fee was approximately HK$860,000 and the non-audit service fee was HK$151,000. The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditors' Report".

REMUNERATION COMMITTEE

The Remuneration Committee comprising three members, namely Mr. Tong Yee Yung, Joseph (Chairman of the Committee), Mr. Wong Che Keung, Richard, Mr. Wong Kin Chi and is chaired by Mr. Tong Yee Yung, Joseph, which meets at least once a year. The primary objectives of Remuneration Committee, inter alia, are to formulate the remuneration policy based on the responsibilities, qualifications and working performance of senior management and directors; review and recommend the Board the annual remuneration policy. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company. No Directors and executives can determine his own remuneration. During the year under review, the Remuneration Committee has held one meeting for review and approval of the remuneration policy of the Group. Minutes of Remuneration Committee Meeting are kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the meeting are sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. Details of the attendance of the meeting are as follows:

Members of Remuneration Committee	Number of Attendance
Mr. Tong Yee Yung, Joseph	1/1
Mr. Wong Che Keung, Richard	1/1
Mr. Wong Kin Chi	1/1

AUDIT COMMITTEE

The Audit Committee has three members comprising, namely Mr. Wong Che Keung, Richard (Chairman of the Committee), Mr. Tong Yee Yung, Joseph and Mr. Wong Kin Chi. All of them are Independent Non-Executive Directors and none of them are members of the former or existing auditors of the Company. The Audit Committee held two meetings during the year which were chaired by Mr. Wong Che Keung, Richard. The Board considers the Audit Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit Committee include, inter alia, to review and monitor financial reporting and the judgments contained therein; and to review financial and internal controls, accounting policies and practices with management and external auditors.

Corporate Governance Report

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited consolidated financial statements of the Group for the financial year ended 31 December 2009 have been reviewed by the Audit Committee. The Audit Committee held two meetings during the year under review, which were attended by the external auditors, Moore Stephens. Details of the attendance of the Audit Committee Meetings are as follows:

Members of Audit Committee	Number of Attendance
Mr. Wong Che Keung, Richard	2/2
Mr. Tong Yee Yung, Joseph	2/2
Mr. Wong Kin Chi	2/2

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. The management of the Group has reviewed the Group's internal control and risk management system for the year ended 31 December 2009 and has submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

INVESTOR RELATIONS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its mandatory interim and annual reports, and timely distribution of announcements and/or other publications. The corporate website of the Company has provided an effective communication platform to keep the public abreast of its latest developments. Regular meetings and visits have been organised to enhance understanding of the institutional investors and analysts on the Group's business and operations.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The objective of shareholder communications is to provide the shareholders with detailed information about the Company so that they can exercise their rights as the shareholders in an informed manner.

The Company uses a range of communication tools to ensure the shareholders are kept well informed. These include general meeting, annual report, interim report, various notices, announcements and circulars.

The general meeting provides with the shareholders a useful forum and the Board encourages the shareholders to attend the general meetings of the Company to raise comments and exchange views with the Board. The Chairman, Directors and independent external auditor, where appropriate, are available to answer questions at the meeting.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The management provides the explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year ended 31 December 2009, the requirements of Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as going concern. The Directors have prepared the financial statements on a going concern basis.

The responsibilities of the independent external auditors with respect to financial reporting are set out in the Independent Auditors' Report on pages 28 and 29.

Report of the Directors

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively ("the Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries comprise log harvesting, lumber processing, marketing and sales of logs and lumber products, property holding and investment holding.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2009 and the financial position of the Company and the Group at that date are set out in the financial statements on pages 30 to 98.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
Results					
Revenue	**11,226**	10,500	119,552	383,756	393,273
Loss before taxation	**(96,571)**	(115,201)	(144,878)	(14,060)	(5,439)
Tax credit/(charge)	**191**	132	31	(324)	(969)
Loss before non-controlling interests	**(96,380)**	(115,069)	(144,847)	(14,384)	(6,408)
Non-controlling interests	**10,133**	11,286	14,018	(16,272)	(13,383)
Net loss attributable to equity holders of the Company	**(86,247)**	(103,783)	(130,829)	(30,656)	(19,791)

Note: The results for the above years include discontinued operations.

Report of the Directors

	31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
Assets and liabilities					
Property, plant and equipment	**17,205**	17,523	11,899	12,312	30,995
Prepaid land lease payment	**1,448**	1,448	–	–	–
Prepayment for items of property, plant and equipment	**3,128**	–	–	–	–
Timber concessions and cutting rights	**747,384**	749,313	750,639	–	–
Investment property	**–**	–	1,450	9,070	10,430
Goodwill	**7,624**	7,624	–	–	21,767
Interests in associates	**20,962**	14,687	50,669	59,717	50,689
Available-for-sale investments	**–**	–	6,000	10,000	23,700
Current assets	**52,096**	120,844	281,485	168,999	328,519
Total assets	**849,847**	911,439	1,102,142	260,098	466,100
Current liabilities	**(28,778)**	(55,939)	(98,447)	(83,759)	(187,491)
Convertible bonds	**(237,000)**	(202,113)	(212,770)	–	–
Long term interest bearing borrowings	**–**	–	–	(1,385)	(3,124)
Deferred tax liabilities	**(73,807)**	(73,998)	(74,130)	(17)	(17)
Non-controlling interests	**(275,273)**	(285,406)	(319,029)	(36,050)	(74,084)
Total liabilities and non-controlling interests	**(614,858)**	(617,456)	(704,376)	(121,211)	(264,716)
Net assets	**234,989**	293,983	397,766	138,887	201,384

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in the Company's authorized share capital during the year. Details of movements in the Company's share capital and share options during the year are set out in notes 26 and 27 to the financial statements. Shares were issued during the year on the exercise of share options.

CONVERTIBLE BONDS

Details of the Convertible Bonds are set out in note 24 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 pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold 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 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's share premium accounts in the amount of HK$454,372,000 (2008: HK$453,708,000), was available to be distributed in the form of fully paid bonus share. At 31 December 2009, the Company had contributed surplus and accumulated losses of HK$125,376,000 and HK$431,349,000 respectively (2008: HK$125,376,000 and HK$356,518,000, respectively). Details of movements in the distributable reserves of the Company are set out in note 28 to the financial statements.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 87.8% of the total sales for the year and sales to the largest customer included therein amounted to 52.3%. All the products of the Group sold or produced during the year came from the Group's own forest concessions without any external purchases. Purchases, which mainly in relation to diesel, spare parts, daily supplies etc from the Group's five largest suppliers accounted for less than 1% of the total purchases for the year.

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

DIRECTORS

The Directors of the Company during the year were:

Mr. Wong Kin Chi*	
Mr. Sung Yan Wai, Petrus#	
Mr. Hui Tung Wah, Samuel#	
Mr. Chau Chi Piu, Alex#	(appointed on 14 August 2009 and resigned on 11 January 2010)
Mr. Wong Che Keung, Richard*	
Mr. Tong Yee Yung, Joseph*	

\# Executive Director
* Independent Non-Executive Director

In accordance with bye-laws 97(A) of the Company's bye-laws, Messrs. Sung Yan Wai, Petrus and Mr. Tong Yee Yong, Joseph will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The Independent Non-Executive Directors are appointed for periods of three years.

The Company has received annual confirmations of independence from Messrs. Wong Kin Chi, Mr. Wong Che Keung, Richard and Mr. Tong Yee Yung, Joseph, and as at the date of this report still considers them to be independent.

Report of the Directors

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on page 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

CONNECTED TRANSACTION

During the year, the Company and the Group had the following connected transaction, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

i. Alteration to the Conditions of Convertible Bonds

On 6 November 2009, with the approval of the Bondholders and independent shareholders the conditions of the convertible bonds of HK$237,000,000 has been altered that the maturity date of the Convertible Bonds was extended from 9 November 2009 to 8 November 2010; and the Control Restriction was also uplifted to enable each Bondholder to exercise the conversion rights attaching to its Convertible Bonds even if the Bondholders and parties acting in concert (as defined in the Takeovers Code) would become obliged to make a mandatory offer under Rule 26 of the Takeovers Code as a result of such conversion.

Report of the Directors

As at the date of the transaction, Sino-Forest is interested in 62,860,000 Shares, representing approximately 20.001% of the issued share capital of the Company, of which 55,000,000 Shares are held by itself and 7,860,000 Shares are held by Sino-Capital Global Inc., its wholly-owned subsidiary. Under the Listing Rules, Sino-Forest and its associates (including without limitation to Sino-Capital Global Inc.) were connected persons of the Company. Sino-Forest and Sino-Capital Global Inc. were also Bondholders collectively holding Convertible Bonds in the aggregate principal amount of HK$212,328,300 (representing 89.59% of the entire principal amount of the Convertible Bonds).

ii. Extension of the Exercise period of the Call Option to Acquire the remaining 39.61% interest in Greenheart

In furtherance to the acquisition of 60% interest in Greenheart in 2007, it was agreed that the call option to acquire the remaining 39.61% interest was extended to 7 May 2010 inclusively. On 7 May 2009, the Vendors representing approximately 88.61% of the Option Shares (approximately 35.10% of the total issued shares of Greenheart), the Purchaser, and the Guarantors executed a supplemental deed to extend the period for the exercise of the call option up to and including 7 May 2010.

As at the date of transaction, Sino-Forest (one of the Guarantors) and its wholly owned subsidiary, Sino-Capital Global Inc., (one of the Vendors) collectively held 62,860,000 shares representing approximately 20% of the issued capital of the Company, Ms Tse Nga Ying (one of the Vendors) and Lau Tai Hang (being one of the Guarantors) were directors of various subsidiaries of the Company, therefore the entering into of the Supplemental Deed constituted a connected transaction of the Company under the Listing Rules.

As no consideration was payable by the Company in relation to the extension of the period for the exercise of the Option and the execution of the Supplemental Deed, the Supplemental Deed was exempt from the reporting, announcement and independent shareholders' approval requirements as it falls within the de minimis threshold under Rule 14A.31 of the Listing Rules pursuant to Rule 14A.68.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares and underlying shares of the Company

	Number of shares held, capacity and nature of interest					
Name of director	Personal interests	Family interests	Corporate interests	Equity derivatives (share options)	Total no.	Approximate percentage of issued share capital
Wong Kin Chi	150,000	–	–	180,000	330,000	0.105%
Sung Yan Wai, Petrus	–	–	–	2,350,000	2,350,000	0.747%
Hui Tung Wah, Samuel	530,000	75,000 (Note)	–	1,600,000	2,205,000	0.701%
Chau Chi Piu, Alex (resigned on 11 Jan 2010)	–	–	–	2,500,000	2,500,000	0.795%
Tong Yee Yung, Joseph	–	–	–	280,000	280,000	0.089%
Wong Che Keung, Richard	–	–	–	280,000	280,000	0.089%

Note: These 75,000 shares were jointly owned by Mr. Hui and his spouse.

Save as disclosed above, as at 31 December 2009, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the section "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 22 March 2002 whereby the directors of the Company are authorized, at their discretion, to invite employees, executives or officers of the Group, including executive and non-executive directors of any company in the Group, and any suppliers, consultants, advisers, agents, shareholders, customers, partners or business associates of the Group, to take up option to subscribe the ordinary shares of the Company (the "Shares") as incentives and rewards for their contribution to the Group. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. The share option scheme shall be valid and effective for a period of ten years ending on 21 March 2012, after which no further options will be granted.

The exercise price of options is determined by the Board at its sole discretion, save that such price will not be less than the highest of (a) the closing price of the shares as stated in daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant and (c) the nominal value of a share.

The total number of the shares available for issue under the share option scheme as at 31 December 2009 was 43,668,915 shares (including options for 35,120,000 shares that have been granted but not yet lapsed or exercised) which represented 13.88% of the issued share capital of the Company as at 31 December 2009. The number of shares issued and to be issued upon exercise of the options granted to each participate in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

At 31 December 2009, there were 35,120,000 share options outstanding (market value per share at 31 December 2009 was HK$1.81). The options are unlisted. Each option gives the holder the right to subscribe for an ordinary share of HK$0.01 each.

Further details of the Scheme are disclosed in note 27 to the financial statements.

Report of the Directors

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options						Exercise price of share options
Name or category of participant	At 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2009	Exercise period of share options	HK$ per share
Directors, chief executive and a substantial shareholder and their associates							
Wong Kin Chi	30,000	–	–	–	30,000	25 Oct 2007 to 21 Mar 2012	1.744
	–	150,000	–	–	150,000	5 Aug 2009 to 4 Aug 2014	1.650
Sung Yan Wai, Petrus	250,000	–	–	–	250,000	15 Jun 2005 to 14 Jun 2010	0.800
	300,000	–	–	–	300,000	17 Apr 2007 to 21 Mar 2012	0.460
	1,200,000	–	–	–	1,200,000	15 Jun 2007 to 21 Mar 2012	1.360
	100,000	–	–	–	100,000	25 Oct 2007 to 21 Mar 2012	1.744
	–	500,000	–	–	500,000	5 Aug 2009 to 4 Aug 2014	1.650
Hui Tung Wah, Samuel	800,000	–	250,000	–	550,000	15 Jun 2005 to 14 Jun 2010	0.800
	50,000	–	–	–	50,000	17 Apr 2007 to 21 Mar 2012	0.460
	300,000	–	–	–	300,000	15 Jun 2007 to 21 Mar 2012	1.360
	200,000	–	–	–	200,000	25 Oct 2007 to 21 Mar 2012	1.744
	–	500,000	–	–	500,000	5 Aug 2009 to 4 Aug 2014	1.650
Chau Chi Piu Alex (resigned on 11 Jan 2010)	–	2,500,000	–	–	2,500,000	5 Aug 2009 to 4 Aug 2014	1.650
Wong Che Keung, Richard	70,000	–	–	–	70,000	15 Jun 2005 to 14 Jun 2010	0.800
	30,000	–	–	–	30,000	17 Apr 2007 to 21 Mar 2012	0.460
	50,000	–	–	–	50,000	15 Jun 2007 to 21 Mar 2012	1.360
	30,000	–	–	–	30,000	25 Oct 2007 to 21 Mar 2012	1.744
	–	100,000	–	–	100,000	5 Aug 2009 to 4 Aug 2014	1.650
Tong Yee Yung, Joseph	70,000	–	–	–	70,000	15 Jun 2005 to 14 Jun 2010	0.800
	30,000	–	–	–	30,000	17 Apr 2007 to 21 Mar 2012	0.460
	50,000	–	–	–	50,000	15 Jun 2007 to 21 Mar 2012	1.360
	30,000	–	–	–	30,000	25 Oct 2007 to 21 Mar 2012	1.744
	–	100,000	–	–	100,000	5 Aug 2009 to 4 Aug 2014	1.650
Employees (other than directors)							
In aggregate	100,000	–	–	–	100,000	15 Jun 2005 to 14 Jun 2010	0.800
	1,050,000	–		1,050,000	0	15 Jun 2007 to 21 Mar 2012	1.360
	334,000	–	–	314,000	20,000	25 Oct 2007 to 21 Mar 2012	1.744
	–	7,650,000	100,000		7,550,000	5 Aug 2009 to 4 Aug 2014	1.650
Other participants							
In aggregate	4,200,000	–	100,000	–	4,100,000	15 Jun 2007 to 21 Mar 2012	1.360
	4,800,000	–	–	–	4,800,000	25 Oct 2007 to 21 Mar 2012	1.744
	–	11,360,000	–	–	11,360,000	5 Aug 2009 to 4 Aug 2014	1.650
	14,074,000	22,860,000	450,000	1,364,000	35,120,000		

Note to the table of share options outstanding during the year:

Valuation of share option: details of the valuation are set out in note 27 to the financial statements.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, the following interests and short positions of 5% or more of the issued share capital, share options, convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Number of underlying shares	Approximate percentage of the total issued share capital
Sino-Forest Corporation(Note)	Beneficial owner and interest of controlled corporation	62,860,000	106,164,150	53.737%
Sino-Capital Global Inc(Note)	Beneficial owner	7,860,000	22,348,500	9.604%

Note: Sino-Capital Global Inc was wholly owned by Sino-Forest Corporation which was deemed to be interested in 7,860,000 Shares and 22,348,500 underlying shares in respect of Convertible Bonds issued by the Company to Sino-Capital Global Inc under the SFO.

Save as disclosed above, as at 31 December 2009, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Report of the Directors

CORPORATE GOVERNANCE

The Company is committed to maintaining a high level of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 11 to 16.

AUDITORS

Moore Stephens retires and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board
Omnicorp Limited

Wong Kin Chi
Chairman

Hong Kong
26 March 2010

Independent Auditors' Report

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

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馬施雲
會計師事務所

TO THE SHAREHOLDERS OF OMNICORP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Omnicorp Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 98, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditors' 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 as whether the consolidated financial statements are free from material misstatement.

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 auditors' 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows 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.

Moore Stephens
Certified Public Accountants

Hong Kong, 26 March 2010

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	4	**11,226**	4,773
Cost of sales		**(5,412)**	(3,966)
Gross profit		**5,814**	807
Other income and gains	4	**1,137**	10,824
Selling and distribution costs		**(4,731)**	(464)
Administrative expenses		**(41,821)**	(40,318)
Other expenses		**(34,362)**	(9,833)
LOSS FROM OPERATING ACTIVITIES	5	**(73,963)**	(38,984)
Finance costs	6	**(20,883)**	(22,367)
Share of results of associates		**(1,725)**	(50,982)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(96,571)**	(112,333)
Tax credit	8	**191**	132
Loss for the year from continuing operations		**(96,380)**	(112,201)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9	**–**	(2,868)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(96,380)**	(115,069)
ATTRIBUTABLE TO:			
Equity holders of the Company	10	**(86,247)**	(103,783)
Non-controlling interests		**(10,133)**	(11,286)
		(96,380)	(115,069)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic			
– Continuing operations		**HK$(0.27)**	HK$(0.32)
– Discontinued operations		**–**	HK$(0.01)
		HK$(0.27)	HK$(0.33)
Diluted			
– Continuing operations		**N/A**	N/A
– Discontinued operations		**N/A**	N/A
		N/A	N/A

Consolidated Statement of Financial Position

31 December 2009

	Notes	**31 December 2009 HK$'000**	31 December 2008 HK$'000 (Restated)	1 January 2008 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**17,205**	17,523	11,899
Prepaid land lease payment	14	**1,448**	1,448	–
Prepayment for items of property, plant and equipment		**3,128**	–	–
Timber concessions and cutting rights	15	**747,384**	749,313	750,639
Investment property	16	**–**	–	1,450
Goodwill	17	**7,624**	7,624	–
Interests in associates	19	**20,962**	14,687	50,669
Available-for-sale investments		**–**	–	6,000
Total non-current assets		**797,751**	790,595	820,657
CURRENT ASSETS				
Inventories	20	**6,920**	6,859	8,736
Trade and other receivables	21	**2,948**	796	15,129
Prepayments and deposits		**1,312**	1,600	2,394
Current tax recoverable		**–**	–	1
Equity investments at fair value through profit or loss		**–**	–	914
Pledged bank deposits		**–**	–	16,864
Cash and cash equivalents	22	**40,916**	111,589	237,447
Total current assets		**52,096**	120,844	281,485
CURRENT LIABILITIES				
Trade and other payables	23	**5,924**	9,564	27,840
Interest bearing bank and other borrowings		**–**	–	42,545
Other loans payable		**–**	–	4,562
Convertible bonds	24	**–**	23,485	–
Deposits received		**22,854**	22,890	23,500
Total current liabilities		**28,778**	55,939	98,447

Consolidated Statement of Financial Position

31 December 2009

	Notes	**31 December 2009 HK$'000**	31 December 2008 HK$'000 (Restated)	1 January 2008 HK$'000 (Restated)
NET CURRENT ASSETS		**23,318**	64,905	183,038
TOTAL ASSETS LESS CURRENT LIABILITIES		**821,069**	855,500	1,003,695
NON-CURRENT LIABILITIES				
Convertible bonds	24	**237,000**	202,113	212,770
Deferred tax liabilities	25	**73,807**	73,998	74,130
		310,807	276,111	286,900
NET ASSETS		**510,262**	579,389	716,795
EQUITY				
Equity attributable to equity holders of the Company				
Issued capital	26	**3,145**	3,141	3,141
Equity component of convertible bonds	24	**45,234**	45,234	45,234
Reserves	28	**186,610**	245,608	349,391
		234,989	293,983	397,766
Non-controlling interests		**275,273**	285,406	319,029
TOTAL EQUITY		**510,262**	579,389	716,795

SUNG Yan Wai, Petrus
Director

HUI Tung Wah, Samuel
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company									
	Issued Capital HK$'000	Share Premium HK$'000	Contributed Surplus HK$'000	Exchange Fluctuation Reserve HK$'000	Share Option Reserve HK$'000	Equity Component of Convertible Bonds HK$'000	Accumulated Losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
1 January 2008										
As previously reported	3,141	412,308	83,274	9,731	5,383	45,234	(202,520)	356,551	54,776	411,327
Prior year adjustment on cost of business combination (note 30)	–	41,400	–	–	–	–	–	41,400	–	41,400
Prior year adjustment on fair value of timber concessions and cutting rights acquired through business combinations (note 30)	–	–	–	–	–	–	(185)	(185)	264,253	264,068
As restated	3,141	453,708	83,274	9,731	5,383	45,234	(202,705)	397,766	319,029	716,795
Loss for the year (as restated)	–	–	–	–	–	–	(103,783)	(103,783)	(11,286)	(115,069)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(22,337)	(22,337)
Share options lapsed	–	–	–	–	(30)	–	30	–	–	–
31 December 2008 and 1 January 2009 (restated)	3,141	453,708*	83,274*	9,731*	5,353*	45,234	(306,458)*	293,983	285,406	579,389
Loss for the year	–	–	–	–	–	–	(86,247)	(86,247)	(10,133)	(96,380)
Issued of new shares (note 26)	4	664	–	–	(166)	–	–	502	–	502
Equity-settled share option arrangement (note 27)	–	–	–	–	24,334	–	–	24,334	–	24,334
Disposal of a subsidiary	–	–	–	2,417	–	–	–	2,417	–	2,417
Share options lapsed	–	–	–	–	(471)	–	471	–	–	–
31 December 2009	**3,145**	**454,372***	**83,274***	**12,148***	**29,050***	**45,234**	**(392,234)***	**234,989**	**275,273**	**510,262**

* These reserve accounts comprise the consolidated reserves of HK$186,610,000 (2008: HK$245,608,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash used in operations	29(a)	**(50,022)**	(57,107)
Overseas taxes paid		**–**	(83)
Interest received		**33**	2,102
Interest paid		**(9,481)**	(10,051)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(59,470)**	(65,139)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	29(b)	**–**	(7,406)
Purchases of items of property, plant and equipment	13	**(2,630)**	(7,716)
Increase in prepayment for items of property, plant and equipment		**(3,128)**	–
Capital injection in an associate		**(8,000)**	(15,000)
Investment in equity investments at fair value through profit or loss		**(2,066)**	–
Proceeds from disposals of:			
Equity investments at fair value through profit or loss		**3,132**	–
Subsidiaries, net	29(c)	**987**	(13)
Arising from deconsolidation of a subsidiary under winding up	29(d)	**–**	(341)
Decrease in pledged time deposits		**–**	16,864
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(11,705)**	(13,612)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares	26	**502**	–
Repayment of other loans		**–**	(4,562)
Repayment of interest-bearing bank borrowings		**–**	(36,289)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**502**	(40,851)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(70,673)**	(119,602)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**111,589**	231,191
CASH AND CASH EQUIVALENTS AT END OF YEAR		**40,916**	111,589
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**40,916**	111,589
		40,916	111,589

Statement of Financial Position

31 December 2009

	Notes	31 December 2009 HK$'000	31 December 2008 HK$'000 (Restated)	1 January 2008 HK$'000 (Restated)
NON-CURRENT ASSETS				
Interests in subsidiaries	18	**464,229**	468,248	459,703
CURRENT ASSETS				
Prepayments and deposits		**100**	226	253
Cash and bank balances	22	**802**	35,712	151,443
Total current assets		**902**	35,938	151,696
CURRENT LIABILITIES				
Trade and other payables		**2,303**	2,294	1,403
Convertible bonds	24	**–**	23,485	–
Total current liabilities		**2,303**	25,779	1,403
NET CURRENT (LIABILITIES)/ASSETS		**(1,401)**	10,159	150,293
TOTAL ASSETS LESS CURRENT LIABILITIES		**462,828**	478,407	609,996
NON-CURRENT LIABILITIES				
Convertible bonds	24	**237,000**	202,113	212,770
NET ASSETS		**225,828**	276,294	397,226
EQUITY				
Issued capital		**3,145**	3,141	3,141
Equity component of convertible bonds		**45,234**	45,234	45,234
Reserves	28	**177,449**	227,919	348,851
TOTAL EQUITY		**225,828**	276,294	397,226

SUNG Yan Wai, Petrus
Director

HUI Tung Wah, Samuel
Director

1. CORPORATE INFORMATION

During the year, the Group was engaged in the following principal activities:

– Log harvesting, lumber processing, marketing and sales of logs and lumber products

– Property investment

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Judgments and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

The directors have considered the development, selection and disclosure of the Group's critical accounting policies and estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are as follows:

i) *Useful lives and depreciation of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges of its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

ii) *Amortization of timber concessions and cutting rights*

Amortization is charged to profit or loss in the statement of comprehensive income on a unit of production basis over estimated useful lives of timber concessions. The Group determines the estimated useful lives and related amortization charges of its timber concessions. These estimates are based on the total proven and probable reserves of the total forestry exploitation volume or contractual period from the date of commencement of commercial exploitation.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Judgments and estimates (Continued)

iii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Such assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

iv) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

v) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors reassess the estimations at the end of each reporting period.

vi) Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors reassess the impairment at the end of each reporting period.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Impact of new and revised HKFRSs

The Group has adopted the following new and amended HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 8	Operating Segments
HKFRS 8 Amendments*	Amendments to HKFRS 8 Operating Segments – Disclosure of information about segment assets (early adopted)
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 18 Amendments*	Amendments to Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
Amendments to HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" and HKAS 39 "Financial Instruments: Recognitions and Measurement"	Embedded Derivatives
Amendments to HKFRS 7 "Financial Instruments: Disclosures"	Improving Disclosures about Financial Instruments
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in improvements to HKFRSs 2009 (as issued in May 2009)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Impact of new and revised HKFRSs (Continued)

The adoption of these new and amended HKFRSs and improvements has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements, except for the following:

HKFRS 8 Operating Segments

HKFRS 8 specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. Further details of segment information are included in note 3 to the financial statements.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. This revised standard also requires an entity to include three "statements of financial position" whenever the entity applies an accounting policy retrospectively or makes a retrospective restatement, or when it makes a reclassification. The revised standard does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

Impact of Issued but not yet Effective HKFRSs

The Group has elected to present comprehensive income in one statement of income and comprehensive income. Information about the individual components of comprehensive income as well as the tax effects have been disclosed in the notes to the financial statements. The Group has provided a restated comparative set of financial position for the earliest comparative period, as it has made a retrospective restatement and retrospectively reclassified items in the financial statements.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Impact of Issued but not yet Effective HKFRSs (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HKAS 18	Amendments Revenue[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues[3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
HK(IFRIC)-Int 14 Amendment	Prepayment of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs 2009* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2010 although there is separate transitional provision for each standard.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Impact of Issued but not yet Effective HKFRSs (Continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in profit or loss in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquires' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at the end of each reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Timber concessions and cutting rights

Timber concessions licences and cutting rights acquired by the Group are stated at cost less accumulated amortization and any accumulated impairment losses. These licences and cutting rights give the Group rights to harvest trees in the allocated concession forests in designated areas in the Republic of Suriname. Amortization is charged on a unit of production basis over the estimated useful lives of timber concessions and cutting rights.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment property, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the statement of comprehensive income in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the statement of comprehensive income in the period in which it arises.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the statement of comprehensive income 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	18% – 20% or over the lease terms whichever is shorter
Plant and machinery	9% – 25%
Furniture and equipment	12.5% – 30%
Motor vehicles	18% – 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of comprehensive income in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment property

Investment property is interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. The property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of each reporting period.

Gains or losses arising from changes in the fair values of the investment property is included in the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of the retirement or disposal.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognized in the statement of comprehensive income. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortized cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognized within "finance costs" in the statement of comprehensive income.

Gains and losses are recognized in profit or loss in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost for the Group's log and lumber inventory is determined using standard costing basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents (Continued)

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each reporting periodof the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

– sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement associated with ownership, nor effective control over the goods sold;

– proceeds on disposals of investments, including interests in subsidiaries and investments in listed shares, when all conditions for disposal have been met and the risks and rewards of ownership have been transferred to the buyer;

– rental income, on the straight-line basis over the lease terms;

– interest income from a financial asset, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specially identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services at the grant date.

The cost of equity-settled transactions with eligible participants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 27 to the financial statements.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss in the statement of comprehensive income for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment, or is otherwise beneficial to the eligible participant as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction award are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss in the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized.

All other borrowing costs are recognized in profit or loss in the statement of comprehensive income in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. All differences are taken to the statement of comprehensive income the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of changes in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of each reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of each reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as starting point for the identification of such segments.

The Group is currently engaged in the businesses of forestry and timber and property investments and the chief operating decision makers (i.e. the Company's directors) also review the segment information by these categories to allocate resources to segments and to assess their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

3. SEGMENT INFORMATION (Continued)

The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Forestry and timber – Log harvesting, lumber processing, marketing and sales of logs and lumber products

Property investments

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

For the year ended 31 December 2009

	Property Investments HK$'000	Forestry and Timber HK$'000	Consolidated HK$'000
SEGMENT REVENUE	471	10,755	11,226
SEGMENT RESULTS	(25)	(25,581)	(25,606)
Interest income and unallocated gains			71
Gain on disposal of listed investments			1,066
Loss on disposal of subsidiaries			(784)
Share option expenses			(24,334)
Corporate and other unallocated expenses			(24,376)
Finance costs			(20,883)
Share of results of associates			(1,725)
LOSS BEFORE TAX			(96,571)

Notes to the Financial Statements

31 December 2009

3. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2008 (Restated)

	Continuing operations			Discontinued operations	
	Property Investments HK$'000	Forestry and Timber HK$'000	Sub-Total HK$'000	Electronic Components and Products HK$'000	Consolidated HK$'000
SEGMENT REVENUE	1,859	2,914	4,773	5,727	10,500
SEGMENT RESULTS	(1,890)	(27,692)	(29,582)	(2,272)	(31,854)
Interest income and unallocated gains			4,144	–	4,144
Gain on deconsolidation of a subsidiary under winding up			6,313	–	6,313
Gain on disposal of subsidiaries			367	–	367
Corporate and other unallocated expenses			(20,226)	–	(20,226)
Finance costs			(22,367)	(512)	(22,879)
Share of results of associates			(50,982)	–	(50,982)
LOSS BEFORE TAX			(112,333)	(2,784)	(115,117)

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the aggregate of the net invoiced value of goods and service sold, after allowance for returns and trade discounts and rental income.

	Group	
	2009	2008
	HK$'000	HK$'000
Revenue		
Rental income	**471**	1,859
Sales of logs and lumber	**10,755**	2,914
Attributable to continuing operations	**11,226**	4,773
Revenue from discontinued operations	**–**	5,727
	11,226	10,500
Other Income and Gains		
Bank interest income	**33**	2,102
Gain on disposal of listed investments	**1,066**	–
Gain on disposal of subsidiaries	**–**	367
Gain on deconsolidation of a subsidiary under winding up*	**–**	6,313
Other income	**38**	1,692
Exchange gain, net	**–**	350
	1,137	10,824

* During the prior year, on 5 December 2008, Lik Hang Electronic Components Limited, ("Lik Hang"), a 77.04% indirectly owned subsidiary of the Company at that time, entered into creditors' voluntary winding up. In the opinion of the directors and according to the relevant laws and regulations, the Group no longer controlled Lik Hang. Accordingly, Lik Hang was not accounted for as a subsidiary by the Group. The net liabilities relating to Lik Hang, as a result of its deconsolidation from the Group were therefore not incorporated in these consolidated financial statements and resulted in a gain on deconsolidation of a subsidiary under winding up amounting to HK$6,313,000.

Notes to the Financial Statements

31 December 2009

5. LOSS FROM OPERATING ACTIVITIES

	Group	
	2009	2008
	HK$'000	HK$'000
		(Restated)
The Group's loss from operating activities (including those attributable to discontinued operations) is arrived at after charging/(crediting):		
Gross rental income	**(471)**	(1,859)
Less: outgoings	**158**	558
Net rental income	**(313)**	(1,301)
Auditors' remuneration	**860**	1,080
Impairment of trade and other receivables	**330**	2,080
Loss on write–off of prepayments and deposits	**–**	21
Cost of inventories sold	**3,527**	9,796
Depreciation on property, plant and equipment	**2,728**	2,062
Fair value loss on an investment property	**–**	1,450
Loss on disposal of subsidiaries	**784**	–
Amortization of timber concessions and cutting rights*	**1,885**	657
Loss on disposal of property, plant and equipment	**220**	30
Minimum lease payments under operating lease for land and buildings	**4,943**	2,474
Employee benefit expenses (including Directors' emoluments):		
Wages and salaries	**24,324**	18,651
Retirement fund contributions	**187**	174
Employee share option expenses	**12,241**	–
	36,752	18,825

* Included in "Cost of Sales" in the consolidated statement of comprehensive income.

6. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**–**	571
Interest on convertible bonds	**20,883**	22,308
	20,883	22,879
Attributable to discontinued operations	**–**	512
Attributable to continuing operations	**20,883**	22,367
	20,883	22,879

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the six (2008: five) directors were as follows:

2009

		Other emoluments			
	Fees	Salaries and Other Benefits	Contributions to Retirement Schemes	Share-based Payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hui Tung Wah, Samuel	–	1,300	–	532	1,832
Sung Yan Wai, Petrus	–	650	12	532	1,194
Chau Chi Piu, Alex*	–	108	–	–	108
Wong Che Keung, Richard	120	–	–	106	226
Tong Yee Yung, Joseph	120	–	–	106	226
Wong Kin Chi	240	–	–	160	400
Total for 2009	**480**	**2,058**	**12**	**1,436**	**3,986**

* Mr. Chau was appointed and resigned as the director of the Company on 14 August 2009 and 11 January 2010, respectively.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

2008

		Other emoluments			
	Fees HK$'000	Salaries and Other Benefits HK$'000	Contributions to Retirement Schemes HK$'000	Share-based Payments HK$'000	Total HK$'000
Hui Tung Wah, Samuel	–	1,400	–	–	1,400
Sung Yan Wai, Petrus	–	877	12	–	889
Wong Che Keung, Richard	110	–	–	–	110
Tong Yee Yung, Joseph	110	–	–	–	110
Wong Kin Chi	240	–	–	–	240
Total for 2008	460	2,277	12	–	2,749

Emoluments paid to Independent Non-Executive Directors during the year were HK$480,000 (2008: HK$460,000).

There were no arrangements under which a director waived or agreed to waived any emolument during the year.

(b) Employees' emoluments

During the year, the five highest paid individuals included one director (2008: two directors), details of those emoluments are set out above. The emoluments of the remaining four (2008: three) highest paid individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**3,873**	3,451
Contributions to retirement schemes	**36**	24
Share-based payments	**7,132**	–
	11,041	3,475

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments (Continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2009 Number of Employees	2008 Number of Employees
HK$500,001 to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 or above	**2**	–
	4	3

8. TAX

No provision for Hong Kong profits tax has been made, the Group has tax losses brought forward which are available for off-set against the estimated assessable profits for the year. Taxes on profits assessable elsewhere last year have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2009 HK$'000	2008 HK$'000 (Restated)
Current year provision:		
Hong Kong	**–**	–
Elsewhere	**–**	84
	–	84
Deferred tax (note 25)	**(191)**	(132)
Total tax credit for the year	**(191)**	(48)

8. TAX (Continued)

The reconciliation between loss before taxation and taxation in the consolidated statement of comprehensive income is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
		(Restated)
Loss before taxation	**(96,571)**	(112,333)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**(15,934)**	(18,535)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**923**	909
Tax effect of expenses that are not deductible in determining taxable profit	**18,223**	9,032
Profit and loss attributable to associates	**284**	8,412
Tax effect of income that is not taxable in determining taxable profit	**(4,632)**	(798)
Tax effect of unused tax losses not recognized	**945**	932
Taxation	**(191)**	(48)
Represented by:		
Tax credit attributable to continuing operations	**(191)**	(132)
Tax charge attributable to discontinued operations	**–**	84
	(191)	(48)

9. DISCONTINUED OPERATIONS

The results of the discontinued operations for 2008 are presented below:

	2009 HK$'000	2008 HK$'000
Revenue	–	5,727
Other revenue	–	2,632
Expenses	–	(10,631)
Finance costs	–	(512)
Loss before tax from discontinued operations	–	(2,784)
Tax charge	–	(84)
Loss for the year from discontinued operations	–	(2,868)

The net cash flows incurred by the discontinued operations for 2008 are as follows:

	2009 HK$'000	2008 HK$'000
Net cash generated from operating activities	–	24,952
Net cash generated from investing activities	–	16,864
Net cash used in financing activities	–	(41,644)
Total net cash inflow from discontinued operations	–	172

10. NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss attributable to equity holders dealt with in the financial statements of the Company is HK$75,302,000 (2008: HK$120,932,000) (note 28).

11. DIVIDEND

No dividend was proposed or paid for the year (2008: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company, and the weighted average number of shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2009 and 2008 have not been disclosed, as the options and the convertible bonds outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

The calculations of basic and diluted loss per share are based on:

	2009	2008
	HK$'000	HK$,000
		(Restated)
Loss		
Loss attributable to equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	**(86,247)**	(100,915)
From discontinued operations	**–**	(2,868)
	(86,247)	(103,783)

	Number of shares	
	2009	2008
Shares		
Weighted average number of shares in issue during the year used in the basic loss per share calculation	**314,147,234**	314,089,152

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold Improvements HK$'000	Plant and Machinery HK$'000	Furniture and Equipment HK$'000	Motor Vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
1 January 2008	276	10,133	1,246	3,837	–	15,492
Additions	673	5,973	704	366	–	7,716
Disposals	(1)	(1)	(1)	(141)	–	(144)
31 December 2008 and 1 January 2009	948	16,105	1,949	4,062	–	23,064
Additions	70	142	675	35	1,708	2,630
Disposals	–	(204)	(19)	(121)	–	(344)
31 December 2009	1,018	16,043	2,605	3,976	1,708	25,350
Accumulated depreciation						
1 January 2008	33	2,189	431	940	–	3,593
Charge for the year	286	1,117	361	298	–	2,062
Disposals	(1)	(1)	(1)	(111)	–	(114)
31 December 2008 and 1 January 2009	318	3,305	791	1,127	–	5,541
Charge for the year	357	1,509	454	408	–	2,728
Disposals	–	(99)	(5)	(20)	–	(124)
31 December 2009	675	4,715	1,240	1,515	–	8,145
Net book value						
31 December 2009	**343**	**11,328**	**1,365**	**2,461**	**1,708**	**17,205**
31 December 2008	630	12,800	1,158	2,935	–	17,523

14. PREPAID LAND LEASE PAYMENT

	Group HK$'000
Carrying amount at 1 January 2008	–
Addition through acquisition of a subsidiary	1,448
Carrying amount at 31 December 2008 and 2009	1,448

The leasehold land is held under a long term lease and is situated outside Hong Kong.

15. TIMBER CONCESSIONS AND CUTTING RIGHTS

	Group HK$'000 (Restated)
Cost	
1 January 2008, 31 December 2008 and 31 December 2009	751,012
Accumulated amortization	
1 January 2008	373
Charge for the year	1,326
31 December 2008 and 1 January 2009	1,699
Charge for the year	1,929
31 December 2009	3,628
Net carrying amount	
31 December 2009	747,384
31 December 2008	749,313
1 January 2008	750,639

16. INVESTMENT PROPERTY

	Group	
	2009	2008
	HK$'000	HK$'000
1 January, at valuation	**–**	1,450
Less: Fair value loss	**–**	(1,450)
31 December	**–**	–
Analyzed by lease term and geographical location:		
Medium term leasehold properties situated outside Hong Kong	**–**	–

17. GOODWILL

	Group	
	2009	2008
	HK$'000	HK$'000
		(Restated)
1 January	**7,624**	–
Additions through acquisition of a subsidiary	**–**	7,624
31 December	**7,624**	7,624

The goodwill is attributable to the acquisition of the 100% equity interest in Dynasty Forestry Industry N.V. ("Dynasty") by Beach Paradise N.V., a 60.39% indirectly owned subsidiary of the Company.

17. GOODWILL (Continued)

Impairment testing of goodwill

The directors allocated the entire goodwill of HK$7,624,000 to the cash generating unit of forestry and timber business segment for the purpose of testing its impairment. The recoverable amount of cash generating unit is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are based upon the discount rates, and budgeted profit margin and revenue during the forecast period. The budgeted profit margin, revenue and growth rates are based on judgment of the directors about the forestry and timber business segment's ability to process and to generate economic income stream through the sales of the timber products to its customers. The projections (including profit margin, revenue and the growth rates) are based on the directors' anticipations of the most likely actions which will be taken by the Dynasty Group in the operation of the business with reference to past performance, sustainable annual allowable cut, and expectations for future market development. Key assumptions for the value-in-use calculations are as follows:

Product price increment	6% to 12%
Discount rate	12%

For the estimation of the product price increment rate and the long term growth rate, the directors have taken the growth of the forestry and timber product industry and the global economy as a whole.

The directors of the Company are of the opinion that based on the value-in-use calculations prepared in accordance with the above key assumptions, the recoverable amount of the cash generating unit exceeds the aggregate carrying amount of goodwill arising from the acquisition of the Dynasty Group in the consolidated statement of financial position at 31 December 2009 and, therefore, no impairment loss is recognized.

18. INTERESTS IN SUBSIDIARIES

	Company		
	31 December 2009 HK$'000	31 December 2008 HK$'000 (Restated)	1 January 2008 HK$'000 (Restated)
Unlisted shares, at cost	**1**	1	1
Due from subsidiaries	**1,008,056**	992,075	895,485
	1,008,057	992,076	895,486
Less: Impairment	**(543,828)**	(523,828)	(435,783)
	464,229	468,248	459,703

The amounts due from subsidiaries are unsecured, interest-free and there are no fixed terms of repayment.

An allowance for amounts due from subsidiaries of HK$543,828,000 (2008: HK$523,828,000) was recognized as at 31 December 2009 because the balances due from subsidiaries with reference to the net assets value of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amount of the related investment costs and amounts due from them is reduced to their recoverable amounts.

Particulars of the principal subsidiaries are as follows:

Name of Subsidiary	Place of Incorporation/ Registration and Operation	Total Issued Ordinary/ Registered and Paid-up Capital	Equity Interest Owned by the Group			Principal Activities
			2009	2008	2007	
Directly held:						
Hai Yang Investment Limited	BVI	US$1	**100%**	100%	100%	Investment holding
Team Talent Limited	BVI	US$1	**100%**	100%	100%	Investment holding
Silver Mount Group Limited	BVI	US$1	**100%**	100%	100%	Investment holding

18. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name of Subsidiary	Place of Incorporation/ Registration and Operation	Total Issued Ordinary/ Registered and Paid-up Capital	Equity Interest Owned by the Group			Principal Activities
			2009	2008	2007	
Indirectly held:						
Barnet Consultancy Limited	BVI	US$1	**100%**	100%	100%	Provision of corporate services
Greenheart Resources Holdings Limited	BVI	–	**60.39%**	60.39%	60.39%	Investment holding
Octagon International N.V.	Suriname	–	**60.39%**	60.39%	60.39%	Log harvesting and sales of logs
Superb Manufacturing Company Limited	BVI	US$1	**60.39%**	60.39%	60.39%	Investment holding
Superb Able Industrial Limited	BVI	US$1,155	**60.39%**	60.39%	60.39%	Sales of logs
Greenheart Resources (Hong Kong) Company Limited	HK	HK$1	**60.39%**	60.39%	60.39%	Provision of administrative and management services
Top Wood Holdings Limited	BVI	US$1	**60.39%**	60.39%	60.39%	Trading of equipment
Epro N.V.	Suriname	US$18	**60.39%**	60.39%	60.39%	Timber concession holding
Dynasty Forestry Industy N.V.	Suriname	US$1,340	**60.39%**	60.39%	–	Timber concession holding and manufacturing of lumber
Beach Paradise N.V.	Suriname	US$364	**60.39%**	60.39%	60.39%	Manufacturing and sales of lumber

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of 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.

19. INTERESTS IN ASSOCIATES

	Group 2009 HK$'000	Group 2008 HK$'000
Share of net assets	**20,962**	14,687
	20,962	14,687
Less: Impairment	**–**	–
	20,962	14,687

Particulars of the Group's principal associates are as follows:

Name of Associate	Class of Shares Held	Place of Incorporation/ Registration and Operation	Equity Interest Owned by the Group 2009	Equity Interest Owned by the Group 2008	Principal Activities
TGX Capital Limited (Formerly known as South America Investments Limited)	Ordinary	BVI	**46%**	45.5%	Investment holding
PVP Limited	Ordinary	BVI	**–**	37.2%	Investment holding
Princeton Venture Partners Limited	Ordinary	BVI	**–**	37.2%	Investment holding and consultancy

The above table lists the principal associates of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

19. INTERESTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2009	2008
	HK$'000	HK$'000
Revenue	**–**	141
Loss for the year	**(3,741)**	(163,131)
Non-current assets	**30**	–
Current assets	**45,694**	32,577
Current liabilities	**(153)**	(1,073)

20. INVENTORIES

		Group	
	31 December	31 December	1 January
	2009	2008	2008
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Logs and lumber	**6,920**	6,859	8,736

21. TRADE AND OTHER RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**2,639**	2,550
Other receivables	**639**	326
	3,278	2,876
Impairment	**(330)**	(2,080)
	2,948	796

21. TRADE AND OTHER RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly letters of credit at sight or on open accounts with credit terms of 30 days to 45 days customers, where 20% – 30% deposit is normally required. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Current	**951**	796
One to three months	**1,680**	–
More than three months	**317**	–
	2,948	796

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK$330,000 (31 December 2008: HK$2,080,000). The impairment recognized represents the receivable amounts written off in respect of rental income receivable. The Group does not hold any collateral over these balances.

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**2,080**	5,149
Impairment losses recognized	**330**	2,080
Amounts written off as uncollectible	**(2,080)**	(5,149)
At 31 December	**330**	2,080

21. TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of the trade and other receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**1,568**	796
Less than three months past due	**1,078**	–
Over three months past due	**302**	–
	2,948	796

Receivables that were neither past due nor impaired relate to a wide range of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The directors consider that the carrying amount of trade and other receivables approximate their fair value.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**40,916**	81,276	**802**	5,399
Time deposits	**–**	30,313	**–**	30,313
Cash and cash equivalents	**40,916**	111,589	**802**	35,712

Certain cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND OTHER PAYABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade payables	**104**	468
Other payables	**5,820**	9,096
	5,924	9,564

The aging analysis of trade and other payables at the end of reporting period is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Current	**2,583**	3,663
One to three months	**–**	–
More than three months	**3,341**	5,901
	5,924	9,564

24. CONVERTIBLE BONDS

On 20 August 2007, the Group entered into an agreement with the shareholders of Greenheart Resources Holdings Limited ("Greenheart") whereby the Group agreed to acquire a 60% interest in Greenheart ("Acquisition") at a total consideration of HK$375,000,000 to be satisfied partially in cash of HK$18,000,000 and partially by the issue of HK$120,000,000 ordinary shares of the Company of HK$0.01 each ("Consideration Shares") at HK$2.00 per Consideration Share and HK$237,000,000 by the issue of convertible bonds ("Convertible Bonds") which are convertible into shares of the Company of HK$0.01 each at an initial conversion price of HK$2.00 (subject to adjustment) per conversion share during the period commencing from the completion date of the Acquisition (i.e. 8 November 2007).

The Convertible Bonds carry an interest at 4% per annum payable by the Company per semi-annually in arrears.

On 9 November 2009, followed by the approval from the independent shareholders in a special general meeting, the terms of the Convertible Bonds issued by the Company in 2007 have been altered, where the repayment date was postponed to 8 November 2010.

After comparing the discounted present value of the remaining cash flows of the existing Convertible Bonds with the discounted present value of the cash flows under the new terms, the effect of such alteration is considered as not substantial and modification accounting is adopted. As a result, the alteration of term is dealt with by adjusting the effective interest rate of the Convertible Bonds based on the carrying amount of the original balance and the revised cash flows. The adjusted effective interest rate on the Convertible Bonds is the same as the coupon rate of the bond at 4% per annum.

As written confirmation was obtained from Sino-Forest, which is the ultimate beneficial owner of HK$212,328,000 Convertible Bonds after its acquisition of HK$167,631,000 Convertible Bonds from the original bondholders on 6 February 2009, for its agreement to enter into discussion with the Company which may result in Sino-Forest supporting the Company in proposing to the holders of the Convertible Bonds a modification to the existing terms of the Convertible Bonds, which may include a further extension of the maturity date of the Convertible Bonds from 9 November 2010 to a date not earlier than 9 November 2011, pursuant to the Convertible bond instrument, alteration of terms could be induced upon obtaining consents from bondholders with over 50% of beneficial interest of the Convertible bond, as such, the total balance of the Convertible Bonds was classified as non-current liabilities as at 31 December 2009.

No conversion of Convertible Bonds has occurred since inception up to 31 December 2009.

24. CONVERTIBLE BONDS (Continued)

	Group and Company	
	2009	2008
	HK$'000	HK$'000
		(Restated)
Fair value of the Convertible Bonds upon issue	**256,849**	256,849
Equity component	**(45,234)**	(45,234)
Liability component	**211,615**	211,615
Interest charge	**45,748**	24,865
Interest paid	**(20,363)**	(10,882)
	237,000	225,598
Analyzed into:		
Current	**–**	23,485
Non-current	**237,000**	202,113
	237,000	225,598

25. DEFERRED TAX

The movements in deferred tax liabilities during the years are as follows:

	Fair Value Adjustment Arising from Acquisition of Subsidiaries HK$'000
At 1 January 2008	–
Adjustment on fair value of the timber concessions and cutting rights	74,130
As restated	74,130
Deferred tax credited to the statement of comprehensive income during the year (note 8)	(132)
At 31 December 2008 (Restated)	73,998

25. DEFERRED TAX (Continued)

	Fair Value Adjustment Arising from Acquisition of Subsidiaries HK$'000
At 1 January 2009 (Restated)	**73,998**
Deferred tax credited to the statement of comprehensive income during the year (note 8)	**(191)**
At 31 December 2009	**73,807**

26. SHARE CAPITAL

Shares

	Number of Ordinary Shares of HK$0.01 each	Amount HK$'000
Authorized:		
1 January 2008, 31 December 2008 and 2009	15,000,000,000	150,000
Issued and fully paid:		
1 January 2008, 31 December 2008	314,089,152	3,141
Issue of ordinary shares	450,000	4
31 December 2009	314,539,152	3,145

(i) In 2009, 450,000 share options pursuant to the Company's share option scheme were exercised resulting in the issue of 450,000 new ordinary shares for a total cash consideration of approximately HK$502,000.

27. SHARE OPTION SCHEME

At a special general meeting held on 22 March 2002, a share option scheme (the "Scheme") in compliance with the Listing Rules was approved for adoption by the Company. Please refer to the Report of the Directors for details.

At 31 December 2009, there were 35,120,000 share options outstanding under the Scheme.

The number and weighted average exercise prices of share options outstanding during the year are as follows:

	2009		2008	
	Weighted Average Exercise Price HK$ per share	**Number of Options**	Weighted Average Exercise Price HK$ per share	Number of Options
Outstanding at the beginning of the year	**1.43**	**14,074,000**	1.41	14,818,000
Granted during the year	**1.65**	**22,860,000**	–	–
Exercised during the year	**1.11**	**(450,000)**	–	–
Lapsed/Forfeited during the year	**1.45**	**(1,364,000)**	1.01	(744,000)
Outstanding during the year	**1.58**	**35,120,000**	1.43	14,074,000
Exercisable at the end of the year	**1.58**	**35,120,000**	1.43	14,074,000

The options outstanding at 31 December 2009 had an exercise price of HK$0.46, HK$0.80, HK$1.36, HK$1.744 and HK$1.65 (2008: HK$0.46, HK$0.80, HK$1.36 and HK$1.744) and a weighted average remaining contractual life of 3.83 years (2008: 3.41 years).

27. SHARE OPTION SCHEME (Continued)

Valuation of share options

The fair values of the options granted during the year on 5 August 2009 were calculated using the Black-Scholes Option Pricing Model. The inputs to the model were as follows:

Share price at the date of grant	HK$1.65
Exercise price	HK$1.65
Risk free rate	1.076%
Expected life	2.5 years
Expected volatility	128.28%

The Group recognized the total expense of HK$24,334,000 in relation to share options granted by the Company in 2009. No such expenses were recognized in 2008.

The Black-Scholes option pricing model was developed to estimate the fair value of the share options. The value of an option varies with different variables of certain subjective assumptions. Any changes in variables and assumptions so adopted may materially affect the estimation of the fair value of an option.

Options which are lapsed prior to their exercise date are deleted from the register of outstanding options.

28. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of the financial statements.

28. RESERVES (Continued)

Company

	Share Premium HK$'000	Contributed Surplus HK$'000	Share Option Reserve HK$'000	Equity Component of Convertible Bonds HK$'000	Accumulated Losses HK$'000	Total HK$'000
1 January 2008:	412,308	125,376	5,383	45,234	(235,616)	352,685
Prior year adjustment on cost of business combination (note 30)	41,400	–	–	–	–	41,400
As restated	453,708	125,376	5,383	45,234	(235,616)	394,085
Loss for the year	–	–	–	–	(120,932)	(120,932)
Share options lapsed	–	–	(30)	–	30	–
31 December 2008 and 1 January 2009 (Restated)	453,708*	125,376*	5,353*	45,234	(356,518)*	273,153
Loss for the year	–	–	–	–	(75,302)	(75,302)
Issue of new shares (note 26)	664	–	(166)	–	–	498
Equity-settled share option arrangement (note 27)	–	–	24,334	–	–	24,334
Share options lapsed	–	–	(471)	–	471	–
31 December 2009	**454,372***	**125,376***	**29,050***	**45,234**	**(431,349)***	**222,683**

The Company's contributed surplus, which arose from the Group reorganization on 2 July 1991, represents the difference between the nominal value of the Company's shares issued under the reorganization scheme, in exchange for the shares in the subsidiaries and the fair value of the consolidated net asset value of the acquired subsidiaries, reduced by distributions to shareholders.

Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is distributable to shareholders. The Companies Act of Bermuda also stipulates that a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium account.

* These reserve accounts comprise the reserves of HK$177,449,000 (2008: HK$227,919,000) in the Company's statement of financial position presented on page 36.

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29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to net cash used in operations

	Group	
	2009	2008
	HK$'000	HK$'000
		(Restated)
Loss before taxation		
– Continuing operations	**(96,571)**	(112,333)
– Discontinued operations	**–**	(2,784)
Adjustments for:		
Loss/(profit) on disposal of subsidiaries	**784**	(1,898)
Gain on deconsolidation of a subsidiary under winding up	**–**	(6,313)
Interest income	**(33)**	(2,102)
Interest expenses	**20,883**	22,879
Depreciation on property, plant and equipment	**2,728**	2,062
Amortization of timber concessions and cutting rights	**1,885**	657
Impairment of trade and other receivables	**330**	2,080
Impairment on investment property	**–**	1,450
Loss on disposal of property, plant and equipment	**220**	30
Profit on disposal of listed investments	**(1,066)**	–
Share options expenses	**24,334**	–
Share of results of associates	**1,725**	50,982
Operating cash flows before movements of working capital	**(44,781)**	(45,290)
(Increase)/decrease in inventories	**(17)**	2,546
Increase in trade and other receivables	**(2,276)**	(7,506)
Increase in prepayments and deposits	**–**	(482)
Decrease in trade and other payables	**(2,912)**	(5,765)
Decrease in deposits received	**(36)**	(610)
Cash used in operations	**(50,022)**	(57,107)

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Business Combination

Group

	2008 Previous Carrying Amount HK$'000	Fair Value Recognized on Acquisition HK$'000
Fair value of net assets acquired:		
Prepaid land lease payments	1,907	1,448
Cash and bank balances	10	10
	1,917	1,458
Goodwill on acquisition	–	7,624
	1,917	9,082
Satisfied by:		
Cash paid		7,416
Prepayments and deposits		1,276
Other payables		390
		9,082

Analysis of net outflow of cash and cash equivalents in respect of the acquired subsidiaries:

	2008 HK$'000
Cash	(7,416)
Cash and bank balances of acquired subsidiaries	10
	(7,406)

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Disposal of subsidiaries

	Group	
	2009	2008
	HK$'000	HK$'000
Net assets disposed of		
Equity investments at fair value through profit or loss	**–**	914
Trade and other receivables	**–**	19,759
Available-for-sale investments	**–**	6,000
Exchange reserve	**2,417**	–
Prepayment and deposit	**82**	–
Cash and bank balances	**3,019**	14
Trade and other payables	**(728)**	(6,247)
Non-controlling interests	**–**	(22,337)
	4,790	(1,897)
(Loss)/gain on disposal of subsidiaries	**(784)**	1,898
	4,006	1
(Loss)/gain on disposal of subsidiaries represented by:		
Attributable to continuing operations	**(784)**	367
Attributable to discontinued operations	**–**	1,531
	(784)	1,898
Analysis of net inflow/(outflow) of cash and cash equivalents in respect of the disposal subsidiaries:		
Cash received	**4,006**	1
Cash and bank balances of subsidiaries disposed of	**(3,019)**	(14)
	987	(13)

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Deconsolidation of subsidiary

	2009 HK$'000	2008 HK$'000
Net assets deconsolidated:		
Cash and bank balances	–	341
Trade and other payables	–	(6,654)
Net liabilities deconsolidated	–	(6,313)
Cash and bank balances of deconsolidated subsidiaries	–	(341)

30. RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION – ACQUISITION OF GREENHEART RESOURCES HOLDINGS LIMITED ("GREENHEART") DURING YEAR ENDED 31 DECEMBER 2007

During the year ended 31 December 2007, the Group acquired 60% of the issued share capital of Greenheart ("2007 Acquisition"). The 2007 Acquisition was accounted for using the purchase method of accounting and the excess of the cost of the acquisition over the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed was initially recorded as goodwill of HK$361,706,000 in the consolidated statement of financial position as at 31 December 2007.

30. RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION – ACQUISITION OF GREENHEART RESOURCES HOLDINGS LIMITED ("GREENHEART") DURING YEAR ENDED 31 DECEMBER 2007 (Continued)

The fair value of the assets acquired and liabilities assumed in the 2007 Acquisition were finalized in the year ended 31 December 2009 in accordance with the requirements of HKFRS 3 "Business Combinations" as follows:

	Finalized Fair Value Recognized HK$'000 (Restated)	Adjustments HK$'000	Previously Reported Fair Value HK$'000
Fair value of assets acquired and liabilities assumed:			
Timber concessions and cutting rights	751,012	741,672 (i)	9,340
Property, plant and equipment	11,544	–	11,544
Inventories	6,580	–	6,580
Prepayments and deposits	1,335	–	1,335
Trade and other receivables	708	–	708
Cash and bank balances	84,718	–	84,718
Trade and other payables	(5,094)	–	(5,094)
Tax payables	(3,352)	–	(3,352)
Deposits received	(23,492)	–	(23,492)
Deferred tax liabilities	(74,167)	(74,167) (i)	–
Non-controlling interests	(296,997)	(264,399) (iii)	(32,598)
	452,795	403,106	49,689
Goodwill on acquisition	–	(361,706) (i)	361,706
	452,795	41,400	411,395
Represented by:			
Cash paid	18,000	–	18,000
Direct expenses incurred	12,390	–	12,390
Long term investment	4,156	–	4,156
Ordinary shares issued	161,400	41,400 (ii)	120,000
Convertible Bonds issued	256,849	–	256,849
	452,795	41,400	411,395

30. RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION – ACQUISITION OF GREENHEART RESOURCES HOLDINGS LIMITED ("GREENHEART") DURING YEAR ENDED 31 DECEMBER 2007 (Continued)

In finalizing the 2007 Acquisition, the Directors have conducted a detailed analysis of the characteristics of the business of Greenheart and concluded that the fair value of the timber concession and cutting rights should have been calculated based on an discounted cash flow analysis, and such method meets the recognition and measurement requirement of intangible assets according to Hong Kong Accounting Standard 38 "Intangible Assets" at the date of the acquisition.

The retrospective and adjustments to the 2007 Acquisition are as follows:

i) The recognition of the identifiable intangible asset of timber concessions and cutting rights at fair value at date of acquisition, and deferred tax arising from the fair value adjustment.

ii) The fair value of consideration shares issued being determined based on the market value at the date of exchange of the acquisition.

iii) The minority share of the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed.

The following tables disclose the adjustments that have been made as a result of retrospective restatements to the consolidated statement of comprehensive income and the consolidated statement of financial position, and other significant related disclosure items as previously reported for the year ended 31 December 2007.

30. RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION – ACQUISITION OF GREENHEART RESOURCES HOLDINGS LIMITED ("GREENHEART") DURING YEAR ENDED 31 DECEMBER 2007 (Continued)

(a) Effect on the consolidated statement of comprehensive income for the year ended 31 December 2008:

	Notes	Year ended 31 December 2008 Equity Holders of the Company HK$'000	Non-controlling Interests HK$'000	Total Equity HK$'000
Loss after taxation (as previously reported)		(103,528)	(11,031)	(114,559)
Adjustments on cost of sales	30(g)(iii)	(387)	(255)	(642)
Adjustments on tax credit	30(g)(iii)	132	–	132
Loss after taxation (as restated)		(103,783)	(11,286)	(115,069)
Effect on earnings per share		HK$0.0008		

(b) Effect on the consolidated statement of comprehensive income for the year ended 31 December 2007:

	Notes	Year ended 31 December 2007 Equity Holders of the Company HK$'000	Non-controlling Interests HK$'000	Total Equity HK$'000
Loss after taxation (as previously reported)		(130,644)	(13,872)	(144,516)
Adjustments on cost of sales	30(g)(iii)	(222)	(146)	(368)
Adjustments on tax credit	30(g)(iii)	37	–	37
Loss after taxation (as restated)		(130,829)	(14,018)	(144,847)
Effect on earnings per share		HK$0.001		

30. RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION – ACQUISITION OF GREENHEART RESOURCES HOLDINGS LIMITED ("GREENHEART") DURING YEAR ENDED 31 DECEMBER 2007 (Continued)

(c) Effect on the consolidated statement of financial position as at 31 December 2008:

	Notes	As Previously Reported HK$'000	Adjustments HK$'000	As Restated HK$'000
Timber concessions and cutting rights	30(g)(i)	9,308	740,005	749,313
Goodwill	30(g)(i),(iii)	369,331	(361,707)	7,624
Inventories	30(g)(iii)	6,201	658	6,859
Share premium	30(g)(ii)	412,308	41,400	453,708
Accumulated losses	30(g)(iii)	(306,018)	(440)	(306,458)
Deferred tax liabilities	30(g)(i),(iii)	–	(73,998)	(73,998)
Non-controlling interests	30(g)(i),(iii)	21,408	263,998	285,406

(d) Effect on the consolidated statement of financial position as at 1 January 2008:

	Notes	As Previously Reported HK$'000	Adjustments HK$'000	As Restated HK$'000
Timber concessions and cutting rights	30(g)(i)	9,333	741,306	750,639
Goodwill	30(g)(i),(iii)	361,707	(361,707)	–
Share premium	30(g)(ii)	412,308	41,400	453,708
Accumulated losses	30(g)(iii)	(202,520)	(185)	(202,705)
Deferred tax liabilities	30(g)(i),(iii)	–	(74,130)	(74,130)
Non-controlling interests	30(g)(i),(iii)	54,776	264,253	319,029

(e) Effect on the company statement of financial position as at 31 December 2008:

	Notes	As Previously Reported HK$'000	Adjustments HK$'000	As Restated HK$'000
Interests in subsidiaries	30(g)(ii)	426,848	41,400	468,248
Share premium	30(g)(ii)	412,308	41,400	453,708

30. RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION – ACQUISITION OF GREENHEART RESOURCES HOLDINGS LIMITED ("GREENHEART") DURING YEAR ENDED 31 DECEMBER 2007 (Continued)

(f) Effect on the company statement of financial position as at 1 January 2008:

	Notes	As Previously Reported HK$'000	Adjustments HK$'000	As Restated HK$'000
Interests in subsidiaries	30(g)(ii)	418,303	41,400	459,703
Share premium	30(g)(ii)	412,308	41,400	453,708

(g) Summary of the retrospective adjustments

(i) Timber concessions and cutting rights

The Group has adopted the valuation derived from discounted cash flows method to arrive at the fair value of the timber concessions and cutting rights at the date of acquisition, and accordingly retrospective adjustments have been made to timber concessions and cutting rights, goodwill, deferred tax, non-controlling interests and inventories in the consolidated statements of financial position as at 31 December 2008 and 1 January 2008, and the cost of sales for the year ended 31 December 2008 and 2007.

(ii) Cost of business combination

The fair value of consideration shares issued for the 2007 Acquisition was determined based on the market price of the underlying shares at the date of agreement, instead of the market price at date of exchange. Accordingly, retrospective adjustments have been made to share premium and goodwill in the consolidated statements of financial position, and share premium and interests in subsidiaries in the Company statements of financial position, as at 31 December 2008 and 1 January 2008.

(iii) Consequential adjustments

These adjustments have been made as a result of the retrospective restatements outlined above.

31. COMMITMENTS

	Group 2009 HK$'000	Group 2008 HK$'000
Total minimum commitments under non-cancellable operating lease for land and building due:		
As lessee		
Within one year	**2,065**	2,701
In the second to fifth years, inclusive	**71**	1,832
	2,136	4,533
As lessor		
Within one year	**–**	471
In the second to fifth years, inclusive	**–**	–
	–	471

32. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors and highest paid employees as disclosed in note 7, is as follows:

	Group 2009 HK$'000	Group 2008 HK$'000 (Restated)
Short-term employee benefits	**6,411**	6,188
Post-employment benefits	**48**	36
Equity compensation benefits	**8,568**	–
	15,027	6,224

Notes to the Financial Statements

31 December 2009

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

	Group 2009 HK$'000	Company 2009 HK$'000
Financial assets – loans and receivables		
Trade and other receivables	2,948	–
Cash and bank balances	40,916	802
	43,864	802

	Group 2009 HK$'000	Company 2009 HK$'000
Financial liabilities at amortized cost		
Trade and other payables	5,924	2,303
Convertible bonds	237,000	237,000
	242,924	239,303

	Group 2008 HK$'000	Company 2008 HK$'000
Financial assets – loans and receivables		
Trade and other receivables	796	–
Cash and bank balances	111,589	35,712
	112,385	35,712

	Group 2008 HK$'000	Company 2008 HK$'000
Financial liabilities at amortized cost		
Trade and other payables	9,564	2,294
Convertible bonds	225,598	225,598
	235,162	227,892

34. FINANCIAL RISK AND CAPITAL MANAGEMENT AND ESTIMATION OF FAIR VALUES

a) Financial risk management

The Group's activities expose it to a variety of financial risks, which include market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group does not have any written risk management policies and guidelines. The directors monitor the financial risk management of the Group and take such measures as considered necessary from time to time to minimize such financial risks.

i) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates. The Group mitigates this risk by conducting the sales and purchases transactions in the same currency, whenever possible.

Foreign exchange rate sensitivity analysis
As United States dollars are pegged to Hong Kong dollars, in the opinion of the directors, the Group does not expect any significant movement in this exchange rate.

ii) Interest rate risk management

Convertible Bonds with fixed interest rates are the only financial liability of the Group. Therefore, the Group is not exposed to significant fair value interest rate risk due to the short maturity of the items. The Group currently does not have an interest rate hedging policy and will consider enter into interest rate hedging should the need arise.

34. FINANCIAL RISK AND CAPITAL MANAGEMENT AND ESTIMATION OF FAIR VALUES (Continued)

a) Financial risk management (Continued)

ii) Interest rate risk management (Continued)

Interest rate sensitivity analysis
The sensitivity analysis below has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rates for financial instruments in existence at that date. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, there would be no impact on the Group's loss for the years ended 31 December 2009 and 31 December 2008 and the accumulated losses as of 31 December 2009 and 31 December 2008.

iii) Credit risk management

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful trade and other accounts receivable based upon the expected collectibles of all trade and other accounts receivable.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the statement of financial position.

Cash is held with financial institutions of good standing.

iv) Liquidity risk management

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

34. FINANCIAL RISK AND CAPITAL MANAGEMENT AND ESTIMATION OF FAIR VALUES (Continued)

a) Financial risk management (Continued)

iv) Liquidity risk management (Continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2009	
Group	**Within 1 year HK$'000**	**Total HK$'000**
Trade and other payables	**5,924**	**5,924**
Convertible bonds	**244,900**	**244,900**
	250,824	**250,824**

	2008	
Group	Within 1 year HK$'000	Total HK$'000
Trade and other payables	9,564	9,564
Convertible bonds	237,000	237,000
	246,564	246,564

	2009	
Company	**Within 1 year HK$'000**	**Total HK$'000**
Trade and other payables	**2,303**	**2,303**
Convertible bonds	**244,900**	**244,900**
	247,203	**247,203**

	2008	
Company	Within 1 year HK$'000	Total HK$'000
Trade and other payables	2,294	2,294
Convertible bonds	237,000	237,000
	239,294	239,294

34. FINANCIAL RISK AND CAPITAL MANAGEMENT AND ESTIMATION OF FAIR VALUES (Continued)

b) Management of capital

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings less cash and cash equivalents. Capital includes convertible bonds and equity attributable to equity holders of the Company.

c) Estimation of fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash at bank, trade and other payables) are assumed to approximate their fair values.

35. COMPARATIVE AMOUNTS

As further explained in note 30 to the financial statements, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated. In addition, as a result of the application of HKSA 1 (revised) as detailed in note 2, certain comparative amounts have been revised to conform to current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 26 March 2010.